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**SOVIET TRADE
AND WORLD DEPRESSION**

BY THE SAME AUTHOR

THE SOVIET FIVE-YEAR PLAN

THE BODLEY HEAD

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SOVIET TRADE AND
WORLD DEPRESSION

BY

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INTRODUCTION

SUFFERING from an economic crisis of unexampled intensity, the capitalist world to-day has turned its eyes upon the Soviet Union with more curiosity than ever before. What effect has the world depression had upon the Soviet Union and what effect has the Soviet Union had upon the world depression? Never in modern history has the international struggle for markets been so severe. In this struggle, what are the advantages and what the disadvantages of the sort of planned national economy obtaining in the Soviet Union, with its Foreign Trade Monopoly, as compared with the unplanned private capitalist economies of the outside world, with their mutually competitive producers and traders?

Free Trade versus protection once more has become a prime topic of political debate and conflict. As the economic crisis increases in severity, this debate assumes wider boundaries and especially on the Continent. There, practical politicians as well as academic economists are coming to realize that the conflict between free economy and State-controlled economy is the decisive conflict of the world crisis. In this conflict the determining factor may prove to

be the fact that there already exists in the world one system of completely controlled economy—the Soviet Union. Will it be possible in the long run for the non-controlled systems to compete successfully with the controlled system? Does the existence of the one controlled system slowly press the non-controlled systems toward surrender of freedom in favour of efficiency? A study of the two systems at their points of contact, as undertaken in this report, may be of some value in working toward an answer.

Posed thus the question is one of dry abstractions. Behind the dull abstractions, though, is going on what may literally be described as the most gigantic economic struggle of modern times: the struggle between the Soviet Union and the rest of the grain-producing world for the European market. Some aspects of this struggle are recorded in this volume.

Most observers will agree that the most important event of post-war history was the establishment and stabilization of the Soviet power in Russia. For the outside world the most important step in that event was the inauguration of the Five Year Plan, now in its third year. The success of the Five Year Plan appears bound to influence decisively the future of Europe. And the most paradoxical characteristic of the Five Year Plan is its dependence upon and effect upon the unplanned private capitalist economy of the non-Soviet world.

Initiated to exclude the periodic depressions that

overtake the private capitalist system, the Five Year Plan has suffered and has gained from the present world crisis. Designed in the long run to promote the development of a Communist state that will challenge the existence of all non-Communist states, the Five Year Plan has nevertheless forced postponement of the decision to a future date. To investigate from the outside the reciprocal relationships of the Soviet Union under the Five Year Plan with Europe under the depression, was the purpose of the author's trip through the Continent. It proved equally interesting to examine the actual volume and character of Soviet trade at the ports of entry in Europe and to inquire in the capitals and industrial centres into the official and popular attitude of the bourgeois world toward trade with the Soviet Union. If the impressions herewith recorded have any novelty it lies in the fact that they do not often coincide with the opinions commonly held of the non-Soviet world's attitude toward the Soviet Union.

Since the last of these articles written for the *New York Evening Post* and *Philadelphia Public Ledger* appeared, the economic crisis has worsened. The latest Soviet foreign trade figures, now obtainable, supplement and complete the phase of this report dealing with the effect of the crisis on the Soviet Union. The continued fall of commodity prices expressed itself for the first six months of 1931 by an

excess of 151,020,000 gold roubles of Soviet imports over exports, although some of this passivity may be ascribed to the further extension of credits to the Soviet Union by some European countries, notably Germany and Italy. In the first six months of 1931 the Soviet Union had to export in volume 110 per cent of the exports for the same period in 1930 in order to obtain in value a sum equal to only 78 per cent of the value of the exports in the first six months of 1930. But the full extent of the Soviet Union's export effort and the degree to which that effort has been forced by the capitalist crisis may be even better appreciated by a comparison with 1929. Soviet exports for the first six months of 1931 represent in volume 175.4 per cent of the volume in the first six months of 1929 but in value they represent only 90 per cent of the value of exports in the first six months of 1929. This is a "crash" not so spectacular but fully as meaningful as events in the non-Soviet world.

There, the collapse of the Austrian Credit-Anstalt, the July closure of the banks in Germany, the succession of national insolvencies, the fall of sterling, and the Franco-American "battle of gold" have deepened lines of conflict sketched earlier in the year. Some forecasts have been fulfilled and in the chapters on France it may be noted that the rapprochement between Paris and Moscow has made progress since the prophecy was hazarded

that French restrictions on Soviet trade would be abandoned.

Though the last few months have been crowded with events of more than usual importance nothing has occurred to amend the significance of Soviet trade for the world. Interest in Europe is greater than ever in the question "What does the capitalist world intend to do about the Soviet challenge?"

What it has done so far, as recorded in part in this report, may throw some light on what may be expected in the future.

H. R. K.

Berlin, October, 1931.

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