

CHAPTER XIV

The Need for Action

Article 23 of the Covenant—Convention against Forced Labour—Help given by other countries to the Five Years' Plan—Experts—Credits from private sources and under Government guarantee—An unprecedented menace to standards of life elsewhere—'Dumping' clearly proved—Action taken by other countries—Need for International action.

THE foregoing pages, it is hoped, have made clear something of the extent to which the Russian people are enslaved. There is widespread exploitation of the labour of sentenced persons under varying conditions of severity. Millions of peasants have been torn from their homes and sent to heavy compulsory labour under rigorous climatic and other conditions. There is rapidly increasing conscription of the labour of ordinary people, men, women and children, under regulations so framed as to extort the last ounce of effort from an undernourished population; and it is openly stated that this conscription is to continue.

Cynics may say that the conditions of life in Russia concern only the people of that country, and that if Russians are to be free they must achieve freedom themselves. Such a view will not satisfy those who remember that Article 23 of the Covenant of the League of Nations binds its members to 'endeavour

to secure and maintain fair and humane conditions of labour for men, women and children, both in their own countries and in all countries to which their commercial and industrial relations extend; and who are aware that, under the auspices of the International Labour Office, a Convention has been recently drawn up under which signatory nations agree to 'suppress the use of forced or compulsory labour in all its forms within the shortest possible period.'¹ The draft Convention received the warm support of representatives of Germany, France and other countries, and it has been ratified by the United Kingdom. The cynical attitude is, therefore, impossible for those at least who support the League of Nations and uphold the principles on which this Convention is based.

It is further impossible to ignore the fact that the responsibility for the enslavement of the Russian people is not entirely confined to Russia's rulers. The Five Years' Plan has been the immediate occasion of their exploitation, and the Plan has, as we have seen, been assisted and directed by the services of thousands of foreign experts, chiefly, it is said, German and American, though some are Italian, French, or British. Its finance is also assisted by credits from banks and industrial firms in the United States, and in Germany, Italy, and Great Britain, from similar sources under Government guarantees.² Contracts made in the United

¹ Though during a period of five years such labour is to be allowed under strict limitations in Colonial dependencies, no women or young persons are to be so employed, and no man for more than sixty days in the year.

² Our Export Credits scheme was extended to Russia in July 1929.

Kingdom under this Export Credits' scheme amounted to £8.3 millions to August 22nd, 1931, but the total credits granted from British sources to date are said to amount to some £35 millions.¹ Russia's total indebtedness for these foreign credits is estimated at over £100 millions.² On an average British credits have been longer than German or American,³ and in July 1931 British Government guarantees were extended to thirty months on orders to the heavy industries.

Can those in any country who value liberty regard such a position with equanimity? Are the citizens of the United Kingdom in particular to tolerate any longer the guaranteeing by taxpayers' money of a system so utterly repugnant to British traditions?

But the interest of Britain and Germany, and indeed of all civilised countries, in this matter, does not end here. The conscription of labour of a nation of 160 millions, inhabiting a country of unbounded natural resources, and the direction of that labour by twentieth-century science and business capacity, operating twentieth-century machinery, is a menace of an unprecedented nature to the standards of living of workers in every country to which the products of such labour are admitted.

More especially will this be realised when it is remembered that in addition to the wholesale utilisation of forced labour, Soviet currency, as we

¹ This is said to include some £12 millions of credits for purchases made by Russia in other countries.—Note by Mr. Shenkman.

² Shenkman, *The Statist*, June 6th, 1931.

³ i.e. to April 1931, they averaged 12.5 months here, as against 10.8 in Germany, and 7.5 in the United States. *Ibid.*, April 11th, 1931.

have seen, is very seriously depreciated, that the Soviet Government is making use of confiscated buildings and plant for which no compensation has been paid, and that it has repudiated the debts of Tsarist Russia.

It is obvious, therefore, that Soviet rulers can export at prices which bear no relation to true value, and under conditions wholly without precedent. They have attempted, however, to defend themselves against the charge of 'dumping' on the ground that 'the simple calculation of costs of production *vis-à-vis* price, applicable to capitalist countries, cannot be applied to Soviet Russia, where the State is both internally and externally the omnipotent price regulator.'¹ This amounts to a claim that Russia, on account of her form of Government, should be judged by standards which obtain in no other country. If this contention be accepted, other countries whose trade is being destroyed by Russian competition may well claim to meet that competition by special methods.

But an authoritative definition of 'dumping' is that it means sale for export at lower prices than those charged at the same time and under like circumstances to buyers on the domestic market,² and Mr. Litvinoff, Soviet delegate to the European Commission which met in Geneva in May 1931,

¹ Statement by Mr. Rosenholz, Commissar for Foreign Trade, in an interview reported by the Soviet Telegraphic Agency, September 1930.

² This is the definition given by Jacob Viner, Professor of Political Economics at Chicago University, in a *Memorandum on Dumping*, drawn up for the Preparatory Committee for the International Economic Conference convened by the League of Nations.

appeared to accept this definition as regards other countries. While claiming, however, that special conditions made Russia's agricultural production cheaper than that of her competitors, he omitted any mention of prices on the Russian home market, and emphatically repudiated the charge of dumping.

Judged by Professor Viner's standard, the case against Russia is overwhelming. The price of her exports under the conditions described above could hardly fail to be below those offered by any other European country. When these are compared with those prevailing in her home market the extent of the 'dumping' becomes clear. Some prices recently charged for food stuffs in Russia have been given on pages 168-9.

They should be compared with the following average prices at which these commodities were imported into the United Kingdom in 1930 and for such months of 1931 as figures are available:

	1930			First 8 months of 1931 ¹		
	£	s.	d.	£	s.	d.
Wheat per cwt.	0	6	1	0	4	9
Butter per cwt.	6	1	6	4	9	4
Eggs (per gt. hundred)		7	4		5	9
Poultry and game (dead) per cwt.	4	9	3	3	13	1 ²
				First 3 months of 1931 ³		
Bacon per cwt.	4	2	7	2	7	4
Canned salmon per cwt.	4	18	11	3	11	1
Other fish per cwt.	5	4	7	2	11	7
Soap per cwt.	1	6	7	1	13	3

¹ Trade and Navigation Returns, August 1931. ² Poultry only.

³ Parliamentary reply by the President of the Board of Trade, July 22nd, 1931.

How can dumping be denied in the face of so huge a disparity between Russia's internal and external prices? In view of the scarcity in 1930 and 1931 of all food stuffs, and of commodities such as soap, textiles and chemicals, it is safe to say that, where any of these were sold abroad during this period, they were 'dumped.'

The process in the case of Russia is all the more objectionable in that, owing to the Soviet Government's control of practically all wholesale trade, the high prices fixed by them for the home market bring in a large revenue. At least when the private trader in other countries dumps, he has first made his profit by satisfying his country's needs, not by depriving them of necessaries of life.

This sale abroad of products, both agricultural and industrial urgently needed at home, disposes of the argument advanced by Soviet apologists that Russia is exporting in order to raise the standard of living of her people.

Dumping is equally evident in regard to industrial products generally. In 1913 these cost on an average 100 units in Russia as against 62 in Britain, 55 in Germany, and 59 in the United States. In 1928-9 the wholesale prices of goods supplied by State industry and trade in Russia were about 80 per cent. higher than in 1913, and retail prices 107 per cent. higher. During 1929-30 prices increased sub-

¹ This was estimated by a leading Communist economist in 1928 to be at least 500 million roubles (£50 millions sterling) annually. Owing to the great rise in internal prices mentioned below the figures to-day must be very much higher. (Baikaloff, p. 258, quoting a paper by Professor Varga.)

stantially,¹ while in other countries there was a marked decline.

Wherever, therefore, Russian goods are offered at lower prices than in other countries there is a *prima facie* case for suspecting dumping. The fact that the rouble has no value abroad drives the Soviet Government to export below cost, in order to procure foreign currency with which to purchase the ships and machinery demanded by the Plan.

The effect of this policy has been felt in all countries competing with Russia's primary products, but Britain, with her free market, is the chief field for Russian exports,² though by no means first on the list of countries with which Russia places orders in return.³

¹ 'The Foreign Trade of Soviet Russia,' *The Statist*, June 6th, 1931.

² Soviet Customs Returns show that 23.6 per cent. of all Russian exports in 1929-30 came to Great Britain, but Mr. Shenkman, in *The Statist*, estimates that taking into account 'huge quantities of timber, grain, hides, and skins, asbestos, manganese, etc.,' consigned to Latvia, Germany and Holland, and which were finally sold in London, this country ultimately absorbed no less than 30 per cent. of the total (May 2nd, p. 715). The next largest purchaser of Russian exports was Germany, which took 21.8 per cent. We took 33 per cent. of all Soviet wheat exports, 35 per cent. of the rye, 75 per cent. of the barley, 39 per cent. of the oats, 80 per cent. of the butter, 54.9 per cent. of the sawn timber, 44.5 per cent. of the tinned goods, 22.1 per cent. of the oil products, and 59.4 per cent. of Russia's carpets. Imports of Russian cotton increased from 443,600 lbs. in 1929 to no less than 49,752,300 lbs. in the first three months of 1931; of canned salmon from 363,849 cwts. in 1928 to 536,240 in 1930; and of other fish from 10,979 cwts. to 54,585. Most Soviet imports are consigned to Russian Trade agencies in importing countries, which take great pains to dispose of them. Wheat imports in 1930 were one-fifth more than the average for 1909-1913, and the rate in 1931 so far is very high. A special company in which Arcos Ltd., Centrosoyus (the Central Union of Soviet Wholesale Co-operative Societies), and the British Co-operative Wholesale Society are principal shareholders, exists in order to import Russian wheat into Great Britain. The British co-operative movement is thus organically connected with the Soviet system of purchase and supply of grain.

³ Great Britain sold to Russia in 1929-30 less than one-third of the value of the sales made by either the United States or Germany (*The Statist*, April, 11th, 1931).

The credits given since 1929 to assist Russian purchases in the United Kingdom have not prevented a trade balance against us since then of nearly £37 millions.¹ Russian imports into this country between January 1921 and March 31st, 1931, inclusive, totalled £199,084,239; exports from the United Kingdom to the Soviet Union in the same period were only £91,090,852.² This makes a balance against us of £107,993,387 in ten and a quarter years. Though something may have to be deducted for freights, insurance, and commissions on business transacted in this country,³ these payments are more than counterbalanced by increase of Soviet indebtedness.⁴

British agriculture, in particular, has already been severely affected by imports of Russian cereals and fruit-pulp. But cereal exports from Russia last year were not more than half what it is admittedly hoped to export in the year 1932-3.⁵ The Wheat Conference held in London in May 1931, at which Soviet delegates were present, agreed that, 'where possible,' a reduction in the areas devoted to wheat should be undertaken in whatever way each country considered to be most effective and practical. Yet the area sown to wheat in the Soviet Union down to July 1st, 1931, was 9.9 per cent. more than

¹ i.e. £36,771,202. Parliamentary reply by the President of the Board of Trade, July 7th, 1931.

² Board of Trade Returns.

³ No figures exist at the Board of Trade which enable the invisible exports to be shown for separate countries.

⁴ Shenkman, *The Statist*, April 25th, 1931.

⁵ i.e. 4.8 million tons as compared with 8 or 9 million tons. See note, p. 3.

last year.¹ And the Central Committee of the Communist Party has recently decided that next winter's sowing of wheat shall increase from 12,600,000 hectares to 15 million, i.e. an increase of 5,600,000 acres.²

The fears raised by such continuous extension cannot be allayed by the statement that Russian wheat exports have not yet reached the pre-war level. When these exports ceased after the Revolution other countries necessarily increased their production. Russia's area under grain of all kinds in 1929-30 exceeded the 1913 area,³ and this year's figures again mark an advance. By far the larger part of the area is under wheat. Russia's re-entry into world markets, with a jump from 98,000 tons of cereals exported in 1928-29 to 2,266,000 tons in 1929-30 offered at knock-down prices,⁴ necessarily had a devastating effect. By December 31st wheat exports alone amounted to 2.5 million tons for the year. But in view of the reserves mentioned by Mr. Lubimoff the quantities offered in the near future may be much larger.

Countries producing sugar and cotton are also likely to be seriously affected, since the sugar beet sown in the spring of 1931 is 130 per cent. of last

¹ So says the Soviet *Moscow News*, July, 13th, 1931.

² *Ibid.*, June 23rd, 1931.

³ i.e. an increase from 102.7 million hectares in 1913 to 103.4 million hectares in 1929-30. The total yield of grain increased from 816 million cwts. to 874 million cwts. Birmingham University *Memorandum*, p. 4.

⁴ The first sample of Russian wheat arriving in England in 1930 was offered at 34s. 6d. the quarter, the corresponding Canadian wheat being quoted at 37s. 4½d. (*Corn Trade News*, July 7th, 1930). Russian figures are still (August 1931) below others for oats and barley as well as wheat.

year's growing, and the cotton 150 per cent.¹ Plans are being laid for more thorough harvesting than in 1930 of all crops, for harvesting by night as well as by day,² and for a bigger winter sowing.³

Finally a recent Decree⁴ orders an immediate and huge increase in live-stock of all kinds, on state and collective farms.

But the blow will not only fall on agriculture. The Plan aims at ever-increasing quantities of industrial exports. Russia has proclaimed her intention, as we know, of reaching the second place among countries producing pig-iron. The production of steel is also being stressed, and it is hoped to export both to Persia and other Asiatic countries by 1932-3.

Anthracite from the Don basin, in spite of coal shortage in Russia, is already beginning to undersell British anthracite both in the United States⁵ and in Europe. British textiles are being undersold by Russia in India and other parts of the Empire,⁶ while the British chemical trade has to meet severe Russian competition, not only in the East but at home.

Other goods partly or wholly manufactured sent to this country in large or increasing quantities are

¹ *Moscow News*, July 13th, 1931.

² *Izvestia*, June 25th, 1931.

³ Resolution adopted at Plenary session of the Central Committee of the Communist Party, Moscow, June 1931.—*Moscow News*, June 23rd, 1931.

⁴ *Izvestia*, July 31st, 1931.

⁵ *The Anthracite Coal Industry of Soviet Russia* (a Report to U.S. Congress, 1931, p. 4).

⁶ This is done through continental firms exporting to India and the Dominions. Mr. Shenkman (May 2nd, 1931) points out that this is in effect a violation of an undertaking tendered by the Soviet Trade Delegation to the Manchester Chamber of Commerce in 1930.

sawn timber, pitprops, pitwood, sleepers, plywood, refined petroleum, linen goods, woollen carpets and rugs, oil seed cake, confectionery, glucose, soap, matches, maize starch, and furs.¹ Other imports are biscuits, canned fruits and tomatoes, pencils, safety razor blades, cigarettes, crash and ready-made clothes² and doors and window frames.

Though Russian exports to Britain and other countries may as yet form only a small proportion of the whole,³ the Soviet Government's control of its foreign trade has enabled it to export at the moment most favourable to itself, and most damaging to other countries. Soviet exports have therefore had a marked and disastrous effect on prices and employment in every trade concerned, and have affected prices all over the world. In the words of a recent Russian report, they have 'bungled' (*gâché*) the prices of world commerce by being 'sold at random at dirt cheap prices' (*à vil prix*).⁴

Other countries have taken steps to protect their workers. Germany has trebled her tariff on im-

¹ Parliamentary reply by President of Board of Trade, July 22nd, 1931.

² Ready-made suits are being sold at 10s. 6d. wholesale, 18s. 6d. retail. (*Daily Express*, July 11th, 1931.) Their quality appears very poor.

³ A recent Soviet trade publication announces that export sales of the following have been arranged. The list includes, besides the goods already mentioned, cotton fabrics, silk, threads, hosiery, oilcloth, many types of chemicals, medical and mineral waters, tobacco and cigarettes, alcohol, and beer, glues, gelatine and glycerine, musical instruments, gramophone records and playing cards, cosmetics, perfumery, and metal and electrical goods. These last include sheet iron, roofing iron, galvanised and tinned plates, pig and cast iron, hollow ware, hardware, incandescent lamps, electrical wiring materials, and wireless apparatus. *Nasha Vneshnaya Torgovlia (Our Foreign Trade)*, Nos. 7 and 8, June 20th, 1931.

⁴ Special Report on the Soviet "Réprésentation Commerciale de Paris," quoted in *Le Libre Belgique*, March 31st, 1931.

ported cereals, and has recently raised from 50 to 97 per cent. the quota of home-grown wheat to be used in her mills. France and Italy have similar quotas of 85 and 95 per cent. respectively. Other countries adopting milling quotas are Sweden, Czecho-Slovakia, Greece, Esthonia, Latvia, Peru.

Germany has also inaugurated a system of import quotas for oil and cereals from Poland, Lithuania, and Rumania. Belgium admits certain Soviet imports under licence. Canada¹ prohibits many. Jugoslavia,² Hungary, Rumania, and Bulgaria, have no commercial or diplomatic relations with Russia.

The United States admits no lumber or pulp wood from the north of Russia on account of labour conditions there, and will allow no goods made in whole or in part by prison or forced labour to enter her ports after January 1932, except where these are not produced within her boundaries in sufficient quantity for her needs. Forced labour is defined as all work or service which is exacted from any person under the menace of any penalty for its non-performance and for which the worker does not offer himself voluntarily. Both the New York Chamber of Commerce and leaders of American Trade Unions are taking steps to ensure that the prohibition of Soviet imports shall be complete.

Only Britain, among the leading European nations, stands nakedly exposed to this menace, though she has long had on her Statute Book an Act prohibiting the importation of prison-made

¹ i.e. all coal, wood-pulp, pulpwood, asbestos, furs and timber.

² In Holland an anti-dumping Bill has been introduced (September 1931).

goods.¹ How long will it be before she takes the step which will ensure to her control not only over prison-made imports, but over the imported products of forced labour in general?

The Chancellor of the Exchequer (Sept. 1931), Mr. Henderson, and other members of the late Cabinet,² some three years ago signed a Report recommending that the importation of goods produced under conditions less favourable than those laid down by the Washington Hours Convention should be forbidden.³ How can they reconcile with this their tolerance of imports from a country where forced labour is employed not only in production generally, but in transport by river, rail and sea?

And how can Mr. Lloyd George fail to recognise in Soviet exports the 'monster' of dumping which he has denounced?⁴

If it be objected that a boycott would be too costly to this country in loss of trade, the reply is that, even with credits, Russia buys from Britain far less than we buy from her; that contrary to her practice of pre-war days, when she bought many finished goods for general consumption, to-day she takes little from us save armaments⁵ and the

¹ This Act, however, has proved ineffective to deal with the present situation. A Bill introduced by Lord Phillimore to prohibit the products of convict or forced labour being imported has passed through the House of Lords.

² i.e. Mr. Snowden, Mr. Henderson, Lord Passfield, Mr. Tom Shaw, Mr. Johnston, and Mr. Greenwood, members of the Labour Cabinet, 1929-31.

³ *Sweated Imports and International Labour Standards*, published by the Labour Party.

⁴ House of Commons, November 19th, 1930.

⁵ Russia has recently purchased from this country 'forty military tanks and twenty-six armoured vehicles,' . . . 'with trailers, armaments and ammunition' and 'some armament for aircraft.' Parliamentary reply by the Secretary of State for Foreign Affairs, June 24th, 1931.

machinery which will equip her new industries, and make her independent of outside manufactures. This, of course, will add to her power to 'bungle' world markets. Why should we help her to achieve this aim, more especially when it means the continued enslavement and starvation of her unhappy people? And how can we hope to escape from world depression, largely caused by over-production and under-consumption, as long as the productive power of 160 millions of people is feverishly over-stimulated and their power of consumption as severely repressed?

Some may prefer a system of 'barter' by which Russia would be obliged to purchase as much from Great Britain as she sold to her. But the difficulties of carrying out such a policy in this country, where production is in a great variety of hands, would appear to be considerable, and what guarantee can we have that food products, coming from a country where soap and clothing are so scarce, and houses so overcrowded and insanitary, will not prove a serious menace to national health?

A fundamental objection, however, is that such an agreement would imply recognition of the system of forced labour on which the Five Years' Plan is being based. Are the people of this country ready to approve conditions so completely at variance with national traditions? If so, a voice which has frequently said a powerful word on behalf of freedom in the world at large will no longer have a right to be heard on this subject.

But the question is more than a national one.

Unless all countries prohibit Soviet imports, dumping is bound to be intensified in the countries where no action is taken. And the evil is certain to increase. Though the Five Years' Plan may not have fully realised the programme, a second and even a third term of Five-Year Plans are said to be now in course of preparation. What will have happened to the trade of the countries that admit dumped goods, if these further schemes are realised? Timber exports, in particular, will be much larger when the preliminary work in the far North is over, and the canal connecting the White Sea with the Baltic, on which prison labour is now employed, is completed. And the Second Five Years' Plan aims at an annual output of 60 million tons of pig-iron and of 500 million tons of coal¹; at increasing cereals by 60 per cent. compared with 1932; and at a large development of live-stock farming.²

On the other hand, because the execution of the Five Years' Plan depends largely on foreign credits and foreign purchases, other countries hold the key of the position, not only for themselves but for the Russian people. Advances made have as a rule been for short terms only. As long as this is the case, concerted international action to refuse further credits and to prohibit Russian imports while the present inhuman conditions continue, would oblige the Soviet Government immediately to review the whole policy of the Plan.

If Russian exports had to be limited for lack of

¹ Speech by Comrade Lomov, a Vice-Chairman of Gosplan, *Izvestia*, July 10th, 1931.

² "Gosplan" Report, July, 1931.

markets there would be no need for conscription, necessities of life now exported would be sold at home, internal prices would fall, and the Russian people would at last be able to consume the products of their own labour. They would be rescued at once from starvation and from enslavement.

As a first and immediate step, Government credits should cease, and the sale to Russia of armaments, or of machinery which can be utilised for making them, should be prohibited. And since, in the case of Great Britain and other countries having commercial treaties with Russia, time would be needed to carry out a policy of prohibition, whatever steps are immediately practicable should be taken effectively to limit Soviet imports.

May the countries act together, and act quickly.

NOTE.—As this goes to Press three important pronouncements have appeared. On September 11th *Pravda* published a Decree considerably limiting the new factories and undertakings which may be proceeded with in the last quarter of 1931. As usual, preference is given to certain undertakings in the heavy industries. This curtailment points to some financial difficulty in the execution of the Plan.

On September 19th another Decree empowered industrial and other enterprises to engage workers without recourse to the Labour Exchanges. There is no indication, however, that workers are to be free to refuse the jobs offered, or to leave them at their will.

Finally, the cruel pressure still exercised on the peasants is apparent from a decision of the Central Council of Trade Unions to send 25,000 trade unionists to rural areas to assist the Commissar of Labour in conscripting members of collective farms for building construction, for the terrible Donets mines, for the timber industry, and for 'other forms of gang work.' The conscripting trade unionists, it is stated, have received orders to regard 'this mobilisation as an imperative

duty, as it would be sheer opportunism to expect members of collective farms to respond voluntarily to Stalin's recruiting orders' (*The Times*, September 5th, 1931).