



# CURRENT HISTORY

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## The Issue Between the United States and Russia on Recognition

CURRENT HISTORY presents herewith the official viewpoint of Russia and the United States on the issue of recognition.

Leon Trotsky, former War Minister of Russia, recently restored to a high executive position in the Soviet Government and to membership in the *Politburo*, the controlling body of the Russian Communist Party, and today the most influential personality in Russia, prepared an article for CURRENT HISTORY which embodies the careful, reasoned official Russian viewpoint of the attitude of the United States toward the resumption of diplomatic relations with his Government.

Mr. Trotsky's article was submitted to the highest authorities in the Government of the United States, and also to several eminent Americans who were invited to express themselves regarding his statements. The American official viewpoint was expressed by two of the highest authorities in our Government, but for obvious reasons their identity cannot be disclosed by the Editor. Replies to Mr. Trotsky were also received from the following eminent Americans: Judge Elbert H. Gary, Chairman of the United States Steel Corporation; Colonel E. M. House; United States Senator Walter E. Edge, a member of the Foreign Relations Committee of the United States Senate; and Irving T. Bush. These replies are printed in this issue.

Captain Paxton Hibben, who recently returned from Russia, and who is recognized as one of the leading American champions of recog-

dition by this country of the Soviet Union, also contributes to this issue an article on the subject of "Russia's Restoration as a World Power," which was written and accepted for publication before the article by Mr. Trotsky was received.

## The Russian Position

By LEON TROTSKY

Chairman of the Chief Concessions Committee of the Soviet Government

**A**MERICAN journalists have often asked questions of late about the economic situation of our Union and the possibilities of relations with the United States of North America. Though frequent interviews take time, and we also are learning to value time, none the less I welcome this persistency of American journalists. Why? Because, judging by the leading newspapers of the United States, one must recognize that until now American public opinion has been very poorly informed as to what is going on in Russia and has not the slightest idea of the economic prospects that are opening up there.

I recently received a letter from the President of the Moscow Electric Power Trust, who is now in New York. He expressed amazement over the ignorance of the American public regarding the Soviet Union. "Above all," he writes, "one must be surprised that even those Americans who wish to have business relations with us do not know the condition of affairs in our Union—neither the actual development of our industry, nor our economic plans, especially in electrification, nor finally our social conditions. I meet in New York very serious business men, managers of enterprises known throughout the world. These business men have been until recently sincerely imbued with all the fictions related of us in the past years. One must say, however, that a certain turn has come. Press reports from inspired channels are no longer trusted with such innocent naïveté, and people are ceasing altogether to believe the White émigrés, who are called here 'former Russians.' Our presence here calls forth in business circles a great interest, not so much from the point of view

of our immediate purchases, as from the point of view of correct economic information leading to future business. We have here, of course, to deal chiefly with the representatives of the electric industries. They are attentive listeners. Our figures, of course, are not of American size, but competent people realize what it means to raise the consumption of electric energy in the Moscow district from 185,000,000 kilowatt hours in 1916 to 325,000,000 in 1924. Every one here demands figures, and the data we have with us shows its immediate effect."

As regards Russia, it must be said that we have fed ourselves on information of better quality. Just because of that, we have never doubted for a moment that there must come a turn. We appreciate the language of figures no less than the Americans, and month by month and year by year we have followed the economic life of the powerful transatlantic republic. To us it has been quite clear that the gigantic development of productive powers forced by the war, and the unheard of influx of gold which it called forth, would in the end place before the capitalist circles of the United States the problem of a foreign market and that this problem would attain dimensions and an acuteness such as it has never had in the history of the capitalist world. Productive powers that do not find active application and gold reserves that lie as dead or half-dead ballast in bank vaults become changed imperceptibly from a source of power to a source of weakness. And no matter what statesmen who do not like Bolshevism may say, the capitalistic circles of America will become convinced that for them there is no more fruitful and

promising market for goods and capital than the Soviet Union.

I would advise Americans to study the so-called Collected Tables of our controlling estimates published by the State Planning Commission on Aug. 20, 1925. This table, which draws up all our work in the language of figures, tells us that in the economic year of 1925-26 we shall reach both in agriculture and industry the pre-war standard of production. This standard is not very high. But of us it was written that we had destroyed the old economic life from its foundation and destroyed it beyond hope of restoration. Another assertion had this truth in it—that as a result of war, revolution and civil war, our agriculture fell to about one-half the pre-war standard, while industry and transport were dropping in the most difficult years to approximately one-fifth of pre-war activity. So much more striking the rebound! At present, we are approaching the restoration of our pre-war stand-

ard and this result has been gained under conditions of blockade, which, in weakened form, is maintained even today. We received no loans from any source. We did not use even ordinary merchandise credits till very recently. We got to our feet with our own resources. Leaving behind us now the difficult period of restoration—the most difficult period—our country, with incalculable natural wealth, with 130,000,000 population, awakened to initiative and activity, has every reason to expect a powerful economic rise.

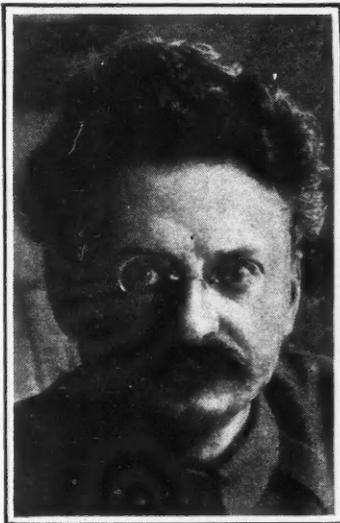
Already our first economic achievements have drawn us into the world division of labor. This process will grow in the next years in geometric progression. According to the most modest calculations the turnover of our foreign trade, which this year reached 1,000,000,000 rubles, will next year reach not less than 1,200,000,000. This figure by itself is still very modest,

but it gives the idea of the rate of our future development.

Our trade with the United States grows. This circumstance even permits some oversophisticated folk to insist that there is really no need of recognition and proper diplomatic relations. Peculiar idea! As if a doctor, watching a baby growing in weight in a room with closed windows, should conclude that fresh air is useless.

A healthy organism endures bad conditions; but that does not justify bad conditions. Powerful economic demands blast a way for themselves in spite of barriers placed in their way by false politics, but in no way does that justify false politics. Economic relations with America would grow incomparably faster under correct and stable relations.

I have no intention in this business discussion to invade American politics. But I cannot but express my perplexity over one of your statesmen, who said: "The Government of the United States does not



LEON TROTSKY

support trade with Soviet Russia, nor does it hinder it." The amazing formula is in fact borrowed from the British Government, whose members have more than once displayed their "neutrality" toward Anglo-Soviet trade. We should be grateful to have the meaning of this explained to us. One can understand how a Minister of Trade may take a position of neutrality toward the Einstein theory or the struggle of two schools of art. But the neutrality of a Minister of Trade toward a trading interest of his own country hardly agrees with the nature of things.

What, in fact, is hidden behind this formula? As regards England it is clear to us. There the Government, for rather doubtful political motives, has chiefly been engaged of late in undermining the economic relations between Great Britain and the Soviet Union; and this by no means neutral policy, which can only help

the further growth of unemployment in England, is disguised by British Ministers under the intrinsically bankrupt formula of neutrality. But what does the formula mean in America? We wish to believe it only an unsuccessful parody of the mother country. Such unsuccessful parodies are sometimes met with in the United States.

A poor political policy hinders the development of economic relations, but fortunately is incapable of completely paralyzing them. We note this with complete satisfaction. The interest of American business circles in the Soviet Union is growing. I have no need to recall the Harriman concession. At present we are in the stage of negotiation with very large American firms in various spheres regarding concessions.

As a curious incident which throws light on the artificial hindrances to Soviet-American relations, I may mention the following case: A director of a well-known American firm expressed his readiness to come to us for negotiations, but demanded for himself "extraterritorial rights." We only exchanged glances in the Concessions Committee, shrugged our shoulders and failed to answer this more than peculiar telegram.

I received an explanation of the sense of this telegram several weeks ago from the director of one of the largest American banks who was touring the Soviet Union with his wife. This American financier, risking such a courageous trip without extraterritorial rights, told me with laughter how one of his friends pleaded with him not to subject himself, and especially his family, to the perils of such an adventure! Truly, it is time for all well-intentioned American journalists to dissipate this unworthy hallucination!

#### VAST FIELD FOR AMERICAN CAPITAL

I am frequently asked in what spheres can American capital find application in our country. I, for my part, am ready to turn the question. Let them show me any large sphere of economic activity in which American capital cannot find profitable application in our country. I have spoken about this several times on specific occasions. The interested firms will

find all necessary information in the Commissariat for Foreign Trade, the Chief Concessions Committee and our other economic organizations. Here I will only draft the chief lines of possible development of economic relations.

We are beginning to renew the equipment of our factories and mills and to build new industrial enterprises. For this purpose we have set aside 900,000,000 rubles in the coming year. This amount of capital expenditure is very modest, but its modesty is explained by the fact that we figure exclusively on our own resources. Under conditions of credit or investment of foreign capital our market would without difficulty absorb two or three times that figure. And I speak here only of the immediate needs of industry, not touching agriculture, or transport, or those State enterprises whose construction goes beyond a single year.

Of the latter one may first mention the Dnieper power plant, a project which opens a wide field for foreign capital. I returned recently from the Dnieper cata-racts, where a commission is verifying on the spot the preparatory work for this future hydroelectric construction. The cost of dam and power plant will be about 130,000,000 rubles in the first instance; the station when developed will give 500,000 kilowatts. The project is closely bound up with the program for re-equipping the southern metal industry and the creation of new mills for ferro-manganese, electrically refined steel and aluminum. The whole program will require 375,000,000 rubles.

In our planning organizations we are working out simultaneously several other projects fully as important, such as the Ural-Kuznets combine, which aims to unite the Ural metal industry with the coal of the Kuznets basin. In this program are included the building of metallurgical, machine-building and copper-smelting works in the Urals and metallurgical works in the Kuznets basin, an extension of the system of mines there, the erection of electric power plants and the building of new railroad lines over 6,000 kilometers. The initial expenditures will be 250,000,000 rubles.

To unite by waterways the Baltic, the Caspian and the Black Seas a project for improving the old canals is being worked out, together with the digging of new canals, the creation of new port equipment, the building of a sea and river fleet and dredges. The initial work here requires about 200,000,000 rubles.

As regards agriculture, there are being worked out projects embracing the whole of the central black earth region and the middle Volga Valley. The scheme includes great irrigation works, building of new railroads (about 6,000 kilometers), erection of elevators and a system of refrigeration. The plan demands in the first five years no less than 750,000,000 rubles.

I touch here only on those works which extend beyond the limit of a year's budget. All these projects have grown, and are growing, out of the actual economic conditions of our life. Some of them were contemplated and plans begun during the Czar's régime. Their profitableness is beyond doubt. And since they are carried out at the initiative of the State their internal connections are insured in the highest degree. The preparatory work of the Dnieper power plant, in particular, has been conducted with a scrupulousness of attention to topographical, geological and hydrological investigations with which such an enterprise has rarely before been prepared. Yet we intend to subject these projects to additional examination by foreign hydroelectric technicians, and we do not doubt that among American engineers we will find especially competent experts of this kind.

#### HARMONIOUS COOPERATION POSSIBLE

One American newspaper rebuked me for "keeping silent" about the competition of the Soviet Union and the United States in the market of agricultural produce. Strange rebuke! No one has claimed that the interests of the United States and of the Soviet Union are in absolute harmony. If the United States is expecting a partner with absolute and permanent identity of interest it will not find one anywhere. Suffice it to say that in one—and a most important—sphere there exists complete possibility of harmonious work. America must open for itself a wide field for the

application of its capital and technical ability; the Soviet Union needs American capital and technical ability to increase its rate of development. For good capital and good technique the Soviet Union is ready to pay good dividends. This is not absolute harmony, but in our imperfect world one should not reject even relative harmony.

However, even in the matter of agricultural exports, the matter is not so simple. The size of our agricultural exports, other things being equal, will be the greater, the more slowly our industry develops and vice versa. A rapid rate of industrial development will greatly increase internal consumption of agricultural products. The United States knows this from its own experience.

One more objection I meet both in American and European circles. It reduces to the complaint that the conditions for applying foreign capital in our country are unfavorable, and that concessions especially find great difficulties. We do not deny that the experience of the past gives certain reason for these complaints, which are, however, much exaggerated. It is necessary, however, not only to look at yesterday, but also at today, and even to foresee tomorrow. Even our own mills, factories and mines worked until recently very badly. Our exchange suffered a catastrophic fall. Our transport was on the eve of complete paralysis. It is natural that these exceptionally difficult economic conditions should be unfavorably reflected in our concessions policy. To this we must add our generally poor administrative organization. No one, I hope, will deny that in both these spheres tremendous successes have been achieved and that conditions are improving from month to month. It is necessary, however, to add that even in the most difficult years no one dealing with us could complain of the violation by us of this or that agreement, or the non-fulfillment by us of obligations taken, or the protesting of any note due for payment. Protested notes of the Soviet Government organs have not been in the world market, and, I venture to think, never will be.

In the actual functioning of concessions, the Government of the Soviet Union has in

recent months taken measures to eliminate certain unnecessary difficulties and obstacles. The Chief Concessions Committee, strengthened by workers with international, economic, administrative and financial experience, has now been given the duty of following up the actual functioning of concessions in Russia. From now on, a concessionaire has one central address, to which he may send all proposals, claims, demands. The Chief Concessions Committee approaches questions, not only from the standpoint of the formal letter of the agreement, but from the standpoint of the actual economic situation of the concession, which, by its very existence, has a right to expect returns. The Chief Concessions Committee is working to eliminate delays in the examining of concession proposals and to assure to each active concession sound conditions of existence. For example, in view of the unfavorable condition of the world market for timber, we are now re-examining our agreements with the timber exporters, long before the ter-

mination of their concessions, with a view to insuring them profitable returns.

With this I close. The sound logic of economic fact is stronger than the bad logic of Lord Ministers. This we do not doubt for a moment. But the Lord Ministers are still powerful enough to hold back in time that which is to be. And time lost is pity. Our incalculable natural wealth demands the application of American technique. True, as regards gold, platinum, silver, other metals, coal, oil and other mineral wealth—these products at least are not spoiled by time, and some even increase in value. But that cannot be said of timber. The unused generations of forests, one after another, rot to the core. It cannot be said of water; the free power of the Dnieper rapids and other rivers runs unproductively away to the ocean. And it cannot be said of time. Time is a raw material which cannot, unfortunately, be hoarded. Time is money, you Americans say. Well, that is true. One must add only: lost time is lost money.

## Views of the Soviet Foreign Minister

LATE in December, 1925, George Tchitcherin, Foreign Minister of Soviet Russia, accorded an interview to the press during his sojourn in Paris. Specific questions were presented to him in writing and answered by him categorically. Among these questions were two of special international importance—one bearing on the bonded obligations of the Soviet Government and the other on the relations of that Government with the Government of the United States. The views of the Soviet Foreign Minister follow:

Our economic relations with America are beginning to develop. This, indeed, is perhaps one of the obstacles to the resumption of diplomatic relations, for the United States reasons thus: "Why diplomatic relations when we already have economic relations?" But when we resume diplomatic relations with America, our economic relations with her will increase immensely; and that is even one of the reasons why it would be dangerous for those European States that do not wish to lose their future opportunity for economic relations with us, to wait until the resumption of diplomatic relations between Russia and the United

States opens the door wide to commercial relations.

Even now we have economic relations with the Americans; for example, the Harriman manganese concession is one of considerable importance; it is perhaps the second largest undertaking in the world in respect to the exploitation of manganese. Similarly, the Lena Goldfields concession, which we recently signed with American investors for precious metals, gold and otherwise. A large part of Eastern Siberia falls under this concession, which has a vast scope for its activity, and those who signed it fear nothing for their capital. A part of the American economic world is doing an enormous volume of business with us and is profiting by it.

Every obligation that has been concluded between the new régime and any and all other groups or individuals has full force and vigor. No one has ever disputed this and we have always declared with the greatest earnestness that all obligations assumed by our régime remain and will remain intact. \* \* \* The old world existed in Russia, now the new world exists. All responsibilities which the new world took upon itself will always retain full force. Are risks involved in the new world as in the old? We deny that any such risks exist.