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by

Scott E. Lavigne, 1 Lt., U.S.A.F.

A Thesis Presented in Partial Fulfillment
of the Requirements for the Degree
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ABSTRACT

This paper focuses on the primary events and issues that helped shape U.S.-Latvian relations from 1917 to 1941 by concentrating on U.S. and Latvian government documents, personal memoirs, monographs, and general histories of the region during this period. It analyzes the economic and political influences affecting the decision by the United States to recognize Latvian independence in July 1922 and shows how the question of recognition of Latvian independence became embedded within the larger framework of U.S.-Russian relations until finally separated by public pressure and political reality in 1922.

After recognition, U.S. foreign policy towards Latvia concentrated on economic matters and the important role played by the U.S. diplomatic mission in the Latvian capital of Riga. The rise and decline in influence of the Riga legation among U.S. policy-makers in Washington is analyzed within the context of the bitter foreign policy debate in Washington over the character of future relations with the Soviet Union. Due to the general decrease in international trade and the relatively pro-Soviet attitudes of the Roosevelt administration, the Baltic region assumed a position of relative unimportance in the minds of many American statesmen by the mid-1930s.

However, the territorial ambitions of Hitler and Stalin pushed the Baltic countries back into international importance by the end of the decade. When the Soviet Union moved to absorb Latvia in 1940, the United States government refused to recognize the Soviet annexation and remained steadfast in its refusal despite constant pressure by the Soviet government throughout the war. The U.S. refusal to recognize Soviet actions in the Baltic region or to release "frozen" Baltic assets to Soviet authorities became a serious point of contention and deeply affected relations between the two countries.

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ABSTRACT

This paper focuses on the primary events and issues that helped shape U.S.-Latvian relations from 1917 to 1941 by concentrating on U.S. and Latvian government documents, personal memoirs, monographs, and general histories of the region during this period. It analyzes the economic and political influences affecting the decision by the United States to recognize Latvian independence in July 1922 and shows how the question of recognition of Latvian independence became embedded within the larger framework of U.S.-Russian relations until finally separated by public pressure and political reality in 1922.

After recognition, U.S. foreign policy towards Latvia concentrated on economic matters and the important role played by the U.S. diplomatic mission in the Latvian capital of Riga. The rise and decline in influence of the Riga legation among U.S. policy-makers in Washington is analyzed within the context of the bitter foreign policy debate in Washington over the character of future relations with the Soviet Union. Due to the general decrease in international trade and the relatively pro-Soviet attitudes of the Roosevelt administration, the Baltic region assumed a position of relative unimportance in the minds of many American statesmen by the mid-1930s.

However, the territorial ambitions of Hitler and Stalin pushed the Baltic countries back into international importance by the end of the decade. When the Soviet Union moved to absorb Latvia in 1940, the United States government refused to recognize the Soviet annexation and remained steadfast in its refusal despite constant pressure by the Soviet government throughout the war. The U.S. refusal to recognize Soviet actions in the Baltic region or to release "frozen" Baltic assets to Soviet authorities became a serious point of contention and deeply affected relations between the two countries.

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INTRODUCTION

At the beginning of World War I, the region encompassing modern-day Latvia contained approximately two million people. Of these, 76% were Latvian, 10% Russian, and 3% German, with the vast majority of the population belonging to the Lutheran Church.[1] The Latvians represented a closely-knit, compact community with a strong tradition of ethnic and nationalist individuality. The worldwide social upheavals engendered by World War I, especially in Russia, provided the Latvians an opportunity finally to realize their dreams of independence. The Allies' affirmation of the right to self-determination, especially President Woodrow Wilson's "14 Points" speech, gave much of the impetus to their final breakaway from the old Russian Empire. Therefore, Latvia and the other small Baltic republics of Estonia and Lithuania naturally looked toward the United States for aid and support against the Bolsheviks. Their most important goal, however, was to have their governments formally recognized as independent of Russia by the United States and the other Western powers.

U.S. recognition of Latvia took five long and confused years due to Wilson's overwhelming focus on re-establishing a federalist Russia with as little territorial dismemberment as possible. Thus, the question of Latvian independence became

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[1]Hubert Adolphus Grant-Watson, The Latvian Republic: The Struggle for Freedom (London: G. Allen & Unwin, 1965), 26.

a prisoner of the United States government's often contradictory Russian policy until the two policies finally became separated in the minds of top government officials by the summer of 1922.

During the next ten years, relations between Latvia and the United States were characterized by economic issues and the development of the U.S. diplomatic legation in Riga into an extremely important source of information on the Soviet Union. However, trade between the two countries eventually stalled over the question of war debts owed the United States, and the Riga legation's influence rapidly decreased under President Roosevelt. As a result, Latvia assumed a position of relative unimportance in U.S. foreign policy circles during the mid-1930s.

As Hitler and Stalin voiced their interests in acquiring new territories in Eastern Europe in the late-1930s, U.S. officials began taking a closer look at the Baltic region. However, U.S. foreign policy was still mired in isolationism and the Roosevelt administration harbored an extreme reluctance to anger the Soviet leadership. Roosevelt believed Hitler presented the greater threat to peace and hoped Stalin would eventually ally himself with the West. These sentiments persisted even in the face of Soviet aggression against Finland and the Soviet annexation of the Baltic states in 1940. Once again, U.S. policy towards Latvia had become enmeshed within the larger context of U.S.-Soviet relations.

Historians have given relatively little attention to the establishment and consequent development of relations between the United States and the newly independent Republic of Latvia during the inter-war period. This paper examines the character of U.S. relations with Latvia from its declaration of independence in 1918 to its annexation by the Soviet Union in 1940. Its major goal is to analyze the primary political and economic factors that influenced U.S. policy towards Latvia during this period. A secondary goal of this study is to trace the role of the Riga legation in the formulation of U.S. foreign policy during the inter-war period. In addition, this study will examine how U.S.-Latvian relations were often directly influenced by the larger question of U.S.-Soviet relations.

The materials used in this study primarily consist of United States government documents, especially State Department documents, National Archives material, Latvian government documents, and the personal memoirs of many of the major players during this period. In addition, the paper uses a large sampling of historical studies dealing with the Baltic region, including many written by Baltic emigre historians.

However, there are several limitations to this study. Soviet attitudes and relations with Latvia are not mentioned unless they specifically affect U.S. policy towards Latvia and discussions of U.S. relations with Estonia and Lithuania are kept to a minimum.

CHAPTER I

THE DECISION TO GRANT RECOGNITION

In May 1917, a delegation of Latvians met with representatives of the Russian Provisional Government and petitioned for autonomy and a united Latvia within the Empire. They did not desire complete independence, but merely a greater autonomy within a then-democratic Russia. However, Alexander Kerensky, then the Russian Minister of Justice, dismissed them with little interest because he sympathized with the Kadet desire to preserve the Empire. Besides, the Provisional Government had greater problems to deal with than the political desires of its national minorities. Foreign Minister Paul Miliukov backed Kerensky by ridiculing Latvian demands for political-territorial autonomy, arguing that the Samoyeds, primitive Arctic nomads, might then also insist on the same rights.[1] The Latvians did not give up, though, and continued to press for concessions throughout the summer.

In light of the Bolshevik Revolution in November 1917, the aims of the Latvian nationalists changed. Seeking a chance to gain their complete independence, they believed the Bolshevik rhetoric affirming a right to self-determination. On 8 November, Lenin asserted in his Decree of Peace, "We shall offer peace to the peoples of all the belligerent countries upon the basis of the Soviet terms: no annexations,

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[1]Alfred Bilmanis, A History of Latvia (Princeton: Princeton University Press, 1951), 286.

no indemnities, and the right of self-determination of peoples."[2] The Latvians seized upon this apparent support and formed the Latvian National Assembly which first met on 16 November. On 18 November, the Assembly formally united the three provinces of Vidzemes (southern Livonia), Latgale (Latgallia), and Kurzeme (Courland) into the Republic of Latvia and proclaimed its independence. They also formed the Latvian Provisional National Council (LPNC) with K. Ulmanis as Prime Minister, and a Foreign Department headed by J. Goldmanis. The Foreign Department quickly assumed a leading role in the LPNC, with its immediate and most important goal being to obtain recognition from the Allied powers, including the United States.[3]

Allied support was very important to Latvia since the Bolshevik government quickly made known its displeasure over the prospect of an independent Latvia. Lenin pointed out in his "21 Theses" that "there is not a single Marxist who, while adhering to the foundations of Marxism and Socialism, would not say that the interests of Socialism are above the right of nations to self-determination."[4] Joseph Stalin, Commissar of Nationalities, echoed this sentiment by claiming that the Soviet government could not permit national self-determination

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[2]As quoted in ibid., 289.

[3]Hubert Adolphus Grant-Watson, The Latvian Republic: The Struggle for Freedom (London: G. Allen & Unwin, 1965), 21.

[4]As quoted in Bilmanis, History, 297.

to serve as a cloak for counter-revolution and that the Council of People's Commissars would recognize the independence of any republic only "upon the demand of the working population of such an area."[5] Clearly, the Bolsheviks had no intention of allowing Latvian secession without a violent struggle.

In the United States, the Bolshevik revolution caught government officials completely unaware. Their initial attempts at formulating a new Russian policy were hesitant and confused. President Wilson and Secretary of State Robert Lansing hoped the new Bolshevik government would be transitory and that a new federalist government, sympathetic to Allied war aims, would soon take power. On 13 November 1917, Wilson wrote Representative Frank Clark of Florida, "I have not lost faith in the Russian outcome by any means. Russia like France in a past century, will no doubt have to go through deep waters but she will come out upon firm land on the other side and her great people, for they are a great people, will in my opinion take their proper place in the world."[6] The war in Europe was pushing the democracies to the breaking point and they sorely needed a strong Russian army to relieve pressure on the Western Front. The Bolsheviks merely added one more problem to an already strained situation.

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[5]As quoted in Walter C. Clemens, Baltic Independence and Russian Empire (New York: St. Martin's Press, 1991), 28.

[6]As quoted in Ray Stannard Baker, Woodrow Wilson, Life and Letters (New York: Doubleday, Doran, 1931-1939), 7:353.

While the Allies were willing to extend aid in the name of anti-Bolshevism, they were extremely hesitant to grant political concessions to the new Baltic states. This resulted in a very ambiguous Allied policy towards Russia and her pro-Allied groups. More specifically, U.S. policy was essentially to "do nothing." In a discussion with Wilson, Lansing said, "The correct policy for a government. . . is to leave these dangerous idealists [the Bolsheviks] alone and have no direct dealings with them. 'Do nothing' should be our policy until the black period of terrorism comes to an end and the rising tide of blood has run its course."[7] This policy, combined with the desire for non-dismemberment, colored the United States' political relations with the nationalist forces in the border regions.

The Treaty of Brest-Litovsk, signed by Germany and Russia on 3 March 1918, held several significant repercussions for Latvia. In the terms of the treaty, the Soviet government renounced all claims and sovereignty over the Baltic territories. It was also agreed that Latvia would be occupied by German police forces until her internal safety could be secured. In addition, Kurzeme and Riga were made German protectorates while a small portion of Latgale was left to

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[7]Robert Lansing, War Memoirs (Indianapolis: Bobbs-Merrill, 1935), 339-342.

Russia.[8] Of course, the LPNC stridently denounced the treaty and appealed to the Allies for support. This marked the end of formal political relations between Latvia and the Bolsheviks.

While Germany consolidated her control in the Baltic states by influencing and pressuring the infant national governments (which they had already *de facto* recognized), the United States continued its policy of watchful waiting and refusing Baltic pleas for recognition. Wilson and Lansing believed that the Latvians only desired independence from a Bolshevik Russia, not a democratic Russia, and still looked upon them as "Russians," not "Latvians." In a draft of the U.S. position on separatist regimes, Lansing wrote, "Although Russia appears at the present time to be separated or to be separating . . . the Government of the United States is convinced that the spirit of democracy continues to dominate the entire Russian nation. With that spirit, the U.S. feels a profound sympathy and believes in the ultimate effect of its cohesive power upon the Russian people as a whole."[9] However, point thirteen of Wilson's "14 Points" speech, delivered on 8 June 1918, seemed to indicate a softening in U.S. policy by

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[8]For the complete text of the treaty see Alfred Bilmanis, ed., Latvian-Russian Relations: Documents (Washington D.C.: The Latvian Legation, 1944), 48-49. For the complete text of the supplementary treaty see ibid., 51-56.

[9]Lansing to Wilson, 10 January 1918, as quoted in George F. Kennan, Soviet-American Relations, 1917-1920 (Princeton: Princeton University Press, 1956), 1:188.

calling for the creation of an independent Poland with access to the sea. This was very significant to Latvia because it was seen as evidence that the settlement of the Russian question did not involve the reunion of *all* of her former territories. Even though the speech reaffirmed the right to national self-determination, the United States refused to apply this right to the Baltics. In their eyes, the need for a strong, pro-Western Russia overrode any application of lofty principles which might get in the way.

When Germany accepted the armistice terms based on Wilson's "14 Points", point six also became very important to the Latvians. This point promised the evacuation of all Russian territory and an unhampered opportunity for Russia to determine her own political future. In preparation for the Paris Peace Conferences, Colonel House submitted a detailed analysis of each point to President Wilson. In regard to point six,

> The first question is whether Russian territory is synonymous with territory belonging to the former Russian Empire. This is clearly not so, because proposition 13 stipulates an independent Poland, a proposal which excludes the territorial reestablishment of the Empire. . . . This can mean nothing less than the recognition by the peace conference of a series of *de facto* governments representing Finns, Estonians, Lithuanians, Latvians, and Ukrainians."[10]

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[10]U.S. Department of State, Papers Relating to the Foreign Relations of the United States, 1918, Supplement 1, The World War (Washington: Government Printing Office, 1933), 1:407-409. Subsequent citations of the State Department's foreign relations papers will be abbreviated to "FR" followed by the applicable year and volume, i.e. FR, 1918. Individual

While Wilson seemed to accept House's analysis of the principles involved, he still refused to apply them to the Baltic states and urged that Baltic representatives not take part in the Paris Peace Conferences. In his reply to Colonel House, Wilson remarked, "The details of application mentioned should be regarded as merely illustrative suggestions and reserved for the peace conference. The admission of inchoate nationalities to the peace conference is most undesirable."[11] Ironically, the very nations whose fate was to be determined by the Allied powers at the Paris conferences were denied representation by the same man who publicly proclaimed the right to self-determination. In response to British and French questions on possible *de facto* recognition on the eve of the armistice talks, Lansing cabled Paris, "The Government of the United States is not, at the present time, prepared to recognize any new government in Russia though we watch with interest and hope for the future, the various efforts which are being made to restore law and order under a stable government."[12] Thus, the principle of Russian unity remained

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printing information for each series can be found in the bibliography.

[11]FR 1918, Sup. 1, 1:421.

[12]Lansing to House, 3 November 1918, as quoted in William Morris David, "The Development of U.S. Policy Toward the Baltic States, 1917-1922" (Ph.D. diss., Columbia University, 1962; microform ed., Ann Arbor, Michigan: University Microfilm, Film 1192, 1962), 135-136.

as the fundamental obstacle to recognizing Baltic independence.

The terms of the Armistice itself reflected the puzzlement and inconsistencies inherent in Western policy towards Russia and the Baltics. Article 12 required the *German* government to keep troops in the Baltic region until such time as the Lithuanian, Latvian, and Estonian Provisional Governments could organize the defense of their countries against the Bolsheviks.[13] While this stopgap measure was clearly temporary, the Germans were only too happy to continue their influence in these regions. In addition, fighting the Bolsheviks on behalf of the exhausted Allies might also influence the eventual peace terms in Germany's favor. Eastern Europe, at that time, was inaccessible to Allied troops (assuming, of course, that they could spare any). If the Germans withdrew their forces all at once, then the hated Bolsheviks could be expected to fill the ensuing vacuum and overrun the region. Since the Allies were in a state of undeclared war against the Bolsheviks, this clearly could not be allowed to happen.

U.S. opinion at the beginning of the Paris Peace Conferences reflected the continuing belief that a strong, united Russia was paramount to stable European politics and that the Bolshevik regime would not survive the civil war then

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[13]For a complete text of the Armistice see Bilmanis, History, 304-306.

raging within her borders. The United States' self-appointed mission at the conferences became "to see to it that Russia's interests are safeguarded and . . . to urge that Russian questions be considered as parts of a whole and not as separate problems resulting from what may prove, for the most part, temporary disintegration."[14] For many Allied politicians, the Baltic question was buried within the larger Russian question; therefore, their Russian policy, which called for intervention in the Russian civil war, dictated any Baltic policy. These contradictory policies can be summed up as follows: "The whole question should be determined at the Peace Conference, but the aspirants should not be represented. In the meantime, let self-determination reign, and let us have a non-dismembered Russia!"[15]

Some of the blame for U.S. policy failure during this period can be placed on Wilson's personality. Wilson liked to commit himself only to general principles. This became especially evident in situations like Mexico and Russia, where concrete details might force a compromise between his idealistic principles. This hesitancy also manifested itself in situations that required him to make up his mind on what, exactly, was the morally and ideologically "right" thing to do. The negative effects of these two traits on the formulation of policy within a radically changing environment

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[14]FR, 1919, Paris Peace Conferences, 1:271.

[15]David, "Development," 200.

were only compounded by Wilson's propensity to decide things on his own.

During the peace conferences, the Baltic nations had their own serious internal problems as the Bolsheviks renounced the Treaty of Brest-Litovsk and launched full-scale assaults on Estonia and Latvia. During the next two years, the armed groups fighting on Latvian and Estonian soil included: Baltic nationalist armies, the Bolshevik Red Army, native communists, White Russian armies under several commanders, the British Navy, British and French Army advisors, Finnish volunteers, Polish forces, the Baltic German *Landeswehr*, and the famed German "Iron Division."[16] To ensure their independence and continued Western aid, the Baltic states had to ally themselves with the anti-Bolshevik cause. However, this policy encompassed its own bitter paradox. The majority of White leaders believed in General Anton Denikin's slogan, "Russia shall be great, united, and undivided!"[17] Neither the Whites nor the Reds wanted to recognize Baltic independence. Thus, the fledgling Baltic states were fighting a war of independence which, regardless of its outcome, was likely to gain them nothing more than confinement within the boundaries of some larger state. Even if they won the war, the only prospects then confronting them

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[16]Clemens, Empire, 33.

[17]Ibid., 35.

were Admiral Kolchak's "Russia, One and Indivisible."[18] The only way out of this impasse was to reach some sort of an agreement with one of the parties. While the Whites refused to guarantee Baltic independence, the Bolsheviks eventually decided it was in their best interests to have at least neutral, if not friendly, neighbors on her northern borders. Either way, Russians, Red or White, meant trouble for the Baltics.

The Russian problem played an important part throughout the conferences in Paris, but eventually remained unsolved due to the diverging aims and of the Allied Powers. On 15 February 1919, President Wilson invited Soviet, White, and Baltic representatives to the island of Prinkipo. The Soviet and Baltic representatives accepted but the Whites refused to attend any conference on an equal footing with the Bolsheviks. This refusal was heavily encouraged by the French behind the scenes and the meetings were never held.

In March 1919, President Wilson sent William Bullitt to Moscow as an unofficial emissary. After a week of negotiations, Bullitt returned with the Soviet government's apparent agreement on a possible solution to the crisis that would have greatly helped the Baltics. The proposal worked out by the Bullitt mission called for an Allied peace offer to

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[18]Stanley W. Page, The Formation of the Baltic States: A study of the effects of great power politics upon the emergence of Lithuania, Latvia, and Estonia (Cambridge: Harvard University Press, 1959), 176.

be extended to Lenin by 10 April, then a short armistice period, followed by a conference between the Allies and the Bolsheviks. As a part of this, the Soviet government promised that all *de facto* governments would remain in control of their territory. In short, Lenin's proposal meant that "the Soviet Government offered to give up, at least temporarily, the whole of Siberia, the Urals, the Caucasus, the Archangel and Murmansk areas, Finland, the Baltic States, and most of the Ukraine."[19] In return, Allied troops would withdraw from Russian territory and Allied military aid to anti-Soviet forces would cease. The Soviet government also accepted responsibility for the Russian war debt.[20] However, Wilson and the other leaders hardly looked at Bullitt's report and refused to discuss the situation with him in person. Bullitt resigned in protest over Wilson's actions on 17 May 1919.[21] In disgust, Bullitt bitterly remarked,

> If we are able to continue the blockade and intervention indefinitely, we can produce such famine, such hunger riots and battles for bread that the anarchists and Left Social Revolutionaries will rule for a moment over the ruins of Russia, for starvation will drive Russia to the left, not to the right. We can destroy the Communists only by producing anarchy. Then we shall finally have to intervene over the dead bodies and dead hopes of the simple Russian people and set up a form of

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[19]Richard N. Billings and Will Brownell, So Close to Greatness: A Biography of William C. Bullitt (New York: MacMillan, 1987), 88.

[20]Page, Formation, 174-175.

[21]Billings, Close to Greatness, 95.

> government they don't want and against which they will revolt whenever strength returns to them.[22]

Unfortunately, the negotiations of the Bullitt mission met the same fate as the Prinkipo proposal. The only view that the Allies shared with regard to the Baltic states was that they could neither become Bolshevik nor come under German hegemony.

On 30 April 1919, the Allied Council of Five finally created an Inter-Allied Baltic Commission to look at the problem more closely. However, the Council had no intention of giving the Commission the authority to decide such an important question by themselves. The Commission received no policy direction or clear mandate from the Council, nor was it consulted at any stage in the development of correspondence between the Council and Admiral Kolchak. This effectively removed the pressing question of the relationship between the Baltic nations and Russia from consideration by the Commission. Thus, the Commission was only left to discuss German activities in the Baltics and other relatively unimportant details.[23]

During this time, the Allies were also attempting to reach an accommodation with Admiral Kolchak's All-Russian Provisional Government in Omsk over the question of Russia's minority nationalist aspirations. On 26 May 1919, the Allied

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[22]As quoted in ibid., 89.

[23]David, "Development," 343-344.

Powers declared their willingness to render material assistance to Admiral Kolchak for the creation of an All-Russian government. However, this was conditional "that there be regulation of mutual relations with the newly formed border states, with the concurrence of the League of Nations, pending, which, their autonomy by recognized."[24]

On 4 June 1919, Admiral Kolchak replied that he agreed to recognize the independence of Poland, but that the final delimitation of her Russian frontier and the final settlement of the Finnish and Bessarabian issues rested with the Russian Constituent Assembly. He also recognized in principle the autonomy of Estonia, Latvia, Lithuania, and the Caucasian and Transcaucasian countries with the scope of such autonomy to be determined separately in each instance.[25] When the United States pressed for some clarification to this vague stance, the Russian Ambassador to the United States, Boris Bakhmetev, pledged to Lansing that Admiral Kolchak's government would not hinder the current Baltic independence movements "provided it is made clear to all the national authorities in their provinces that this assistance is not to be construed as prejudicing in any way the unity of Russia and will not be used to encourage separatist movements or to foster inter-

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[24]FR, 1919, Paris Peace Conferences, 5:915; FR, 1919, Russia, 369. The Paris Peace Conferences volumes will be abbreviated to "PPC" in subsequent citations.

[25]Page, Formation, 149.

racial strife."[26] Clearly, the All-Russian Government wanted to give up as little as possible in return for Allied support, especially not its influence in the Baltics.

Bakhmetev's conditional clarification apparently satisfied the American government, but it did little to foster encouragement within the Baltic nations. While Kolchak explicitly recognized Polish independence, his vague statements on the future of the Baltic states made it obvious that he had no intention of allowing their secession. Although the Allies did not grant the Kolchak government recognition, they did accept the Omsk proposal and this made it clear to the Baltic governments that they could expect little more than sympathy from the Allied Powers in their struggle for independence. In addition, the Baltic governments remained resentful of the fact that they were not even asked to participate in the very discussions between the Allies and Admiral Kolchak which would determine their fate!

The Allied leaders in Paris remained caught in the same dilemma that faced them at the time of the Armistice and could not find a solution that would satisfy all parties involved. If they granted the Baltic states *de jure* recognition, they would antagonize the Whites and weaken the morale of the anti-Bolshevik cause. On the other hand, denying *de jure* recognition would hurt the anti-Bolshevik cause by alienating the Baltic peoples. To make matters worse, the principal

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[26]FR, 1919, Russia, 684.

Allied Powers were also following their own political agendas which caused much internal bickering and backstabbing. The American government's refusal to compromise on its non-dismemberment stance was another major obstacle. When the British and French expressed their willingness to recognize Estonia in order to improve their operations against the Bolsheviks, Lansing objected that it involved the dismemberment of Russia, which the U.S. had been carefully avoiding.[27] Eventually, Samuel E. Morrison, the U.S. member on the Baltic Commission, resigned in disgust over the Allied leaders' insistence on viewing the fate of the Baltics as part of the larger Russian problem without considering the facts of the local situation to be of any importance.

Policy disagreements and indecision within the Allied camp eventually resulted in Article 12 of the Armistice essentially being rewritten into Part XIV, Section 2, Article 433 of the Treaty of Versailles. This article required that

> in order to ensure the restoration of peace and good government in the Baltic provinces and Lithuania, all German troops at present in the said territories shall return to within the frontiers of Germany as soon as the Governments of the Principal Allied and Associated Powers should think the moment suitable, having regard to the internal situation of these territories.[28]

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[27]David, "Development," 333.

[28]Bilmanis, Documents, 65. The original recommendation for this article came from American specialists Robert H. Lord and Samuel E. Morrison of the Russian Division and included a statement that evacuation begin immediately and be completed with a certain number of days. This statement was later deleted by Colonel House. See addendum to Supreme Council

Although indecision over the Baltics reigned in Paris, local conditions in Latvia forced the Allies to take concrete measures in support of the nationalist cause. The German coup in Liepaja on 16 April 1919 forced the Allies to send a sizable amount of arms, equipment, and money to the Latvian government as a way of replacing the German troops with competent native troops who could continue the anti-Bolshevik crusade. However, this measure had the unintended side-effect of tremendously strengthening the armed forces behind the government, with a consequent strengthening of their determination to stay independent. These new and quite visible national troops undoubtedly served to intensify patriotic sentiment among the Latvian population.[29]

While the British and French sent military advisors and equipment, the United States concentrated on loans and humanitarian aid. American involvement through organizations like the American Friends Service Committee resulted in over $7.5 million in food, clothing, medical supplies, and other supplies reaching Latvia.[30] On 24 February 1919, Congress approved $100 million in appropriations for foreign relief, particularly in Western Russia. In requesting these funds,

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Bulletin No. 230 (3 May 1919) in David Hunter Miller, My Diary at the Peace Conference (New York: Appeal Printing Company, 1924), 21 volumes.

[29]Page, Formation, 174-176.

[30]David, "Development," 315.

President Wilson declared, "In these countries, freedom and government will slowly emerge from the chaos and require our every assistance."[31]

The man in charge of distributing relief supplies to Russia and her former territories was Herbert Hoover. Publicly, American relief was supposedly for "purely humanitarian reasons" but Hoover had his own political agenda as well. Hoover genuinely wanted to "stop floods of human misery, to save millions of human lives from starvation; to prevent a dwarfed and mentally impaired generation of children, and to bring about measures of reconstruction" with vast amounts of American aid.[32] Hoover was a staunch anti-Bolshevik and hoped his idea of using food as an anti-Soviet weapon in the Baltics would have more success than it did in Russia. He believed that supplying food, rather than arms, to a weak government was the most effective method of resisting communism. He hoped "to shield the frail plants of democracy in Europe against the withering blasts of time and their possible aftermaths of unemployment, anarchy, and Communism."[33] Even though the American government did not feel politically free to furnish arms and personnel to Latvia in its struggle against Bolshevism, the non-military aid sent

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[31]As quoted in U.S. American Relief Administration, Bulletin, 1st Series, No. 1 (17 March 1919), 14-16.

[32]Herbert C. Hoover, Memoirs of Herbert Hoover: Years of Adventure, 1874-1920 (New York, 1951), 443.

[33]Ibid., 444.

through American channels bore a decidedly anti-Bolshevik political stamp.

It soon became obvious to the U.S. government that diplomatic channels to the Baltics would have to be strengthened to better coordinate the influx of anti-Bolshevik aid. In August 1919, the State Department's Bureau of Russian Affairs formed a separate ministerial position of Commissioner to the Baltic Provinces and appointed to it Lieutenant Commander John A. Gade, USN, Retired. The new Commissioner's duties included investigating trade opportunities (largely monopolized by the British), promoting American influence, collecting intelligence on Russia, and providing counter-action against Russian subversion and propaganda efforts.[34] However, Gade was specifically warned against taking part in any political matters. The Baltic governments were informed in a note explaining Gade's role:

> The Department of State has appointed Mr. John A. Gade as U.S. Commissioner for the Baltic Provinces as special representative, and he will not be accredited to any Russian Government. His instructions are only to proceed to the Baltic Provinces to observe the situation there and he has no power whatever to commit the Government of the United States or to represent it in a diplomatic way.[35]

The U.S. government tried to downplay the political significance of the new position in other ways, too. Official

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[34]Albert N. Tarulis, American-Baltic Relations, 1918-1922: The Struggle Over Recognition (Washington: Catholic University of America Press, 1965), 207.

[35]FR, 1919, Russia, 724.

correspondence mentioned Gade's assignment to "Riga, Russia" and his travel to "Russia." Also, stationary supplied by the State Department read, "John A. Gade, Riga, Latvia, Russia."[36]

The Latvian government, however, viewed Gade's appointment as proof of the unannounced existence of *de facto* relations between the United States and Latvia. As such, they did everything possible to foster good personal relations with Gade. The Latvian security agency cooperated extensively with Gade, who was trained in intelligence gathering. They revealed Bolshevik contacts with Americans and allowed him to examine captured material carried by secret Bolshevik couriers into and out of Russia on forged American, British, and French passports.[37] These actions also provided Gade a valuable opportunity to become acquainted with Bolshevik subversion and infiltration methods. Even though the United States still maintained an official policy of non-recognition toward the Baltic states, it was becoming less rigid as the realities of the situation became more evident. In addition, certain concessions to the Baltic governments had to be made so that the United States would not find itself at a severe commercial disadvantage vis-a-vis the British.

Meanwhile, the Latvians were still trying to rid themselves of foreign troops. U.S. threats of severe economic

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[36]Tarulis, American-Baltic Relations, 211.

[37]Ibid., 215.

reprisals finally convinced the German government to remove its forces (especially the meddlesome General von der Goltz) from Latvia in October 1919. On the Soviet front, Lenin expressed a willingness to conclude an armistice with the Estonians in the autumn of 1920. When the Soviet and Estonian governments signed an armistice on 20 December 1919, the Bolsheviks were able to concentrate heavy forces against Latvia in a final push to capture the recalcitrant republic. In desperation, Latvia turned to Poland, and Marshal Pilsudski promptly answered with 20,000 Polish troops.[38] By 20 January 1920, Polish and Latvian forces had combined to drive all Bolshevik Red Army troops from Latvian territory. Finally, the Latvians could begin to concentrate on rebuilding their shattered economy and forging diplomatic relations with the established powers.

Ironically, the first power to establish relations with Latvia was her most recent nemesis, the Soviet Union. A Soviet-Latvian armistice was reached on 31 January 1920 and the two countries officially concluded the Treaty of Riga on 11 August 1920.[39] The treaty granted Latvia full independence and voluntarily renounced forever all sovereign rights possessed by Russia over the Latvian people and their territories. Equally important, it accorded the Latvian

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[38]Bilmanis, History, 329.

[39]For the complete texts of these treaties see Bilmanis, Documents, 70-81.

government *de jure* recognition by the Soviet government. The Soviet government also made an advance payment of four million rubles as the first (and last) installment on reparations owed Latvia by the Soviet Government for her recent armed attack.[40]

Latvia's leaders hoped to maintain a delicate balance between Latvia's political independence and economic prosperity without falling completely into the Soviet sphere of influence. While rejecting any entanglements with the Soviet Union in agreements of "unrestricted neutrality" which were constantly proposed by the Soviet Union, they endeavored to win the Soviet Union's goodwill in matters of mutual interest such as trade, thereby reducing the risk of a future Red Army invasion. Thus, the next fifteen years became characterized by normal, or even friendly, Latvian-Soviet relations.

These developments allowed Latvia to devote her full attention to building commercial and diplomatic ties with the Western powers. As a measure of good will, Latvia assumed a war debt of $5,775,000 owed to the United States for supplies received from the American Expeditionary Force.[41] She built up a more or less guaranteed export trade with Britain, Germany, and the United States (to a smaller extent) in such

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[40]Bilmanis, History, 329-330.

[41]Ibid., 330.

items as butter, eggs, pigs, bacon, skins, furs, and flax.[42] By 1921, the United States received 1.1% of Latvia's total export trade and supplied 9.2% of her imports.[43] Despite these favorable signs and unofficial relations, Wilson remained committed to his policy on the non-dismemberment of Russian territory and refused to officially recognize the Latvian government.

Arguments against recognition in 1920 were characterized by the same reasoning as those presented in 1917 and became known as the "Spargo View," after State Department official John Spargo. In his opinion, the peace of the world was inversely related to the number of existing small states. This was particularly true in regards to the Baltic states and Russia. It would be a step backward to allow the secession of the smaller states from the larger nation to which they had become attached through normal historical processes. He also felt that the Baltic nations were revolting from Bolshevism, and not from a Russia to which they should be attached for both economic and strategic reasons.[44]

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[42]George von Rauch, The Baltic States: The Years of Independence: Estonia, Latvia, Lithuania, 1917-1940, trans. Gerald Onn (Berkely: University of California Press, 1974), 125.

[43]Annuaire Statistique de la Lettonie pour l'Annee, 1922 (Riga, 1923), 90-99, as cited in Tarulis, American-Baltic Relations, 323.

[44]Spargo Memorandum, undated, National Archives File No. 861.01/401; John Spargo, Russia as an American Problem (New York: Harper & Brothers, 1920), viii-ix, 3-6, as cited in David, "Development," 411-412.

Conversely, support for recognition was slowly growing. Evan E. Young, the U.S. Commissioner at Riga from 15 May 1920 until recognition in July 1922 and who later became the first U.S. minister to the Baltics, emerged as the chief supporter of recognition within American governmental circles and wrote numerous memoranda recommending recognition by the United States. On 23 July 1920, Young wrote a long report on the Baltic situation and suggested several measures that might work as a compromise between the two sides of opinion within the government. He recommended immediate *de facto* recognition of all three states, followed in the near future by *de jure* recognition of Latvia and Lithuania (Estonia's leftist leanings were still greatly suspect). However, he also coupled this with the idea of a reservation or statement that recognition must in no way be interpreted as a deviation from the United States' policy of leaving open the future determination of relations between the two states and a new Russia.[45] While the report failed to win the blessings of Wilson and Lansing, it did provide a basis for subsequent proposals that eventually gained credence within the Harding administration.

Despite her failure to win U.S. support, Latvia won several significant diplomatic triumphs on the international scene. At its meeting on 12 January 1921, the Allied Supreme

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[45]FR, 1920, 3:652-654; Tarulis, American-Baltic Relations, 301.

Council adopted a resolution to extend *de jure* recognition to Estonia and Latvia, with reservations for Lithuania because of her conflict with Poland. On 26 January 1921, Britain granted full *de jure* recognition to Latvia. On 22 September 1921, Latvia became an official part of the new world order when she entered the League of Nations as a full member.

Incredibly, official U.S. policy remained unaffected by these developments. The State Department ignored the fact that Baltic claims for recognition "had the backing of practically every observer, military, naval, and diplomatic, that the U.S. has sent into the field."[46] Many top officials continued to believe that recognition of the Baltics would harm the anti-Bolshevik cause and jeopardize the goodwill of the Russian people. Former Undersecretary of State Norman Davis left a note for the incoming Harding Administration that asserted, "Not enough good will would be derived from recognition of the Baltic states to compensate for the loss of good will among the Russian people which would result from dismemberment."[47] Amazingly, U.S. State Department policy continued to tie itself to the conviction that the Baltic people objected only to the Bolsheviks and not to the Russians in general. This notion, combined with the increasingly

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[46]Policy memorandum of the Russian Affairs Division, 3 March 1921, on recognition of Soviet Russia and the border states, written and left for the information of the incoming administration, National Archives No. 861.01/400, as quoted in David, "Development," 310.

[47]As quoted in David, "Development," 294.

unrealistic view that the Bolsheviks were merely a temporary problem, left U.S. foreign policy in an untenable position that continued to grow in unpopularity within the United States.

On 10 August 1920, the new Secretary of State, Bainbridge Colby, provided a formal explanation of the U.S.'s non-recognition policy toward Russia in his famous note to Italian Ambassador Victorio Avezzana. Colby stated, "We are unwilling that, while it is helpless in the grip of a non-representative government, whose only sanction is brutal force, Russia shall be weakened still further by a policy of dismembership, conceived in other than Russian interests."[48] However, Colby included in the note an intimation that the new boundaries of ethnic Poland, Finland, and even Armenia should be respected. Incredibly, Colby, like Lansing, defended the notion that the independence of these three countries did not represent a violation of Russia's territorial integrity; yet, he implied at the same time that the independence of the small Baltic states somehow jeopardized that very same territorial integrity.

Not surprisingly, the contents of the Colby Note aroused bitter resentment within the Baltic community. On 26 August, the official Bulletin of the Latvian Foreign Ministry complained that Wilson's celebrated "14 Points" had been replaced by the Colby doctrine, "which saw merits in the

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[48]FR, 1920, 3:461-468.

refusal to recognize the right of the Baltic people to an independent political life because of a love for the Russian nation, whose well-being and prosperity cannot, it appears, be conceived of without the enslavement of other peoples."[49] A formal protest to the U.S. State Department followed this public denunciation on 14 October. Essentially, it couched the same complaints in a more diplomatic manner. However, there was no mistaking Latvia's determination to remain independent; even the idea of a possible federation with Russia was rejected by Latvia because it would result in the "oppression and slavery of the Baltic States."[50]

The internal debate over recognition of the Baltics continued unabated as Charles Evan Hughes replaced Colby as Secretary of State. On 21 July, DeWitt C. Poole, head of the Division of Russian Affairs, recommended that the Baltic states be recognized with the limitation that "this action is taken without prejudice, so far as the United States is concerned, to the relations to exist in the future between these States and a Russian Government recognized by the United States."[51] Similar to Young's proposal the previous year, Poole's formula attempted to preserve the "principle of not recognizing definitively any partition of the old Russia

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[49]As quoted in Tarulis, American-Baltic Relations, 310-311.

[50]FR, 1920, 3:664-666.

[51]Poole to Hughes, 21 July 1921, as quoted in Tarulis, American-Baltic Relations, 350.

during the existing political incompetence of the Russian people."[52]

This time, however, the Latvians made known their displeasure over the prospect of a *de jure* recognition that included reservations. "The independence and the honor of Latvia cannot tolerate any such limitations," said the Latvian newspaper Latvis.[53] The Latvian government also showed its disapproval of Poole's proposal by instructing its consuls not to grant visas to Americans holding passports stamped "Good for Russia (Latvia Only)."[54]

During the spring of 1922, several factors finally turned the tide in the Baltics favor. On 16 April, the Soviet Union and Germany signed the Treaty of Rapallo. This demonstrated to the world that the Soviet regime was in firm control and in power for the long term. It also signaled the virtual defeat of the anti-Bolshevik cause within Russia. This eliminated the chief obstacle to U.S. recognition of the separatist governments that now controlled parts of the old Imperial Russian Empire. When Ambassador Bakhmetev resigned on 28 April, another major obstacle to Baltic independence was eliminated. Bakhmetev had wielded considerable influence over American foreign policy-makers, especially Colonel House

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[52]Poole to Hughes, 11 May 1921, National Archives File No. 860.01/37; David, "Development," 433-434.

[53]As quoted in Tarulis, American-Baltic Relations, 351.

[54]Ibid., 352.

during the Wilson administration, and consistently used his considerable lobbying skills to promote the All-Russian Government's dreams of an indivisible Russia.

In the past, the Baltic states had lacked any strategically placed connections within the American government and could not counter the activities of other groups, such as the Poles with Paderewski and the non-Bolshevik Russians with Bakhmetev.[55] However, the Baltic governments now took steps to rectify this situation. Former Representative Walter Chandler became a champion of Baltic independence and the law firm of McAdoo, Cotton, & Franklin was hired to lobby Hughes and President Harding incessantly for recognition. Chandler and William McAdoo, a former Secretary of the Treasury under Wilson, still possessed a lot of influence and could gain access to high officials who were previously "unavailable" to other Baltic spokesmen. During the Senate hearings on the Treaty of Versailles, Baltic representatives appeared before the Foreign Relations Committee and spent an entire session voicing objections and arguing their own case.[56] American-Lithuanians and Latvians worked together to obtain over one million signatures on a petition for recognition. Among those who signed the petition

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[55]David, "Development," 186.

[56]Ibid., 304; For a complete transcript see, United States, 66th Congress, 1st Session, Senate, Committee on Foreign Relations, Hearings, Treaty of Peace with Germany (Washington: Government Printing Office, 1919), 701-749, 1292-1297.

were Senators, Congressmen, governors, professors, clergymen, mayors, and ordinary citizens. Senator Henry Cabot Lodge, the extremely powerful and influential Chairman of the Committee on Foreign Relations, demonstrated his support for the Baltics by signing the petition. A delegation of American-Lithuanians and Latvians delivered the petition with its 135 bound volumes of signatures to President Harding on Memorial Day.[57]

The decision by the Conference of Ambassadors on 30 June 1922 to recognize Lithuania *de jure*, combined with another petition by 29 prominent American educators led by Princeton University Professor Harold H. Bender, finally convinced Hughes that the time had come for recognition.[58] After intensive efforts, the last vestiges of opposition were breaking down. On 24 July, Hughes advised Harding to grant recognition to the governments of Estonia, Latvia, and Lithuania. Hughes argued that the new Baltic states had shown evidence of permanency and implicitly recognized the permanency of the Soviet regime too. He also pointed out that the U.S. had had semi-official relations with the Baltics for a number of years and that all of the major governments in the world had already agreed to recognize them, the only exception being the United States.[59] Full recognition finally was

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[57]Tarulis, American-Baltic Relations, 345.

[58]Ibid., 356-357.

[59]David, "Development," 439.

close at hand for the persistent and determined Baltic nations.

On 28 July 1922, the United States government extended full, unrestricted, and unconditional recognition to the governments of Estonia, Latvia, and Lithuania.[60] Commenting on the granting of recognition to the Baltic nations, the New York Times described the decision as "one of the chief reversals, if not the only important reversal, of the policy of the State Department during the Wilson administration."[61] In the Baltics, the people joyously celebrated a major diplomatic victory.

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[60]For a complete text of the recognition announcement see FR, 1922, 2:873-874; Bilmanis, History, 338.

[61]New York Times, 29 July 1922.

CHAPTER II

THE INTER-WAR PERIOD, 1923-1937

Latvia entered the inter-war period as the largest of the three Baltic states, ranking in territory as the nineteenth largest state among the thirty-five independent nations within Europe.[1] Unfortunately, almost six years of uninterrupted war had devastated the countryside. Latvia's pre-war population of 2,552,000 had shrunk 37% to 1,596,131 by the end of 1921.[2] Monetarily, the war had cost Latvia an estimated $171 million and her foreign debt amounted to $24.6 million. In addition, she had lost most of her industry; practically all of her mercantile fleet; suffered over 200,000 destroyed buildings; and had lost most of her bridges, railroads, and livestock.[3] However, the Latvian people were determined to rebuild their shattered country and participate in the international arena to the fullest extent possible. As a sign of enthusiasm and support for their liberated nation, almost one-third of the Latvians living in the United States chose to return to their homeland.[4]

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[1]Edgar Anderson, Latvia--Past and Present, 1918-1968 (Waverly, Iowa: Latvju gramata, 1969), 38.

[2]Ibid., 41.

[3]Ibid., 38.

[4]Maruta Karklis, The Latvians in America, 1640-1973 (Dobbs Ferry, New York: Oceana Publications, 1974), 19.

An integral part of Latvia's efforts to join the international community centered around fostering stable and beneficial relations with the Western powers. During the 22 years of her independence, Latvia signed over 300 agreements with other nations.[5] These included treaties of commerce and trade, defense, and non-aggression.

The United States, on the other hand, had embarked on an entirely different course. U.S. diplomatic policy in the 1920s and 1930s was based on the assumption that Europe could take care of itself in the post-war era, without assistance from the United States. It seemed obvious to many observers that the two leading nations of Europe, Great Britain and France, could adequately maintain peace on the continent without American help. Herbert Hoover summed up the American attitude of isolationism and non-involvement:

> I am convinced that there has grown up since the Armistice the policy, perhaps unconscious, but nevertheless effective, of dragging the United States into every political and economic question in Europe and constantly endeavoring to secure pledges of economic and political support from us in return for our agreeing to matters which we consider for their common good, where we have no interest.[6]

Nevertheless, these apparently diverging sentiments did not prevent the two countries from greatly strengthening the bonds of friendship and commerce that had been forged during

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[5]Alfred Bilmanis, A History of Latvia (Princeton: Princeton University Press, 1951), 382.

[6]William Starr Myers, The Foreign Policies of Herbert Hoover, 1929-1933 (New York: C. Scribner's Sons, 1940), 16.

the war. On 16 October 1923, Latvia and the United States signed their first formal treaty, the Treaty on Extradition, at Riga. Perhaps their most important agreement, though, was the Treaty of Friendship, Commerce, and Consular Rights.

The United States had been slow in pursuing trade relations during the first years of Latvian independence. As a result, U.S. firms found themselves at a disadvantage when competing with foreign firms enjoying "Most-Favored-Nation" status. For example, Latvia enacted a law in August 1925 granting significant tariff reductions on petroleum and other products imported from countries with "M-F-N" status. This law seriously injured the importers of American oil products and they complained bitterly to the American legation at Riga.[7]

After nearly two years of lengthy negotiations, the United States and Latvia signed on 1 February 1926 a Provisional Commercial Agreement that accorded mutual, unconditional "M-F-N" treatment in customs matters. However, each country included exceptions on certain countries considered to be outside the scope of the treaty. The United States maintained that its "special relations" with Cuba and the Panama Canal Zone should be exempt while Latvia initially

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[7]U.S. Department of State, Papers Relating to the Foreign Relations of the United States, 1926 (Washington: GPO, 1941), 2:496. Subsequent citations of the State Department's foreign relations papers will be abbreviated to "FR", followed by the applicable year and volume, i.e. FR, 1926. Individual printing information for each series can be found in the bibliography.

claimed Estonia and Lithuania exempt from any provisions.[8] Known as the "Baltic Clause," the Baltic states commonly reserved for each other certain economic privileges which could not be passed on to non-Baltic countries by means of the "M-F-N" clause.[9] The United States also eventually consented to the inclusion of Russia and Finland as exempted countries, partly due to the willingness of Great Britain to make similar concessions in her own negotiations with Latvia.[10]

The protracted negotiations were quite amiable and demonstrated the willingness of both sides to compromise in order for a mutually satisfactory agreement to be reached. Both countries valued the friendship and good relations of the other and their efforts finally culminated two years later with the signing in Riga on 20 April 1928 of the Treaty of Friendship, Commerce, and Consular Rights.[11]

Building strong economic ties became a focal point of Latvian foreign policy during the inter-war period. Initially, the Latvian government sought to convince Western businessmen that Latvia offered a very convenient base for

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[8]Ibid., 2:488-490.

[9]Royal Institute of International Affairs, The Baltic States: A Survey of the Political and Economic Structures and the Foreign Relations of Estonia, Latvia, and Lithuania (Information Department, 1938 and 1970), 128.

[10]FR, 1926, 2:492-498. For the complete text of the agreement see ibid., 2:500-502.

[11]For the complete text of the treaty see FR, 1928, 3:208-209.

future trade with the Soviet Union. They were optimistic that Latvia would eventually become the "springboard" to potentially limitless markets in the East. Unfortunately, the disappointing outcome of the World Economic Conference at Genoa in 1922 dampened Western enthusiasm and made it plain that business with the Soviet Union would be neither as profitable nor as extensive as expected.[12]

Because the hoped-for trade increase with the Soviet Union never materialized, Latvia was compelled to develop a specialized agricultural economy in order to penetrate world markets. At the same time, new industries were developed for domestic and regional markets. Although not the major market for Latvian exports (Great Britain and Germany held that claim), the United States still became an important trade partner with Latvia and exported a significant amount of goods to her markets, directly and indirectly. American firms invested in Latvian textiles, chemicals, paper industries, and banking.[13] In addition, the United States imported Latvian butter, fish, candies, chocolate, clover seed, rye, flax, pulp, plywood, hides, cellulose, and liquor. In return, Latvia imported U.S. cotton, tobacco, dried and fresh fruits, lubricating oils, gums, sulphur, phosphorus, movies,

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[12]John Hiden, The Baltic Nations and Europe: Estonia, Latvia, and Lithuania in the Twentieth Century (New York: Longman, 1991), 4.

[13]Anderson, Past and Present, 474.

typewriters, adding machines, automobiles and their spare parts, tires, and certain types of machines.[14]

Latvia's economy was extremely dependent on both the price stability of her agricultural products and finding available markets in the industrial countries that would absorb these goods. By 1930, Great Britain and Germany were buying a combined 55.0% of Latvia's total exports, while the United States accounted for only 1.0%.[15] By 1939, Latvia exported 71.4% of her total export trade to Great Britain and Germany and imported 59.7% of her goods from those two countries. The United States remained a distant third, accounting for 1.4% of Latvia's exports and 6.3% of her imports.[16] In addition, Latvia also had to compete with her Baltic neighbors who were exporting the same types of goods. This resulted in negligible trade between the Baltic states and formed a formidable barrier to political and economic collaboration in the Baltics. The unbalanced trade arrangement eventually caused diplomatic problems between the United States and Latvia in the disastrous aftermath of the

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[14]FR, 1936, 2:381; Anderson, Past and Present, 468.

[15]Hugh I. Rodgers, Search For Security: A Study in Baltic Diplomacy, 1920-1934 (Hamden, Connecticut: Archon Books, 1975), 4; Royal Institute, Baltic States: A Survey, 126, 165.

[16]Bilmanis, History, 368; Igor I. Kavass and Adolph Sprudzs, editors, U.S. Congress House Select Committee on Communist Aggression in the Baltic States: A study of their origin and national development, their seizure and incorporation into the U.S.S.R. (Buffalo: W.J. Hein, 1972), 148.

world-wide depression of the early 1930s as Latvia's foreign policy became primarily driven by her economic relations with Great Britain and Germany.

Latvia's agrarian economy was hit especially hard by the depression. Fortunately, Latvia's lack of a significant foreign debt and the stringent fiscal policies enforced by the government helped soften the blow to a limited extent. Even so, the new economic realities sometimes strained relations between the United States and Latvia as each country sought to protect her own industries and ensure fiscal stability in the increasingly defensive international environment of the early 1930s.

Desperately trying to preserve its domestic market in the face of rapidly falling consumption, the United States Congress passed the Hawley-Smoot tariff bill in the spring of 1930. By imposing high tariffs, the bill effectively closed the American market to hundreds of imports. Many Europeans interpreted the bill as a declaration of economic war and responded with their own protective measures. By 1932, Latvian exports to the United States had fallen to an all-time low of 0.9% of her total trade, and her imports from the United States had dropped from a high of 5.2% in 1930 to a low of 3.7%.[17]

The depression also forced Latvia to modify some of her economic policies, often to the detriment of the United

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[17]Royal Institute, The Baltic States: A Survey, 165.

States, as she strove to increase revenues. One of the first measures was the inauguration of a nominal sojourn tax in 1929. This new tax of ten Lats per year, placed on all U.S. citizens entering the country, sparked a lengthy exchange of notes between the two governments that lasted for the next two years.[18]

The U.S. argued that the tax violated the "Most-Favored-Nation" status and the provision on reciprocity granted the U.S. by Latvia in the 1928 Treaty of Friendship, Commerce, and Consular Rights because it specifically targeted American citizens and Latvian citizens suffered no such taxes when traveling in the United States. The Latvian government, on the other hand, argued that the tax was merely an administrative fee that did not fall within the treaty's provisions and pointed out that the citizens of all non-Baltic nations had to pay a similar fee when traveling within Latvia. However, it eventually became known to the U.S. State Department that British citizens only paid two Lats per year, the lowest of any other nation except Estonia (whose citizens did not pay any such fees).

Constant pressure by the U.S. State Department resulted in the tax being reclassified several times as administrative fees or registration dues as the Latvian government sought to find a loophole that would enable her to retain this source of income. Eventually, the tax was reduced to six Lats and then

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[18]FR, 1930, 3:322-328.

four Lats. In December 1931, the Latvian government finally reduced the tax to two Lats per year on U.S. citizens. This amount satisfied the United States because it equaled the tax placed on British subjects. The manner in which this dispute was negotiated showed the Latvian government's willingness to compromise and settle problems favorably with the United States because it valued the United States' friendship and commerce very highly.

The Latvian government also enacted other economic measures in order to earn new revenues. In the autumn of 1931, there was a general increase in customs duties, and a new system of import quotas and exchange restrictions on foreign currency was introduced. These new measures helped direct the Latvian economy towards the new economic policy of industrial self-sufficiency.[19] In anticipation of currency shortages, the Bank of Latvia began sharply restricting credit and insisting on immediate payment of its loans to Latvian commercial banks. When Great Britain left the gold standard in 1931, the value of British sterling prices paid for Latvian butter, timber, flax, and bacon dropped significantly. At one point, the currency value of British payments had dropped by 30%.[20] This situation worsened even further when Germany raised its own tariff barriers. Latvian exports, which had

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[19]Royal Institute, The Baltic States: A Survey, 153.

[20]Hiden, The Baltic Nations and Europe, 10.

experienced a steady growth throughout the 1920s, saw its share of the market fall precipitously. This was especially serious in light of Latvia's dependence on Great Britain, Germany, and the United States as buyers for her agricultural goods. Almost 76% of Latvia's population was employed in agriculture and this meant less earned income which translated to insufficient tax revenues for generating a recovery. With the subsequent decrease in trade, Latvia's foreign currency receipts and customs duties also declined.[21]

Thus, those countries with which Latvia enjoyed a favorable trade balance, primarily Great Britain and Germany, received first consideration in any economic policy decisions. Concurrently, those countries with which Latvia did not have a favorable trade balance, such as the United States, were considered last and the Latvian government made little secret of this unspoken policy. On 19 January 1933, the Latvian press in Riga announced that "the Council of the Bank of Latvia had come to the conclusion that foreign goods should be imported from those countries which bought Latvian products and the instructions have been given to draw up a project for enforcing this point of view more completely."[22] In April, Robert Skinner, U.S. Minister to Latvia, Estonia, and Lithuania, complained to Secretary of State Cordell Hull about

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[21]Ibid., 10-11.

[22]FR, 1933, 2:608.

these trade practices, which he deemed discriminatory to the United States. "It is a fact, I believe, that the British, who are the best customers of this country, constantly urge the local Government to direct their purchases into British channels, and the implied threat of losing British trade is used to our disadvantage."[23] Unfortunately, Latvia could not afford to upset her biggest trading partner during those tough economic times and felt compelled to consider closely British interests.

Due to the increasing complaints of discriminatory trade practices against American firms by Latvian government officials, especially the arbitrary refusals of foreign exchange purchases, Secretary Hull ordered the Legation in Riga to begin sending quarterly surveys that "should outline for the preceding quarter the new legislation, regulations, and practices which operate to restrict or to discriminate against American trade . . . list the specific instances of discrimination . . . and report the actions taken. . ."[24] Hull believed the alleged discriminations violated the "Most-Favored-Nation" clause in the 1928 Treaty of Friendship, Commerce, and Consular Rights. Hull also urged the Legation to "fully discuss" the issue with the Latvian government.

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[23]Ibid., 2:605.

[24]Ibid., 2:602-4.

When confronted with Secretary Hull's concerns, Foreign Minister Karlis Zarins indignantly denied the U.S. charges and claimed both that Latvian imports of American goods actually had increased during the last year (3.5% to 3.7% of total imports) and that the value of the American goods coming into Latvia far exceeded the value of Latvian goods that went to the American market. He also pointed out that a considerable quantity of American products indirectly reached Latvia through transit trade with other countries.[25]

After the U.S. Legation confirmed the relative accuracy of these figures, Hull cautioned the Legation to be less aggressive in pursuing individual cases of discrimination. However, Hull soon pressed the Legation to rectify a problem that had arisen over the refusal of the Latvian Currency Commission to remit U.S. currency to certain American firms owed money by Latvian businesses.[26] In response, the U.S. Consul sent Hull a cable essentially concluding, that upon closer examination, there was little truth to the perception of an organized and systematic policy of discrimination against American trade. While admitting that the Latvian government, through the Currency Commission, was making certain efforts to reduce imports of particular commodities from the United States, the U.S. Consul reported that these

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[25]Ibid., 2:610-611.

[26]FR, 1934, 2:614-615.

efforts had resulted in little significant change in actual trade practices between the two countries. The cable also pointed out to Hull that, due to the relatively small amount of U.S.-Latvian trade when compared with that of Great Britain and Germany, the United States government would be in a very weak position if it chose to pursue this matter at a higher level.[27]

However, Secretary Hull was not satisfied with these explanations and ignored the Consul's assessment of the situation. He continued to urge the Legation to put pressure on Latvian officials and began making veiled threats of withdrawing "Most-Favored-Nation" status from Latvia and possibly raising tariffs or import duties on Latvian goods in retaliation.[28]

In 1935, the biggest suspicion of the United States involving unfair Latvian trade practices concerned the alleged illegal "dumping" of Latvian butter imports on the U.S. market. In response, the U.S. applied American tariff acts and customs regulations against Latvian goods. This incensed the Latvian Prime Minister, Karlis Ulmanis, and he emphatically warned the United States that there would be no further importation of American autos if Latvian butter could not be sold in the United States.[29] Hull eventually backed

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[27]FR, 1935, 2:552-553.

[28]Ibid., 2:554-559.

[29]Ibid., 2:560.

down and instructed the Legation in Riga to make no further representations with respect to alleged trade discrimination, "except such efforts as the Legation could exert locally in order to facilitate American exports."[30]

From 1936 until the outbreak of war in Europe, there was little change in the general status of trade relations between the United States and Latvia. Latvia had little choice but to pursue a bilateral trade balance in her economic policies. It was impossible for Latvia to return to an unrestricted foreign trade policy, as Secretary Hull consistently urged all members of the international community to do, unless her two main customers, Great Britain and Germany, also did. Until that happened, Latvian officials saw little alternative to keeping relations with these two countries on the friendliest of terms. Since the value of Latvian imports from the United States was still five times greater in 1937 than that of the goods it exported to the United States, Latvian officials saw little reason to favor U.S. trade at the risk of alienating Great Britain and Germany.[31]

Perhaps the biggest factor hindering U.S.-Latvian trade relations in the 1930's, however, was the dispute over the foreign debt obligations to the U.S. that were incurred during World War I. After the world depression struck, most countries sought to have their debts cancelled or renegotiated

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[30]FR, 1936, 2:389.

[31]Anderson, Past and Present, 468.

in order to help their reeling economies, and Latvia was no exception. However, the United States government remained firmly behind its policy of demanding payment in full on each installment and was very hesitant to renegotiate.

During Latvia's struggle for independence, she had received food shipments and other assistance worth $6,320,000 from Herbert Hoover's American Relief Administration. However, a verbal agreement between the two governments stated that Latvia only had to repay $5,983,000.[32] By 1922, Latvia owed $5,132,287.14 in principal and had accrued $449,009.25 in interest on the principal for a total debt of $5,581,296.39.[33] This amount was a substantial burden for a small country trying to rebuild and possessing little hard currency reserves. As a result, it became a growing problem for Latvia's economy to manage, especially after 1930.

The United States had begun pressing Latvia for repayment as early as 1923. In August of that year, Secretary of State Charles Evans Hughes sent the Latvian government a letter inquiring when the United States could expect payment. He was upset over rumors that Latvia was already repaying her debts with Great Britain, at the expense of the United States.[34] Latvia did not reply directly to these allegations, but requested that U.S. officials come to Riga for negotiations on

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[32]Ibid., 38.

[33]FR, 1922, 1:398.

[34]FR, 1923, 1:272-273.

the matter. The U.S. refused Latvia's request but offered to hold the negotiations in Washington instead.[35] In November 1924, the Latvian Cabinet ministers agreed to this proposal and authorized the Latvian Consul in New York to inaugurate funding negotiations through its offices in New York.[36] However, Latvian negotiations with the World War Foreign Debt Commission did not begin until July 1925.[37] Unfortunately, these talks quickly stalled as it became obvious that the U.S. would not change its position on the debt issue.

Fortunately for Latvia, the international economic collapse in the early 1930s forced the United States government to modify its stance on the debt question. Faced with widespread threats of default by the debtor nations, President Herbert Hoover announced on 20 June 1931 a unilateral moratorium on debt payments. This measure was designed to help the reeling U.S. and world economy by postponing all debts for one year beginning in July 1931. In return, Hoover fully expected payments to be promptly resumed at the end of the moratorium. Latvia gratefully accepted this gesture unconditionally in October 1931.[38]

Nevertheless, the U.S. officials began to hear rumblings of discontent from the debtor nations as the moratorium

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[35]Ibid., 275-276.

[36]FR, 1924, 1:139.

[37]FR, 1925, 1:164-165.

[38]FR, 1931, 1:227.

deadline neared. These nations hoped that the United States would either extend the moratorium, renegotiate the debt issue, or simply cancel their debts entirely. On 20 May 1932, Robert Skinner, U.S. Minister to Latvia, told Secretary of State Frank Kellogg:

> I gain the impression--it is merely an impression which I am unable to confirm--that the small Governments of Europe have been recommended to abstain from the resumption of payments to the United States, and from making budgetary provisions for such payments by the more important Powers, the latter being always hopeful that some general arrangement will be come to amounting to an indefinite extension of the moratorium. At all events, I cannot find, as yet, that anyone in the Baltic States is expecting to make payments during the coming year.[39]

When questioned about this, Latvian officials tried to convince the United States that they "now profess to comprehend the situation more accurately than they did before," and would make their debt payment under the terms established by the U.S. Secretary of the Treasury.[40] In fact, Latvia was merely stalling for time and waiting to see what the major powers would do.

On 14 September 1932, the Latvian Minister for Foreign Affairs formally notified the U.S. Legation of a request to postpone Latvia's debt and interest payments for two years. Latvia owed $46,200 in principal on two bonds and $102,660 in interest on the total debt due 15 December 1932. The U.S.

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[39]FR, 1932, 1:596-598.

[40]Ibid., 2:600.

softened its stance somewhat and agreed to the postponement of one bond for $37,000 but refused to grant a postponement of the other bond for $9,200 or the interest due on the entire debt and insisted on full payment of the remaining $111,860 on 15 December.[41]

Repaying this amount still presented great difficulties for Latvia during the troubled economic times. The Latvian government pleaded that it

> feels that the present precariousness of Latvia's situation as regards foreign exchange reserves, and the continued depressed condition of the country's export trade, dictate a necessity for further and full relief from its financial obligations under the aforementioned debt funding agreement during the period of acute crisis, which is still without noticeable abatement, notwithstanding the emergency measures which have been taken by the Latvian Government to stem the abnormal outflow of foreign exchange, and to regulate and balance foreign trade.[42]

In another letter, the Latvian Foreign Minister complained that his government had been forced to take these extraordinary measures to protect the small reserves of gold and foreign currency at its disposal. He pointed out that this was caused in part by export prices to the United States falling from 1,609,000 Lats in 1930 to 562,000 Lats in 1932. In addition, total Latvian exports had fallen from 225 million Lats to an all-time low of 59.1 million Lats.[43]

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[41]Ibid., 1:782-783.

[42]Ibid., 1:784.

[43]Ibid., 1:786.

The United States held firm to its position and Latvia eventually bowed to U.S. pressure. On 15 December, Foreign Minister Zarins telegraphed Skinner that Latvia would pay the full $111,860 owed the United States but only with the understanding that this "payment is not regarded by the Latvian Government as a resumption of the annual payments contemplated by the agreement of 1925." He also requested immediate revisioning of the next debt installment due on 15 June 1933, to which the United States acquiesced.[44]

Intensely aware of the immense discontent caused by the Hoover administration's insistence on debt repayment, many U.S. officials had few hopes that all the debtor nations would pay, but they did hope that the majority would choose to fulfill their financial obligations. However, even these low hopes were shattered when only the Czechoslovacks, Finns, Latvians, and Lithuanians submitted their payments on time.[45]

On 26 January 1933, Secretary Kellogg wrote the Latvian Consul General, Arthur B. Lule, and invited him to participate in a discussion of Latvia's debt and the world economic problem in general. Lule quickly agreed but, inexplicably, the Secretary failed to follow through on his offer despite

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[44]Ibid., 1:788-789.

[45]Robert H. Ferrell, American Diplomacy in the Great Depression (New Haven: Yale University Press, 1957), 216-217.

several statements by the Latvian government expressing its readiness and willingness to begin immediate negotiations.[46]

Latvia viewed the United States' apparent reversal as a sign that the U.S. was not too concerned about Latvia's possible default on its next installment of $119,609.00. On 15 June 1933, Consul General Lule sent Secretary of State Hull a cable refusing to pay the debt installment due on that date. He advanced the same arguments that were used six months before and pointed out that the United States had never adhered to its offer of negotiating a revision despite Latvia's expressed willingness and readiness to do so. However, as a token of good faith, he transferred to the U.S. Treasury $6,000. This equaled approximately 5% of the interest payment due on 15 June. In resignation, the United States accepted this token payment and again promised to discuss the entire debt question at a later date.[47]

In fact, the United States had little choice in the matter. On 15 June, there was a near universal default on the semi-annual debt payments due the United States. Britain, Italy, and Latvia made token payments totaling $11,154,592.20, Finland was the only nation that paid her full installment, which totaled $148,592.00.[48] Due to the failure of the United States and Great Britain to work out a comprehensive

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[46]FR, 1933, 1:893-894.

[47]Ibid., 1:894-896.

[48]Ferrell, Diplomacy in the Great Depression, 265.

debt agreement, negotiations with Latvia and the other small countries were put on the back burner. A British offer to pay $460 million in full settlement of its $8 *billion* debt moved President Roosevelt to angrily comment that "our European friends talk such ridiculous sums that no self-respecting Congress and, for that matter, no self-respecting President, could go on with the discussions."[49] As a result, there still had not been any formal discussions between U.S. and Latvian representatives by the next installment due date of 15 December 1933. Therefore, Latvia sent another token payment of $8,500, again approximately 5% of the interest payment, pending future revision discussions.[50]

The small token payments, combined with France's complete default on her debt payment (as she had on her two previous installments), convinced Roosevelt to support legislation punishing all defaulting debtor nations. The Johnson Bill, introduced by Senator Hiram Johnson and signed into law by President Roosevelt on 13 April 1934, prohibited the buying of bonds from, or making loans to, governments that had defaulted on financial obligations owed the United States government.[51]

However, the international situation had become too strained by this time for punitive measures to work against

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[49]As quoted in Robert Dallek, Franklin Delano Roosevelt and American Foreign Policy, 1932-1945 (New York: Oxford University Press, 1979), 74.

[50]FR, 1933, 1:897.

[51]Dallek, FDR and American Foreign Policy, 74-75.

the debtor states. On 18 May 1934, Vilhelms Munters, the Latvian Secretary General of the Ministry of Foreign Affairs, told U.S. officials that "Latvia will entirely follow the lead of England in the matter of the payment on the American debt in June, being ready either to make a token payment or withhold all payment."[52] Latvia saw little reason why she should pay her debts if the bigger powers, whose debt amounts dwarfed those of Latvia, could get away with defaulting or only paying token sums. As the 15 June installment deadline approached, it became readily apparent that none of the major debtor nations had any intention of making even token payments. Therefore, the Latvian President and Minister for Foreign Affairs, Karlis Ulmanis, informed Washington on 12 June that the Latvian government was suspending all payments as a result of the recent U.S. congressional legislation (the Johnson Act) forbidding partial payments and the continued U.S. reluctance to negotiate any aspect of the issue.[53] The ill will generated within the United States towards all of the defaulting nations haunted U.S.-Latvian relations for the remainder of the decade.

While the two nations experienced some difficulties in their relations over the debt question and allegations of unfair trade practices, they still maintained friendly diplomatic relations. Besides providing an export market for

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[52]FR, 1934, 1:587-588.

[53]Ibid., 1:588-589.

Latvian goods, American friendship afforded Latvia a minor sense of security as she sought to maintain an independent course between her two giant neighbors, the Soviet Union and Germany. The United States, however, had an incentive to maintaining friendly relations that was much more important than any economic benefits that Latvia could provide. This incentive was the American legation at Riga, especially the small group of experts within the legation that eventually became known as the Russian Section.

During most of the inter-war period, the vast majority of American diplomatic missions in Europe were considered little more than gatherers of second-hand information and diplomatic gossip. The periodic rotation of the small staffs left little opportunity for the foreign service officers to develop any expertise in the host country's traditions, culture, or history. The legation in Riga became the first diplomatic corps to make the in-depth study of local and regional problems a standard practice and its reputation eventually set the standards for future American missions abroad.

An observer once remarked about the Latvian capital:

> Riga is a great solid-looking city with broad boulevards, imposing squares, and spacious parks. In part it is still a typical city of Imperial Russia, with long straight streets paved with cobblestones and lined with severe buildings of heavy dignity and yet of monotonous simplicity . . . the ancient and beautiful churches with their Gothic spires, the quaint-looking guildhalls, and the heavy masonry of the older buildings recall the solid power of the Teutonic Knights that

> governed the destinies of the Baltic in the Middle Ages.[54]

George Kennan characterized his early foreign service years in the Baltics in a similar fashion. "To live in Riga was thus in many respects to live in Tsarist Russia--it was, in fact, almost the only place where one could still live in Tsarist Russia."[55] Riga, with its close proximity to Soviet Russia and intimate ties with Tsarist Russia, played a dominant role in the early, formative years of a small core of outstanding young foreign service officers. George Kennan, Charles Bohlen, and Loy Henderson eventually rose to powerful positions within the State Department and significantly shaped America's foreign policy for many decades. Many of their beliefs about the Soviet Union were based on personal experiences and observations gathered as members of the Riga Legation.

During the 1920s, much of the U.S. federal establishment experienced lean times. Republican administrations, dominated by an isolationist attitude and convinced that the State Department had become bloated and profligate during the war, constantly pushed for reductions in expenditures on diplomacy.

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[54]As quoted in Edward William Polson Neumann, Britain and the Baltics (London: Methuen, 1930), 91.

[55]George Kennan, Memoirs: 1925-1950 (Boston: Little, Brown, 1967), 30.

From 1923 to 1926, budgetary outlays for the State Department and the foreign service fell by nearly 40%.[56]

The tight fiscal constraints placed on American missions significantly affected working conditions. Following the war, available buildings in Riga were limited and Congress refused to allocate sufficient funds. Therefore, the American legation was forced to make do with accommodations that were less than satisfactory. The legation's business offices occupied the former house of a wealthy Latvian merchant who had fallen on hard times and could not afford to make the many repairs that it required. Because the building could not command much of a price, the Americans got it.[57] At one point, the legation's budget had become so tight that its "economy squad" found it necessary to recycle worn-out carbon paper. By holding the used sheets of carbon over candles so the heat would melt and redistribute the blacking, they discovered that the carbon papers could be used several times.[58] Despite operating under such restrictions, the legation still managed to make significant contributions to U.S. foreign policy.

Since the United States government steadfastly refused to recognize the Soviet Union throughout the 1920s, it was

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[56]H. W. Brands, Inside the Cold War: Loy Henderson and the Rise of the American Empire, 1918-1961 (New York: Oxford University Press, 1991), 30.

[57]Ibid., 28-29.

[58]Ibid., 30.

impossible to maintain any type of official U.S. presence within Soviet borders. However, the U.S. still needed to accurately assess the current political and economic conditions inside the Soviet Union. Therefore, the head of the State Department's Division of East European Affairs, Robert F. Kelley, immediately set to work organizing and training a small corps of Russian experts who would form a quasi-independent unit within the United States' legation in Riga.

Kelley organized a systematic program to study Russian culture and the Russian language, while only going superficially into a study of Soviet politics, economics, and government.[59] Many of these courses were taught by Russian emigres who often imparted a definite anti-Bolshevik thrust. Kelley's character and intellect, the program's controlled curriculum, and the emnity of the Russian emigres toward the Bolsheviks so influenced the young officers that the vast majority of them developed a considerable sympathy for Russia's *ancien regime* and a belief that the leaders of the Soviet Union had usurped the Russian legacy. These opinions were then constantly reinforced by their comprehensive studies of segments of Soviet society as well as personal contacts with communist officials while in Riga.

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[59]T. Michael Ruddy, The Cautious Diplomat: Charles E. Bohlen and the Soviet Union, 1929-1969 (Kent, Ohio: Kent State University Press, 1986), 3-4.

The task of the Russian Section was to carry on a comprehensive and continual study of developments occurring within the Soviet Union, whose revolutionary leaders advocated the violent destruction of the established social order in the United States. Kennan unpretentiously described the Russian Section as a small research unit where "we received the major Soviet periodicals and other publications, studied them, and reported as best we could to the United States government on conditions--primarily economic conditions--in the Soviet Union."[60]

While many of the legation's dispatches consisted merely of translations of Soviet press articles, statements of Soviet leaders, decrees, and the like, their reports served several other important purposes. The State Department did not have any other agency capable of exposing the exaggerated claims and propaganda of the Soviet government. Also, the dispatches of foreign journalists working in the Soviet Union were strictly censored. Many of the so-called "intellectuals" and journalists admitted to the Soviet Union had been carefully hand-picked by Soviet officials, and a large number of them were unwilling to report on actual conditions for fear of jeopardizing their special privileges or of injuring their future relations with Soviet officials. They also did not

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[60]Kennan, Memoirs, 47.

want to offend certain segments of the American public who shared a common sympathy for the "Soviet experiment."[61]

In contrast, many diplomats from friendly countries, newspaper reporters, businessmen, technicians, and fellow travelers came to Riga from the Soviet Union for a breath of fresh air and did not hesitate to discuss privately their experiences and observations with the eager members of the Russian Section.[62] These intensive "de-briefing" sessions provided valuable insights into developments and trends inside the Soviet Union. They also shed light on Soviet foreign economic developments, including the structure and activities of the Soviet foreign trade monopoly and the institutions through which this monopoly was being exercised, Soviet concessions to foreigners, and how these foreign concessions fared.[63]

In the course of their work, the members of the Russian Section began accumulating significant amounts of material relating to the Soviet Union. The legation subscribed to more than fifty different newspapers and periodicals, owned complete sets of Soviet laws and decrees as well as numerous legal treaties, had most issues of *Izvestiya* and *Pravda* dating

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[61]Loy W. Henderson, A Question of Trust: The Origins of U.S.-Soviet Diplomatic Relations: the memoirs of Loy W. Henderson (Stanford: Hoover Institution Press, Stanford University, 1986), 181.

[62]Ibid., 163.

[63]Vladimir Petrov, A Study in Diplomacy: the story of Arthur Bliss Lane (Chicago: H. Regnery Company, 1973), 86.

back to the early days of the Bolshevik Revolution, and possessed files of other newspapers published in Moscow, Leningrad, and the capitals of many of the constituent republics of the Soviet Union. In addition, its shelves contained books, brochures, and sets of periodicals relating to the programs and decisions of the Communist International and its world-wide affiliates and front organizations.[64] By 1930, they had accumulated the world's most comprehensive research collection on the Soviet Union. At one point, the Soviet Foreign Minister, Maxim Litvinov, commented that the East European Division possessed better records regarding Soviet foreign policy than did the Kremlin itself.[65]

The legation in Riga also provided intelligence that fingered front groups for the Communist International, such as the American Workers' Party, the Trade Union Educational League, and the Red International of Trade Unions.[66] In addition, foreign service officers forwarded the names of visiting Americans who happened to make the mistake of showing their sympathies for Bolshevism.[67]

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[64]Henderson, Question of Trust, 162-163.

[65]Kennan, Memoirs, 84; Charles E. Bohlen, Witness to History, 1929-1969 (New York: W. W. Norton & Company, Inc., 1974), 28.

[66]Brands, Inside the Cold War, 27.

[67]Walter L. Hixson, George F. Kennan: Cold War Iconoclast (New York: Columbia University Press, 1989), 7.

The Russian Section furnished the State Department with considerable evidence that Soviet diplomatic, consular, and trade agencies in Estonia and Latvia had, from the very beginning, actively engaged in conducting propaganda aimed at the overthrow by force of these two governments and the establishment of communist regimes in their place.[68] They pointed out that this was in direct violation of treaties signed by the Soviet government and warned that the communists could not be trusted to abide by their word. Warnings like these only made it easier for the U.S. to continue their policy of non-recognition of the Soviet government.

The close proximity of Riga to the Soviet Union made it a convenient gateway for communist agents and couriers on their way to and from the major capitalist countries. The occasional arrest of these spies by the Latvian authorities furnished the legation with clues as to their operating methods and procedures. A good example was the capture of a courier for the Comintern on his way from Moscow to New York with instructions for the American Communist Party. The Latvian authorities discovered approximately $13,000 in operating funds sewn into the seams of his pants and a wooden box with a false bottom filled with documents.[69] The famous

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[68]FR, 1923, 2:772-773.

[69]Walter Duranty, I Write As I Please (New York: Simon & Schuster, 1935), 73-75.

press correspondent Walter Duranty described the documents in his memoirs:

> They exclusively concerned America and were silly, inflammatory stuff, telling American Communists to work on American troops as they came home from France and induce them to kill their officers, or anyway refuse to turn in their rifles and ammunition. I imagine the Russians thought that the demobilization process in the United States would be something like what happened in Russia when the defeated forces of the Tsar left the Front *en masse* during the Kerensky period and came home all ripe and ready for a revolutionary movement.[70]

This event demonstrated the naivete and crudeness of the Soviet leadership in its attempts to incite rebellion in foreign countries and made it easier for countries to effectively combat this new menace to their system of government.

Since the United States lacked a formal intelligence service in those days, other than small branches associated with the military, the Russian Section made arrangements with representatives from the intelligence services of those friendly countries who also maintained diplomatic offices in Latvia.[71] Among these sources, the British were the most important and the two countries developed a very close working relationship when it came to obtaining and sharing intelligence on the Soviet Union. The British conducted their intelligence service through the Passport Control Office in Riga. The latter maintained a number of secret agents in

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[70]Ibid., 75.

[71]Henderson, A Question of Trust, 163.

Russia who regularly supplied information on political, economic, and military matters. The British secret service was the only one in Riga that controlled a significant number of effective secret sources inside the Soviet Union that reported not only on military matters but also on political and economic developments within the country.[72]

Despite the significant accomplishments of the Riga legation, the State Department officials at home began to voice occasional complaints about the legation's work during the early 1930s. They complained that the officers spent too much time on Russia and not enough time on Latvia and said the reports from Riga regarding Latvia "needed strengthening." However, it was generally understood among the officers in Riga that reporting on the Soviet Union was the most important activity of the legation and should receive first priority.[73]

The increasing impatience of top White House and State Department officials toward reports portraying the Soviet Union in a bad light reflected a growing trend within the government and society in general to downplay the threat posed by the Soviet Union. This attitude began to manifest itself more openly when Franklin Delano Roosevelt won the presidential election in 1932.

In the spring of 1933, President Roosevelt decided the time finally had come to recognize the Soviet government. He

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[72]National Archives File No. 860p.202 61/7.

[73]Henderson, Question of Trust, 174.

asked the East European Division to write a report outlining any issues that needed to be dealt with directly during the upcoming negotiations. In the summer of 1933, the division drafted a memorandum on "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."[74] Written mainly by officers of the Russian Section, the report stressed that Roosevelt must get not only solid guarantees on the payment of all outstanding debts and the cessation of propaganda aimed at fomenting world revolution and the overthrow of other governments, but also an iron-clad agreement on the fair treatment of American nationals in the Soviet Union. In addition, the American Minister in Riga, Robert P. Skinner, sent along the opinions of each member of the Russian Section on the question of recognizing the Soviet Union. The vast majority believed that the Soviet Union would not refrain from encouraging revolutionary activity in the United States, honor the financial obligations of previous Russian governments, or make restitution to American firms and individuals regardless of what it agreed to or was promised in return.[75]

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[74]FR, 1933-1939, the Soviet Union, 6; Brands, Inside the Cold War, 40.

[75]Kennan, Memoirs, 56.

However, Roosevelt ignored the Russian Section's warnings and ordered it to proceed with drafting a treaty on recognition of the Soviet government. The officers reluctantly set to work constructing an agreement that would theoretically provide the United States with the greatest amount of protection. They accomplished this by ingeniously taking a phrase here and a sentence there from twenty-six similar treaties with other countries that had already been signed by the Soviet government, ranging from Germany to Afghanistan. "When it was finished, there was not a single word in the draft that had not already appeared in some treaty to which Russia had affixed her signature and seal."[76] Unfortunately, even these supreme efforts at holding the Soviet government to its word eventually failed as each part of the recognition agreement was violated subsequently by the Soviet leadership.

Much of the blame can be placed on President Roosevelt's naive faith that the Soviet government would act responsibly if it was treated like a legitimate member of the world community. He refused to listen to experienced members in the foreign service and State Department and preferred to conduct foreign policy in a highly personal manner. His ignorance of the Russian Section's warnings was one of the first signs that things had changed within U.S. governmental circles.

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[76]Cordell Hull, The Memoirs of Cordell Hull (New York: MacMillan Co., 1948), 299.

Upon his ascendancy to the Presidency, Roosevelt began displaying an attitude of indifference, "at times almost approaching contempt," toward the State Department and the foreign service.[77] He considered career diplomats to be "fossilized bureaucrats, frivolous dilettantes, and reactionaries. . . that the road to minister or ambassador could be traveled by anyone who remained loyal to the service, offended no one, and exercised a reasonable degree of sobriety at public functions."[78] Moreover, the left wing of the New Deal carried out a sustained campaign to discredit the two services and promote the Soviet Union as a friend. Thus, foreign service officers saw their role in shaping America's foreign policy begin to diminish considerably as Roosevelt increasingly relied upon hand-picked emissaries to deal with important foreign policy questions.

Roosevelt's attitude rankled many in the State Department and foreign service, especially those who had served in the Russian Section and rightfully considered themselves to be experts in their field. They saw their valuable knowledge and expertise being willfully ignored and wasted by a man solely interested in gaining political currency. George Kennan once commented:

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[77]Henderson, Question of Trust, 226.

[78]Hugh DeSantis, The Diplomacy of Silence: The American Foreign Service, the Soviet Union, and the Cold War, 1933-1947 (Chicago: University of Chicago Press, 1980), 25.

> Roosevelt had little or no understanding for a disciplined hierarchial organization. He had a highly personal view of diplomacy, imported from his domestic political triumphs. His approach to foreign policy was basically histrionic, with the American political public as his audience. Foreign service officers were of little use to him in this respect.[79]

The 1936 elections demonstrated a noticeable swing to the left both in government and in the general population. The Spanish Civil War was in full swing and the majority of the public favored the Loyalists, who were backed by the Soviet Union. Anti-fascism, which often translated into pro-Soviet sentiment, became increasingly fashionable and vocal. Opponents of Roosevelt's foreign policy who dared make their criticisms public were commonly branded as reactionaries, even pro-fascists.[80]

The growing animosity between the two sides finally came to a head when Roosevelt replaced the popular, anti-communist William Bullitt as Ambassador to the Soviet Union with the vastly inexperienced Joseph E. Davies. Many career officers were incensed and viewed Davies's appointment as nothing but a cheap political award to an old crony. When Davies made known his sentiments on the Soviet Union, the worst fears of the old Russian hands seemed to be confirmed:

> In my opinion, the Russian people, the Soviet Government, and the Soviet leaders are moved, basically, by altruistic concepts. It is their

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[79]Kennan, Memoirs, 75; DeSantis, Diplomacy of Silence, 25.

[80]Petrov, A Study in Diplomacy, 93.

> purpose to promote the brotherhood of man and to improve the lot of the common people. They wish to create a society in which men live as equals, governed by ethical ideals. They are devoted to peace.[81]

At best, Davies was viewed as a naive fool and, at worst, a willing accomplice of the Soviet government.

Davies's appointment split the Roosevelt administration into two warring camps. On the one side, the East European Division, headed by Kelley and including George Kennan, Loy Henderson, and Charles Bohlen, questioned Moscow's every move and remained highly skeptical of its professed benevolence. They sniffed at what they called the "hands across the caviar" naivete of the first lady and her allies. On the other side, various members of the White House staff, including Davies, Sumner Welles, and Eleanor Roosevelt, saw Stalin as being neither revolutionary nor the threat to world peace that his critics in the State Department made him out to be. An influential group centered around Mrs. Roosevelt and Justice Frankfurter maintained close relations with the leading advocates of Soviet-American rapproachment, especially Soviet Ambassador Konstantin Oumansky, who constantly complained about the unfriendly attitude manifested in the State Department toward the Soviet Union, and treated Kelley and his

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[81]Joseph E. Davies, Mission to Moscow (New York: Simon and Schuster, 1941), 511.

crew as "reactionary obstructionists."[82] The new U.S. Minister to Latvia, Arthur B. Lane, complained in a letter written on 7 September 1936 to Assistant Secretary of State R. Walton Moore that "all but one or two of the section's officers had a definitely anti-Soviet attitude" and pushed for the eventual dissolution of the Russian Section.[83]

Due to the furor over Davies's appointment and the pressures of the pro-Soviet group, Roosevelt decided to initiate large-scale organizational and personnel changes within the State Department. When Bullitt got wind of this decision, he strongly protested that its dissolution and the demotion of its chief would have grave consequences for the security of the United States. He praised the work of the East European Division and the Russian Section, calling it "one of the finest, if not the finest, of its kind in the world."[84]

In the spring of 1937, the Department began to cut back U.S.-Soviet relations to what the White House considered to be its proper level of importance. The Division of East European Affairs was abolished and its personnel scattered to other departments, while the new Division of European Affairs took

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[82]Petrov, A Study in Diplomacy, 93; Martin Weil, A Pretty Good Club (New York, 1978), 90-93; Brands, Inside the Cold War, 78.

[83]As quoted in ibid., 91.

[84]As quoted in Keith David Eagles, Ambassador Joseph E. Davies and American-Soviet Relations, 1937-1941 (New York: Garland Publications, 1985), 202.

over its duties. A Russian desk, to be staffed by a single person, was created within the new division and given the huge task of keeping accurate tabs on the Soviet Union. The Soviet lobby's chief nemesis, Robert Kelley, was banished to the small American mission in Istanbul, Turkey.[85] Just as damaging, the invaluable library built up by Kelley and the Russian Section through the years was liquidated, even the files were dispersed or destroyed.[86]

From that point on, the attitudes of the White House toward U.S.-Soviet relations were apparent. Few foreign service officers risked their careers to oppose the established doctrine. In the aftermath of the internal war, the U.S. legation at Riga lost much of its influence and prestige. However, its influence could still be felt then, and in the ensuing decades to come. The core of the Russian Section graduates, George Kennan, Loy Henderson, and Charles Bohlen, went on to establish the first American embassy in Soviet Russia and later enjoyed immense favor in the new post-war, anti-communist political climate of the late 1940s. Their basic beliefs subsequently drove U.S. foreign policy well into the early 1970s.

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[85]Ibid., 201-202.

[86]Edward M. Bennett, Franklin Delano Roosevelt and the Search for Security: American-Soviet Relations, 1933-1939 (Wilmington, Delaware: Scholarly Resources, 1985), viii.

CHAPTER III

THE YEARS OF CRISIS, 1937-1941

A year after his arrival in Riga, U.S. Minister Arthur B. Lane commented that "the East European area, with the possible exception of Russia, is in itself perhaps the least important of all areas in the world with which the United States has to deal."[1] This statement, made in 1937, reflected the attitudes of many American officials during most of the 1930s. Sadly, it took the shock of Munich and the Nazi-Soviet Pact of 1939 to startle the United States out of its naive and isolationist attitudes. For the past several years, U.S. foreign policy, under Secretary of State Cordell Hull, had concentrated on achieving closer cooperation with other nations in maintaining peace and restoring world commerce. Hull was convinced that barriers to international trade led to war, while opening channels of commerce was conducive to peace.[2]

Strategically, the Baltic region gained in international importance during the 1930s among European statesmen. The Baltic states appeared as an ideological, economic, and strategic barrier between the two great dictatorships of Stalinist Russia and Nazi Germany. Observers began focusing greater attention on the region and speculating upon what role

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[1]As quoted in Vladimir Petrov, A Study in Diplomacy: the story of Arthur Bliss Lane (Chicago: H. Regney Company, 1973), 84.

[2]Julius W. Pratt, Cordell Hull, 1933-1944 (New York: Cooper Square Publishers, 1964), 29.

it would play in future international politics. Far from being a quiet and secluded place, the Baltic region had become an area of conflict and high tensions by the end of the decade.

Latvia, for its part, tried to maintain a policy of neutrality and, at the same time, work toward greater Baltic solidarity. On 5 February 1932, Latvia and the Soviet Union signed a non-aggression pact which would run for a period of three years. In 1934, the Soviet Union unilaterally extended the pact until 31 December 1945.[3] In this manner, Latvia gained further confirmation of her western borders. On 12 September 1934, the three Baltic nations signed a consultative treaty which became known as the "Baltic Entente." The treaty called for collaboration in matters of foreign affairs with periodic conferences of the Foreign Ministers and for mutual diplomatic support in all international issues.[4]

Baltic statesmen were forced to place greater emphasis upon regional solidarity and absolute neutrality. They witnessed the growing weakness of the League of Nations with considerable alarm and could not ignore the disintegration of the Versailles system with equanimity. In a 1937 speech, Latvian Minister of Foreign Affairs Vilhelms Munters stressed

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[3]George von Rauch, The Baltic States: The Years of Independence: Estonia, Latvia, and Lithuania, 1917-1940, trans. Gerald Onn (Berkeley: University of California, 1974), 174-175.

[4]Ibid., 182.

the importance of maintaining good relations with both Germany and the Soviet Union and insisted that, if the Baltic nations wanted to survive as a cultural entity, they must remain aloof from the ideological struggle being waged in Europe.[5] Thus, Latvia continued to base her foreign policies on neutrality and collective security while gradually being absorbed into the German economic sphere.

Despite a German minority problem occasionally aggravated by Nazi revisionist propaganda, Latvia feared the Soviet Union more because of its communist subversion and recent designs on Latvian territory. Latvia and Estonia did not unify their military commands, agree on common action in case of attack, or even unify the organizational structure of their militaries, weapons systems, or types of ammunition because they feared that the appearance of close military cooperation might provoke the Soviet Union into taking action.[6] In 1929, the United States sought to enlist the Latvian government, among others, in an international call for peaceful negotiations under terms of the Kellogg-Briand Pact in order to dispel a possible armed clash between the Soviet Union and China in Manchuria. Latvia praised the initiative but declined to publicly back the United States, again because

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[5]Ibid., 188.

[6]Edgar Anderson, Latvia--Past and Present, 1918-1968 (Waverly, Iowa: Latvju gramata, 1969), 451.

Latvian officials wished to avoid any provocation of the Soviet Union.[7]

As Hitler advocated new territorial revisions to the German people, the Soviet Government was also making its territorial desires known. In 1936, the new Secretary of the Russian Communist Party, Andrei Zhdanov, declared at an All-Union Congress in Moscow that, even though the U.S.S.R wished to live in peace with the Baltic nations, "If these tiny peoples allow big adventurers to use their territories for big adventures, we shall widen our little window onto Europe with the help of the Red Army."[8] As tensions rose in the region, President Roosevelt asked Lane to report his observations on the Soviet-German struggle for dominance in the Baltic states. In his reply, Lane indicated that there was a definite possibility that Germany might seek a rapproachment with the Soviet Union in order to deal with France and implied that such an arrangement might not be entirely disagreeable to the Soviet government.[9]

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[7]U.S. Department of State, Papers Relating to the Foreign Relations of the United States, 1929 (Washington, D.C.: GPO, 1943), 2:424. Subsequent citations of the State Department's foreign relations papers will be abbreviated to "FR", followed by the applicable year and volume, i.e. FR, 1929. Individual printing information for each series can be found in the bibliography.

[8]As quoted in Alfred Bilmanis, A History of Latvia (Princeton: Princeton University Press, 1951), 388.

[9]Edward M. Bennett, Franklin Delano Roosevelt and the Search for Security: American-Soviet Relations, 1933-1939 (Wilmington, Delaware: Scholarly Resources, 1985), 78.

As Hitler strengthened his hand in Czechoslovakia and the collective security negotiations between the French, British, and Russians faltered in the spring of 1939, President Roosevelt took it upon himself to relieve world tensions. On 14 April, Roosevelt sent identical diplomatic notes to Hitler and Mussolini. Couched in friendly language, the notes stressed the world's fears of a new war. The President emphasized that these fears would be greatly alleviated if these two nations released statements guaranteeing the stability of the borders of thirty-one different countries for a period of ten years. The enumerated countries included all of the European, Near Eastern, and Baltic nations. If these guarantees were forthcoming, then the President promised that the United States would fully participate in discussions on opening up further avenues of world trade and reducing the arms race.[10]

The President's telegrams caught many people in the State Department by surprise and they were not particularly pleased. It was their understanding that the whole idea had originated in the White House and that the first drafts had been prepared by the President himself. Many of them were puzzled regarding their purpose and suspected that Roosevelt might merely be

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[10]Loy W. Henderson, A Question of Trust: The Origins of U.S.-Soviet Diplomatic Relations: the Memoirs of Loy W. Henderson (Stanford: Hoover Institution Press, Stanford University Press, 1986), 550-551; John Hiden and Thomas Lane, ed., The Baltic and the Outbreak of the Second World War (New York: Cambridge University Press, 1992), 32-33.

grandstanding for the home audience.[11] After all, neither Hitler nor Mussolini had ever lived up to their promises in the first place.

When Mussolini received the note, he did not react at all and chose to ignore it altogether. Hitler, though, decided to go on the diplomatic offensive. On 29 April, he offered bilateral non-aggression pacts to Denmark, Norway, Sweden, Finland, Estonia, and Latvia as proof of his benevolent intentions.[12] In addition, he asked the "threatened" countries, including Latvia, to make declarations that they did not feel threatened by Nazi Germany and had not, in fact, authorized Roosevelt's proposal. Privately, however, the German minister in Riga was instructed to tell Munters that, unless Latvia gave the expected negative answers, he would be regarded as a supporter of Roosevelt and would "suffer the consequences."[13]

Latvia's reactions, as well as those of the other Baltic and Scandinavian countries, demonstrated the delicate situation in which they found themselves. Fearing Hitler's dissatisfaction, many of them publicly expressed their belief in Germany's peaceful intentions. However, they secretly expressed approval of the President's appeal in private

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[11]Henderson, Question of Trust, 551.

[12]Hiden, The Baltic, 33.

[13]John Hiden, The Baltic Nations and Europe: Estonia, Latvia, and Lithuania in the Twentieth Century (New York: Longman, 1991), 61.

conversations with American diplomats so that news of their approval would not reach Germany.[14] Latvia's reply was rather evasive and indicated that she preferred to discuss the question with German representatives. Although Latvia promised to give her answer in the course of the talks, she was very careful to point out that Latvia had no intention of departing from her traditional policy of strict neutrality.[15] On the whole, the Scandinavian and Baltic countries were less than enthusiastic about Roosevelt's initiative because it involved them in the political activities of the great powers.

President Roosevelt's note represented one of the few attempts by the United States government to involve itself in European politics in the years leading up to war. The American people were still strongly isolationist and most government officials were afraid to risk their displeasure. Thus, the United States remained aloof from the ongoing negotiations between France, Britain, and the Soviet Union on the eve of the Nazi-Soviet Pact. Secretary of State Hull feared that, "from a domestic point of view such a visit, however carefully prepared, might be misconstrued" by the American public.[16] The *New York Times* reinforced this sentiment by urging, "Millions for defense, but not a cent for

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[14]Hiden, The Baltic, 33.

[15]Rauch, Years of Independence, 203.

[16]FR, The Soviet Union, 1933-1939, 757.

foreign adventures in collective security."[17] At this stage, the concept of collective security and the thought of cooperating with the champions of that doctrine in Europe clearly remained very unpalatable to the American public.

In the spring and summer of 1939, the British, French, and Russians conducted a series of negotiations based on collective security in order to counter the growing Nazi threat. Stalin held out the promise of a mutual defense agreement in return for an acknowledgement of Soviet hegemony in the Baltics. In these talks, Stalin insisted upon joint guarantees against direct and indirect aggression being extended to Estonia, Latvia, Poland, Rumania, Belgium and other border states.[18] When news of this demand reached Latvian officials, they rejected the suggested guarantees. They feared that the Soviet Union would use the guarantees as a pretext to occupy the border states any time that it could stage a provocation. The inclusion of "indirect aggression" in any security pact would leave the Soviet Union free to unilaterally decide when such aggression had taken place or even threatened to take place.

Stalin ignored these protests and continued to press Great Britain and France for the guarantees, even without Latvia's consent. On 23 July 1939, Great Britain and France

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[17]New York Times, 8 March 1938.

[18]Visvaldis Mangulis, Latvia in the Wars of the Twentieth Century (Princeton Junction, New Jersey: Cognition Books, 1983), 77.

finally agreed to begin talks with the Soviet Union on joint military action, but they postponed any agreement on indirect aggression for a later date.[19] As the negotiations laboriously wore on, Stalin began dropping hints of a possible German-Soviet rapproachment if his demands were not met. To many observers, it appeared that Stalin was playing the democratic governments off the Axis powers in a callous attempt to achieve his aims of complete dominance over the Baltics.

Concurrently, Latvia became more and more concerned lest Great Britain and France yield to Stalin's demands. The Latvian government remained convinced that if it failed to denounce any arrangement in which the Soviet Union would be free to "come to their assistance," then it would be sacrificing Latvia's policy of strict neutrality. Therefore, Latvia publicly announced in June its determination to remain neutral and again rejected any unsought guarantees. To demonstrate this neutrality, Latvia signed a non-aggression pact with Germany on 7 June 1939. Latvia now had non-aggression pacts in force with both Germany and the Soviet Union, and anxiously hoped that she would not be sacrifice by Great Britain and France. However, several weeks later, in Riga, a Latvian official privately told Minister Lane that, if Latvia was left with little alternative, she would prefer that

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[19]Ibid., 78.

Great Britain and France have a major role in determining the validity of any threats. In part, the official

> 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."[20]

By August, the Russians had reached the point where they felt an agreement had to be made either with the West or the Axis. If Stalin received what he wanted, then he had no qualms in dealing with Hitler. On 23 August 1939, the two dictatorships stunned the world with the signing of a non-aggression pact, which contained secret protocols on the division of Eastern Europe into spheres of interest, while British and French officials were still in Moscow trying to negotiate their own agreement with the Soviet Union.

While the rest of the world grappled with this shocking news, the President seemed to be expecting it and did not evoke any startled comments.[21] Henderson and others in the State Department had been warning of this possibility for some time and an anti-Hitler diplomat in the German embassy in Moscow, Hans von Hervarth, had been passing information to

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[20]FR, The Soviet Union, 1933-1939, 938.

[21]Bennett, Search for Security, 180.

Charles Bohlen for several months.[22] The next day, Ambassador Laurence Steinhardt cabled Secretary of State Hull from Moscow:

> I am informed in strict confidence that a full "understanding" was reached last night between the Soviet and German Governments in reference to territorial questions in Eastern Europe whereby Estonia, Latvia, Eastern Poland, and Bessarabia are recognized as spheres of Soviet vital interest.[23]

Several hours later, the State Department received another cable from Ambassador Steinhardt reporting that he had just learned from a confidential source that a secret agreement had been attached to the treaty, the provisions of which seemed to meet the demands that Stalin had been making.[24] Steinhardt also warned the Latvian minister of the existence of these secret protocols.[25] Further evidence of the secret protocols was received in September by the State Department in a cable from the new Minister to Latvia and Estonia, John C. Wiley:

> A high official of the Foreign Office understands that the Soviet-Estonian agreement was based on a compromise between Germany and the Soviet Union whereby the former recognized the Soviet need for a Baltic foothold but on a condition that the countries involved should remain intact.[26]

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[22]Charles E. Bohlen, Witness to History, 1929-1969 (New York: W. W. Norton & Company, Inc., 1973), 85.

[23]As quoted in Henderson, Question of Trust, 564.

[24]Ibid., 564-565.

[25]Izidors J. Vizulis, The Molotov-Ribbentrop Pact of 1939: The Baltic Case (New York: Praeger, 1990), 22.

[26]FR, The Soviet Union, 1933-1939, 944.

Despite the outrage and condemnation heard in other capitals, Washington was strangely silent. Secretary of the Treasury Henry Morgenthau wrote in his diary that, "The President had decided to stay on the fence as long as possible and he doesn't care what the cost."[27] Roosevelt warned his advisors that, because of the Nazi-Soviet Pact, the United States could not afford to offend the Soviet Union no matter what the provocation.[28] The President consistently maintained this policy until Germany's attack on the Soviet Union in the summer of 1941.

As Hitler consolidated his gains in Eastern Europe and turned his sights on France and the Low Countries, Stalin began efforts to solidify his control over the Baltic nations. In October 1939, Foreign Commissar Viacheslav Molotov told Latvian Foreign Minister Munters that some countries had already disappeared from the map of Europe and that what was established in 1920 could not last for eternity. "Peter the Great saw to it that an outlet to the sea was gained. We are not without an exit, and the situation in which we are now can't remain."[29] During the fall months of 1939, the

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[27]As quoted in Keith David Eagles, Ambassador Joseph E. Davies and American-Soviet Relations, 1937-1941 (New York: Garland Publications, 1985), 321.

[28]Cordell Hull, The Memoirs of Cordell Hull (New York: MacMillan Company, 1948), 1:707-709.

[29]Alfred Bilmanis, ed., Latvian-Russian Relations: Documents (Washington, D.C.: The Latvian Legation, 1944), 193.

constant Soviet demands for military bases in Latvia, Estonia, and Lithuania received daily front-page coverage in the American press and it was generally acknowledged that their independence would be of short duration.[30]

In October, Stalin judged the time was right to impress his demands upon Latvia. He invited Munters to Moscow on 3 October and presented him with an ultimatum: sign a mutual assistance pact within the next forty-eight hours or else. As further intimidation, two Soviet tank corps, two cavalry divisions, and at least six infantry divisions were holding maneuvers on the unfortified Latvian-Soviet border at the time of Munters's arrival in Moscow.[31] On 5 October, the Latvian government bowed in the face of overwhelming pressure and signed the Soviet-Latvian Pact for Mutual Assistance which gave the Soviet military naval bases in Liepaja and Ventspils, coastal artillery emplacements on Latvian soil, several air bases, and allowed a Soviet garrison of 30,000 men to be quartered in the major Latvian cities.[32] The Soviet press cynically cited the pact "as proof that the Soviet Government has never used its advantages as a great and powerful country against little countries."[33]

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[30]Maruta Karklis, The Latvians in America, 1640-1973 (Dobbs Ferry, New York: Oceana Publications, 1974), 26.

[31]Mangulis, Latvia in the Wars, 81.

[32]For the complete text of the treaty see FR, The Soviet Union, 1933-1939, 958-960.

[33]Ibid., 960.

In the following weeks, the Soviet government appointed Andrei Vyshinsky, Stalin's former prosecutor during the great purges, as emissary to Latvia and began constructing airfields, roads, and railways in the region along the border. The Soviet government's ultimate desires were made quite clear when the Soviet General Staff started passing out to its troops strategic military maps for the Lithuanian, Latvian, and Estonian "Socialist Republics."[34] Again, the United States government did nothing. As Secretary of State Hull remarked, "Since nominally Estonia, Latvia, and Lithuania retained their governments and independence, there was no diplomatic step we felt called upon to take."[35] The President's decision to avoid straining relations with the Soviet Union at all costs remained fully in effect. In a letter to his friend, Lord Tweedsmuir, Roosevelt summed up his dilemma: "I am literally walking on eggs and, having delivered my message to the Congress, and having good prospects of the bill going through, I am at the moment saying nothing, seeing nothing, and hearing nothing."[36]

When the Soviet Union attacked Finland over the smaller country's refusal to grant similar concessions, President Roosevelt again deliberately kept his public remarks mild. When the Finnish Minister in Washington, Hjalmar Procopi,

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[34]Bilmanis, History, 390.

[35]Hull, Memoirs, 1:701.

[36]As quoted in Bennett, Search for Security, 182.

requested a statement by the United States urging the Kremlin not to press unreasonable demands on Finland, Secretary of State Hull declined. He informed the Finnish Minister that the United States was not in a position to project itself "into political controversies between two other countries," and that U.S. intercession would probably provoke an unfavorable reaction from Moscow.[37]

Privately, Roosevelt was beginning to lose his patience with the Russians. In February 1940, he remarked at the White House:

> The Soviet Union as everyone who has had the courage to face the fact knows, is run by a dictatorship as absolute as any other dictatorship in the world. It had allied itself with another dictatorship and it has invaded a neighbor so infinitesimally small that it could do no possible harm to the Soviet Union.[38]

However, isolationism remained a potent force in the United States and Roosevelt had the 1940 elections to think about. Moreover, he remained convinced that Hitler presented the greatest danger to world peace and that the unnatural Soviet-German alliance would eventually disintegrate.

On 14 December 1939, the General Assembly of the League of Nations advocated the expulsion of the Soviet Union from the League and the League Council approved the motion. In a desperate attempt to stave off the impending catastrophe, Latvia and the other Baltic states abstained from the voting.

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[37]Hull, Memoirs, 1:702; Pratt, Cordell Hull, 330.

[38]As quoted in Bohlen, Witness to History, 95.

They vainly hoped that this display of strict neutrality in the Finnish-Soviet conflict would deprive the Soviet Union of any pretext for further aggressive action against their independence.[39]

Unfortunately, the Latvian government could see the writing on the wall and knew that nothing could, or would, be done to prevent the loss of Latvia's sovereignty. Therefore, they began to make preparations for a government-in-exile if the unthinkable actually happened. On 17 May 1940, the Latvian government passed a secret decree that provided for the political and constitutional continuity of the country. In case the government could not communicate with its diplomatic missions abroad because of war conditions, extraordinary emergency powers were granted to Karlis Zarins, the Latvian Minister in London, and Alfred Bilmanis, the Latvian Minister in Washington. The decree granted the ministers the right to appoint diplomatic representatives, to handle Latvian state funds, to issue orders to other Latvian diplomatic missions, and to defend the interests of Latvia in general.[40]

Sadly, Latvia's worst fears became reality on 16 June 1940. Stalin began assembling hundreds of tanks with strong artillery and mechanized infantry support on the Latvian-

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[39]Edgar Tomson, "The Annexation of the Baltic States," Studies on the Soviet Union 11, no. 4 (1971): 191; FR. The Soviet Union, 1933-1939, 984.

[40]Bilmanis, Documents, 201-202.

Russian frontier. He then summoned Foreign Minister Munters to Moscow and handed him an ultimatum that demanded an answer within six hours. Molotov also told the minister that if a satisfactory reply had not been received before the deadline, then Soviet troops would immediately march into Latvia and put down all resistance.[41] The formal Soviet charges consisted of several alleged "anti-Soviet" acts by the Latvian government, including the alleged conclusion of a secret military alliance with Estonia and Lithuania. As punishment, Stalin demanded the dissolution of the present Latvian government and the formation of a new, pro-Soviet, government.[42] While all of the Soviet charges were patently false, the Latvian government could see little alternative but to accept the Soviet demands with as little bloodshed as possible.

At the direction of Soviet "advisors," a new Latvian Cabinet was formed with the elderly Augusts Kirchensteins as Prime Minister. However, three of his Vice Ministers were actually Soviet subjects.[43] The new government immediately announced its intention to hold elections in July and set about ensuring that the Latvian communists would win.

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[41]Igor I. Kavass and Adolph Sprudzs, ed., U.S. Congress House Select Committee on Communist Aggression in the Baltic States: A study of their origin and national development, their seizure and incorporation into the U.S.S.R. (Buffalo: W. S. Hein, 1972), 291.

[42]Bilmanis, Documents, 202-203.

[43]Bilmanis, History, 394.

Election propaganda emphasized the necessity of everybody voting and that abstainers would be marked by the absence of special election-day notations in their passports. The soldiers were told that it was their duty to vote with the workers and an order by the Minister of the Interior "suggested" that all owners of immovable property procure *Soviet* flags for adorning their houses on future occasions.[44] The Latvian Minister to Washington, Alfreds Bilmanis, told the U.S. government that, in view of the circumstances surrounding the holding of the elections in Latvia, he "reserves the right not to recognize the results of the coming elections and the acts emanating therefrom." He also asked the U.S. government to safeguard and secure Latvian property, funds, ships, and interests held in the United States.[45] Latvia's fate was sealed.

Since the only people allowed on the ballot were hand-picked by the Soviet authorities and backed by Soviet tanks and infantry, a Latvian puppet government was easily formed. Its first action was to officially request of the Soviet government admission to the Soviet Union as a federated republic on 21 July 1940 to which they readily agreed.[46] The next day, it nationalized all banks, transportation, large industrial and commercial enterprises, and limited private

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[44]FR, 1940, 1:387.

[45]Ibid., 1:389-392.

[46]Mangulis, Latvia in the Wars, 88.

utilization of land to a maximum of thirty hectares.[47] In addition, the Soviet Union demanded that all Latvian ships in U.S. ports return to Soviet waters. These orders were accompanied by threats to the seamen's families back home. Some of the ships complied, but most of them remained with their crews and served heroically in the U.S. Navy.[48] The United States reacted quickly this time against the thinly-disguised territorial annexation engineered by the Soviet government. In a confidential note to Minister Wiley in Riga, Secretary Hull advised that all American diplomatic representatives in the Baltics should avoid making any official calls upon the new Latvian authorities until authorization was received to do so.[49] The U.S. also notified the Soviet Government that it would be held responsible for all losses incurred by American nationals resulting from acts of nationalization or the confiscation of property.[50]

On 23 July 1940, Undersecretary of State Sumner Welles issued the United States's official position by roundly condemning the Soviet government and refusing to recognize the incorporation of Latvia into the Soviet Union:

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[47]FR, 1940, 1:399. A hectare is a unit of area in the metric system and is equivalent to 10,000 square meters or 2.471 acres in the old English system.

[48]Karklis, Latvians in America, 27.

[49]FR, 1940, 1:393.

[50]Ibid., FR, 1940, 1:410, 3:201.

> The policy of this Government is universally known. The people of the United States are opposed to predatory activities no matter whether they are carried on by the use of force or the threat of force. They are likewise opposed to any from of intervention on the part of one State, however powerful, in the domestic concerns of any other Sovereign State, however weak.
>
> The United States will continue to stand by these principles, because the conviction of the American people that unless the doctrine in which these principles are inherent once again governs relations between nations, the rule of reason, of justice, and of law--in other words the basis of modern civilization itself--cannot be preserved.[51]

Furthermore, the United States government froze all Baltic assets in the United States and denied clearances to Baltic ships in American ports so that they could not be seized by Soviet authorities. At the same time, the American government secretly made it clear, that it would not allow the formation of any Baltic government-in-exile on American soil in order to avoid any further deterioration of the relations between the United States and the U.S.S.R.[52] However, the recognition of the special emergency powers granted to Bilmanis and Zarins by the United States, Great Britain, Spain, the Holy See, and other countries made it possible for Latvia to continue to be represented internationally by diplomatic and consular agents.[53]

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[51]Ibid., 1:401-402.

[52]Alexander Dallin, Soviet Russia's Foreign Policy, 1939-1942, trans. Leon Dennen (New Haven: Yale University Press, 1991), 26.

[53]Adolph Blodnieks, The Undefeated Nation (New York: R. Speller, 1960), 230.

Stung by the strong American response, the Soviet government attempted to justify its actions. Ambassador Oumansky stated that "sovietization has made it possible for the suffering peoples of these three nations to come under the sheltering protection of the Soviet government, as a result of which they will obtain the blessings of liberal and social government."[54] Fortunately, the State Department was much too well informed to give credence to the Soviet claims of "suffering peoples" and "sheltering protection."

On 5 August 1940, the Soviet Union formally incorporated Latvia into the U.S.S.R. as a Socialist Republic. Minister Bilmanis responded to the announcement with outrage and urged the U.S. not to recognize the Soviet action:

> I have the honor to inform you that I consider the act to be an outrageous infringement of international law, practice, and morals and that I protest against this violation of Latvia's integrity. . . I have the honor respectfully to beg the United States Government to refuse to recognize this predatory act of the U.S.S.R. whereby the Republic of Latvia has been robbed of its independence.[55]

At the same time, the Soviet government initiated actions directed at Latvians residing in the United States. The Soviet embassy in Washington ran advertisements in major American newspapers detailing the proper procedures for Latvians to acquire Soviet citizenship in accordance with a

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[54]As quoted in Richard A. Schnorf, "The Baltic States in U.S.-Soviet Relations, 1939-1942," Lituanus 12, no. 1 (Spring 1966): 38-39.

[55]FR, 1940, 1:406-407.

decree issued on 8 September 1940.[56] In addition, Latvian socialist organizations were revived to pursue pro-Soviet propaganda and the Communist Unity Club was established to discredit the efforts of moderate Latvian groups in America, who were appalled by the Russian occupation and annexation of Latvia.[57]

Within a week of the annexation of the Baltic states, the Soviet government withdrew all Baltic diplomatic missions and consular offices established in foreign countries. The foreign governments were informed that, since the Baltic republics had joined the Soviet Union, they would be represented in the future by the Soviet foreign service.[58] On 11 August 1940, Molotov demanded that all U.S. missions and consulates in the Baltic states close down by 25 August. In addition, he demanded that the Baltic representatives in the United States "transfer their functions, as well as their archives and property to the appropriate Soviet officials" by that date.[59] While some Baltic officials complied with the Soviet directive, most did not. Instead, they continued in their positions in protest and entrusted their property and records to the host government for safe keeping.

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[56]Ibid., 1:438; New York Times, 22 September 1940.

[57]Karklis, Latvians in America, 26.

[58]Rauch, Years of Independence, 228.

[59]FR, 1940, 1:416-417.

The State Department had been planning for this contingency for several months. In mid-June 1940, Wiley had warned Secretary Hull that, in the event of annexation, ". . . our entire establishment here might have to be liquidated on fairly short notice unless the Embassy in Moscow could obtain a special dispensation for the maintenance of a Consulate."[60] On 9 July, Hull warned Wiley in a confidential telegram that, "In case of emergency, you are authorized to destroy all confidential archives, ciphers, and codes. It is hoped, however, that if offices have to be closed that time will be given for the proper packing, for shipment to the United States, of the archives."[61]

Despite being forewarned of this possibility, President Roosevelt was outraged over Molotov's demands. Within two days, he asked the State Department for advice concerning the advisability of closing Soviet consulates and imposing new restrictions on Soviet officials in the United States.[62] However, Undersecretary Welles convinced him that this would not benefit the United States in the long term:

> I am inclined to believe that no useful purpose would be served at the present time by requesting the Soviet Government to close certain of its consular offices. . . The closing of these offices would be of no aid to the nationals or property

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[60]Ibid., 2:377.

[61]Ibid., 1:385.

[62]Schnorf, "Baltic States in U.S.-Soviet Relations," 39.

> interests of the Baltic States and might well lead to a series of retaliatory measures.[63]

Roosevelt relented and agreed to withdraw U.S. personnel, but he emphasized to the Soviet government that this was being done "without admitting the legality of the acts which had given rise to this request."[64] Roosevelt intended to comply with Molotov's demands, but he was intent on dispelling Moscow's hopes that this move would imply *de facto* recognition of the Soviet position in the Baltic nations. However, Roosevelt tried to stall as much as possible and pressured the Soviet government for permission to retain a consulate in Riga. Molotov eventually granted the United States two deadline extensions, but he refused to allow the retention of a U.S. consulate in the Latvian capital.[65] After several hectic and tense weeks, the United States legation in Latvia formally closed and cleared customs on 10 September 1940.[66]

Once again, U.S.-Latvian relations had become firmly enmeshed in the bigger, more important question of U.S.-Soviet relations. Despite repeated Soviet pressure on the U.S. to recognize Soviet actions in the Baltics, Roosevelt held firm. Perhaps the most divisive issue between the two powers arose

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[63]FR, 1940, 1:425; Schnorf, "Baltics in U.S.-Soviet Relations," 39.

[64]FR, 1940, 1:419.

[65]David Crowe, "American Foreign Policy and the Baltic States Question, 1940-1941," East European Quarterly 17, no. 4 (Winter 1983): 406.

[66]FR, 1940, 1:439.

over the question of property and assets owned by the former Baltic governments as well as those owned by U.S. nationals in Latvia.

The Soviet government's habit of seizing all foreign-owned assets, nationalizing them without compensation, and repudiating all debts had long been a sore point with U.S. officials. American citizens and private companies had lost many millions of dollars when the Bolsheviks seized power in 1917. In addition, the U.S. also lost considerable sums when the Soviet Red Army overran eastern Poland in 1939. Now, American firms stood to lose over $40 million in the Baltics if the Soviet government adhered to its previous formula of considering itself "not responsible for the acts of predecessor governments."[67] U.S. officials hoped that freezing Baltic assets in the United States might give the U.S. government a better bargaining position when the subject of American losses came up in future discussions.

During the inter-war period, Latvia had accumulated a decent reserve of gold and foreign exchange. Fortunately, much of it was deposited in various European banks and a substantial majority of it had been transferred to the United States.[68] By 1940, U.S. banks held approximately $12-13 million in Latvian gold and assets.[69] On 13 July 1940,

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[67]Crowe, "American Foreign Policy," 404.

[68]Blodnieks, Undefeated Nation, 210.

[69]Crowe, "American Foreign Policy," 404-405.

Roosevelt ordered the freezing of all Latvian assets in the United States when the National Bank of Latvia requested the Federal Reserve Banks in New York to transfer their funds to the Soviet account. Two days later, Roosevelt made it official with Executive Order No. 8484, which froze all Baltic assets in the United States as of 10 July 1940.[70]

Roosevelt's strong reaction incensed the Soviet government. The Assistant People's Commissar for Foreign Affairs, Solomon Lozovsky, immediately issued a strong protest to Ambassador Steinhardt in Moscow. He argued that the Soviet government had acquired the Baltic gold as part of a sale purchase agreement concluded with Latvia and that the Federal Reserve Bank had received notice of this agreement two days prior to Roosevelt's order.[71] The new government in Latvia issued a similar protest, but the true feelings of many Baltic officials, who were acting under duress, were eventually revealed. After delivering Lithuania's formal protest on the freezing of her assets to the American Minister, the Provisional Foreign Minister quietly added, "Please disregard all of our protests. We do not act independently any more. We appreciate what Washington is doing more than we dare tell. People are listening and I cannot say more."[72] In an August conversation with Loy Henderson, Ambassador Oumansky called

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[70]Ibid., 404.

[71]FR, 1940, 1:395-397.

[72]Ibid., 1:397.

the issue of frozen assets "a stick of dynamite" and warned that it would not be easy to improve American-Soviet relations. He also unsuccessfully argued that the Baltic countries historically had been a part of Russia and that the United States's recognition statement of the Baltic nations in 1922 implicitly reserved the right to amend its position in the future.[73]

In following the United States government's lead, Great Britain also initially froze all Baltic assets. However, they soon had second thoughts and began testing possible American reaction to a reversal of their policy. Great Britain was locked in desperate battle with Hitler's Germany and was willing to try almost anything to break up the German-Soviet alliance and induce Russia to join the Allies. While the British hoped to use the release of Baltic assets and recognition as diplomatic leverage with the Soviet government, she was also anxious not to alienate the United States.

With this in mind, Neville Butler, Counselor of the British Embassy in Washington, sent two British officials to see Secretary Hull at the State Department on 5 September 1940. They wanted to know whether British *de facto* recognition of the Baltic annexations and an attempt to settle the question of foreign credits would embarrass the United States. Hull informed Butler that the United States

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[73]National Archives File No. 711.61/743; Schnorf, "Baltic States in U.S.-Soviet Relation," 40.

government recognized the seriousness of Great Britain's position and that she "might be compelled to make certain concessions of principle which the United States Government was not prepared to yield at the present time." He advised Butler that Great Britain was free to act as she chose. "As for ourselves, we had refused to recognize Russia's absorption. . . and we therefore could not release the credits to Russia."[74]

Great Britain was also coming under extreme pressure from the Soviet government. In Moscow, the British Ambassador, Sir Stafford Cripps, was given a Soviet ultimatum demanding that Baltic assets and ships be released to the Soviet Union or negotiations for a trade agreement would be broken off. Cripps tried in vain to convince Ambassador Steinhardt to intercede on his behalf in an effort to convince the State Department to change its position.[75]

However, Hull indicated a possible change in the U.S. stance in October. On 14 October, the British Ambassador and his Counsellor visited Hull and again inquired as to the position of the United States on the issue of Baltic ships and gold frozen in the United States and Great Britain. In a memorandum of the conversation, Hull stated:

> That of course, we have a definite non-recognition policy which we pursue steadfastly; that I had

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[74]Hull, Memoirs, 1:811-812.

[75]Schnorf, "Baltic States in U.S.-Soviet Relations," 41-42.

> suggested to my associates, however, that if Russia should show a real disposition to move in our common direction with respect to the Axis countries, then I would be disposed to deal with the Baltic assets and ships on a sort of quid pro quo basis rather than to adhere inflexibly to our non-recognition in this case.[76]

The British government was still extremely reluctant to oppose U.S. policy. As Lord Halifax noted, there was the strong possibility that the United States government would resent it if London "adopted the opposite course without convincing practical reasons for so doing."[77] The British government could not risk the ill will of a government which promised to be a major arms supplier to the British in the future. In addition, Great Britain had enjoyed a long and relatively prosperous relationship with the Baltic nations and many British officials strongly sympathized with their plight.

In the end, London adhered to its original policy of non-recognition and kept its Baltic assets frozen. Two weeks after the initial British feeler, London assured the State Department that Great Britain was "very anxious that their policy on the Baltic assets should not go counter to that of the United States Government."[78] The British stance on the Baltic states had little impact on American policy throughout

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[76]Ibid., 42; National Archives File No. 711.61/763.

[77]As quoted in E. L. Woodward, British Foreign Policy in the Second World War (London: H. M. Stationery Office, 1962), 1:476.

[78]As quoted in ibid., 1:486.

this period and the U.S. government never tried to dictate British policy on the matter.

During the first months of 1941, the Soviet Union often threatened to use the recognition issue as a kind of *sine qua non* for any improvements in relations between the United States and the U.S.S.R. Ambassador Oumansky constantly pressed U.S. officials to this effect. In a conversation with Undersecretary Welles on 24 February 1941, Oumansky launched into another tirade over the Baltic ship question. Welles curtly told him that he did not have the time to discuss that question and that they should "get down to fundamental points, at least for the present." Welles suggested that they then discuss the charges of Soviet transshipment of American goods to Germany if the Soviet Ambassador wished to persist with his harangue. This prospect quickly silenced Oumansky and he agreed to change the subject.[79]

At another meeting on 27 February, Ambassador Oumansky again attempted to bring up the Baltic issue but Welles quickly cut him off. He pointed out that both the United State and the Soviet Union had recognized the sovereignty of the Baltic nations for many years and that the U.S. did not recognize conquest by force. Welles then suggested that

> in certain cases it would be preferable from a practical point of view to recognize the fact that certain problems exist in the relations between the two countries which do not appear to be solvable and that more could be achieved

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[79]FR, 1941, 1:700-702.

> if such problems would be, so to speak, left standing for the time being in the midst of a stream.[80]

It was Welles's belief that the problems relating to the Baltic states should be considered in the class of "unsolvable problems" and he hoped Moscow would drop the matter for the time being. However, Oumansky disagreed with Welles's assessment and warned that the dispute could only "add acid in the relations between the two countries." He also implied that the Soviet government would look upon those countries that recognized Soviet control of the Baltic region with much greater favor than those that did not acquiesce. This subtle threat greatly annoyed Welles and he told Oumansky that the United States would never attempt "to purchase the friendship of any country by recognizing the right which it did not regard as legitimate and justifiable."[81]

The Soviet government continued to pressure the United States on the Baltic issues throughout the spring of 1941. Often in the course of these discussions, Ambassador Oumansky would launch into vicious personal attacks upon former Baltic officials and upon the Baltic diplomats and consular representatives in the United States, calling them "Nazis, pro-German, dishonest, hypocritical, slimy, and so forth."[82]

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[80]Ibid., 1:708-712

[81]Ibid., 1:710-712; Crowe, American Foreign Policy, 411-412.

[82]FR, 1941, 1:785.

Often, the only recourse for the American official unlucky enough to be in the room was to simply stand up and leave.

Shortly before Germany attacked the Soviet Union, Roosevelt confirmed and reiterated to Polish General Wladyslaw Sikorky the American position with regard to the Baltic nations. When General Sikorsky included the Baltic states in his plan for a federated Euro, Roosevelt commented:

> You may be faced with some difficulties on the part of your eastern neighbor who has already declared these small democracies to be part of the Soviet Union. . . I see no reason why you should think it is final. I refer you to our strong official declaration on the Baltic States made last year by Sumner Welles, which you probably remember. As far as the United States is concerned, we stand by it . . . It is one of our basic policies not to recognize unilateral changes brought about by force or threat of force.[83]

After its invasion by Germany in June 1941, the Soviet Union dropped the relatively unimportant Baltic dispute and concentrated on its own survival in the face of the Nazi onslaught. The United States, to its credit, firmly maintained its non-recognition policy towards the Soviet Union's seizure of the Baltics. American steadfastness can be attributed mainly to the longtime efforts of Secretary of State Hull and it remained unchanged throughout the war.

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[83]As quoted in Jan Ciechanowski, Defeat in Victory (Garden City, New York: Doubleday & Company, Inc., 1947), 20.

CONCLUSION

Shortly after the United States recognized Latvia in July 1922, Herbert Hoover remarked, "Never in history had there been an emancipation of nations to freedom under such appalling difficulties or with such courage and sacrifice as in these three Baltic states. Theirs was a heroic and tragic epic of man striving to be free. And this struggle should be part of the story of freedom for mankind."[1]

On the surface, it is hard to believe that the United States, the self-professed champion of self-determination, took five years finally to recognize Latvia. This signaled a departure from the previous policy of according recognition when the governing power possessed the machinery of state, administered without substantial resistance, and fulfilled its international obligations.[2] The Latvian government easily passed all of these tests by 1920, but the U.S. remained firm in its refusal.

It is interesting to note the capricious nature of American adherence to its own ideals as enumerated in Wilson's "14 Points" speech. Wilson espoused both self-determination

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[1]As quoted in Edgar Anderson, Latvia--Past and Present (Waverly, Iowa: Latvju gramata, 1969), 39.

[2]For a good discussion of U.S. recognition policy, see Green H. Hackworth, "The Policy of the U.S. in Recognizing New Governments During the Past 25 Years", Proceedings of the American Society of International Law (Washington D.C., 1931), 120-123.

and the indivisibility of Russia. While Poland, Finland, and even Armenia were deemed to possess the right of self-determination, the Baltic nations were denied this right because it might "weaken" the anti-Bolshevik crusade. Why did the U.S. government persist in harboring this double standard? Much of it might have resulted from the well-organized and well-represented lobbying efforts of Poles, Finns, and Armenians in the United States. When the United States, at the urging of these groups, pressured the Whites to soften their stance on the independence of these territories, the Kolchak government readily agreed. The White leaders knew they could not face the possible loss of vital Allied aid. It is doubtful that the Whites would have risked Allied abandonment over the question of Baltic independence. It would have been easier for White leaders to agree to independence grudgingly, with the secret idea of eventually rectifying the situation at a later date, much like the Soviet leadership. On the other hand, strong and well-armed Baltic armies would have helped greatly the anti-Bolshevik crusade if their eventual independence was guaranteed by the Allies upon a White victory. After all, the strategic cities of Petrograd and Moscow were much closer to the Baltic frontiers than Southern Russia, where the bulk of the White forces were stationed.

The inability to separate the question of Baltic independence from the larger Russian question severely

restricted the ability to formulate a coherent policy for either group. U.S. foreign policy-makers continued to view the situation with the same stubborn mind set in the beginning of 1922 as they did in 1917, despite the obvious changes in the conditions within the Baltics and Russia. As a result, their rationales strayed farther and farther from reality. This only resulted in a contradictory and incoherent policy that merely served to frustrate and embitter the new Baltic governments. The importance of taking into account the reality of the local conditions, as opposed to focusing solely on the broader issues through a preconceived framework, can be seen in Latvia's fight for recognition by the United States. British diplomat Sir Esme Howard once remarked, "The Allies had given millions to Kolchak, Denikin, and the Northern Russian Republic, but could spare nothing for the unhappy Baltic provinces. Yet there they are now, independent and prosperous, and where are Kolchak, Denikin, and the Northern Republic?"[3]

During the inter-war period, U.S. policy focused primarily on economic matters and sought to isolate itself from any type of European security arrangement. However, U.S.-Latvian economic relations took on a secondary role during this period as the U.S. legation in Riga assumed a

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[3]Esme Howard, Theatre of Life: Life Seen From the Stalls, 1903-1936 (Boston, 1936), 384, quoted in Albert N. Tarulis, American-Baltic Relations, 1918-1922: the Struggle Over Recognition (Washington: Catholic University of America Press, 1965), 225.

major role in American diplomacy by providing invaluable analyses of events in the Soviet Union.

In addition, the Russian Section of the legation helped build up a solid base of reference and statistical data that was used to effectively counter-balance the efforts of Soviet authorities to distort or suppress even the most elementary data. The efforts of the Russian Section represented the U.S. State Department's first attempt to accumulate knowledge of a foreign country in a systematic and scholarly fashion. It was so successful that the Russian Section continued to operate even after the United States established an embassy in Moscow in February 1934. Moreover, the Russian Section continued to prepare most of the time-consuming studies of developments within the Soviet Union as well as handling all Soviet visa work.[4] Due to the lack of facilities, relatively small staff, and the tight restrictions and constant harassment levied by the Soviet authorities, the U.S. embassy in Moscow simply could not match the level of reporting coming from Riga. Thus, it became imperative during the inter-war period for the United States to maintain friendly relations with Latvia so as to facilitate the collection of needed information on the Soviet Union by the Russian Section experts in Riga.

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[4]Loy W. Henderson, A Question of Trust: The Origins of U.S.-Soviet Diplomatic Relations; the memoirs of Loy W. Henderson (Stanford: Hoover Institution Press, Stanford University, 1986), 260.

Even more importantly, the men who served in the Riga legation developed a philosophy based upon their experiences and observations of the Soviet Union. This theory rested on the premise that the Soviet Union presented a grave threat to all of the capitalist governments and could not be trusted in any respect. They believed that most, if not all, communist movements were controlled from Moscow and that the Soviet leadership constantly sought world conquest as its overriding goal. After 1945, this philosophy, called the "Riga Axiom," dominated the United States's Russian policy through the influences of such famous Riga veterans as George Kennan, Loy Henderson, and Charles Bohlen. Through their efforts, this philosophy controlled and directed U.S. foreign policy for several decades.

While U.S. foreign policy eventually adopted the Riga Axiom following the war, the Riga legation's influence and importance initially decreased under President Roosevelt in the years leading up to the war. Roosevelt did not trust or like the State Department or the Foreign Service in general. He concentrated on domestic issues and preferred to conduct foreign policy on his own or through personal emissaries, usually on an *ad hoc* basis. One State Department official characterized general foreign policy during this period by

commenting, "There was none. It was day to day, crisis to crisis diplomacy."[5]

However, the State Department also shares some of the responsibility for this attitude. Secretary of State Hull remained convinced that economic problems caused war and concentrated on trade agreements as a means of reconciling nations. The idea that the United States could formulate and implement a comprehensive program of action and influence in Europe was quite foreign to Roosevelt's and Hull's way of thinking. One astute observer summed up the situation in Washington during the 1930s with the observation that "policy was the product of cables received rather than of a clear conception of American interests in world affairs."[6]

As the Soviet Union moved towards the incorporation of the Baltic states, Roosevelt refused publicly to decry its actions. He considered Hitler to be a bigger threat and counted on an eventual rupture between the fascist and socialist camps. Therefore, Roosevelt felt it necessary to avoid unduly angering the Soviet leadership by taking a strong stand against Soviet depredations in the Baltics. To Roosevelt's credit, though, he remained firm in his decision not to recognize the Soviet government's annexation of the

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[5]As quoted in Edward M. Bennett, Franklin Delano Roosevelt and the Search For Security: American-Soviet Relations, 1933-1939 (Wilmington, Delaware: Scholarly Resources, 1985), 164.

[6]Beatrice Farnsworth, William C. Bullitt and the Soviet Union (Bloomington: Indiana University Press, 1967), 157.

Baltic states throughout the war. Once again, U.S.-Russian relations directly affected and overshadowed U.S.-Latvian relations.

Ironically, U.S. foreign policy towards Latvia has come full circle. Today, a similar struggle looms on the horizon as the old Russian Empire once again breaks up into new nations struggling for independence and Western support. The United States cannot afford to waste five or more years establishing a policy of support for these nations, and then only conclude one when essentially faced with a *fait accompli*. Not only are U.S. commercial and strategic interests at stake, but the reputation of the United States as the international champion of democracy is also on the line. The manner in which the United States approaches these issues will determine, to a large degree, the stability and friendliness of these newly emerging nations.

The topics examined by this paper are important because the development of relations with the new Baltic states set an important precedent for U.S. foreign policy to follow in the twentieth century. It established the tendency to view actions in Eastern Europe through the prism of our policy towards the Soviet Union. This is especially evident with regards to regions along Soviet borders. American foreign policy-makers are currently facing a very similar situation in these regions. The Soviet Union has collapsed, much like the old Russian Empire did, and the border republics are clamoring

for independence and foreign support. Similar to events seventy-five years ago, our initial policy has been one of hesitation and a focusing of our decisions through the "Soviet-policy strainer." An examination of the mistakes and gains made during the inter-war period will enable us to develop a much more coherent and beneficial foreign policy toward these regions in the 1990s. Once again, U.S. and Latvian statesmen are faced with the task of building political and economic ties that will ensure long-term peace and prosperity for all concerned.

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BIOGRAPHICAL SKETCH

Scott E. Lavigne was born in Pocatello, Idaho, on 5 November 1968. He moved with his family to Glendale, Arizona, in the summer of 1970, where he spent the remainder of his childhood. He graduated from Apollo High School in 1986 and entered the U.S. Air Force Academy in Colorado Springs, Colorado that summer. He graduated from the Academy in May 1990 with a Bachelor of Science in military history (with honors) and a minor in Russian and was commissioned into the U.S. Air Force as a second lieutenant. He then attended Undergraduate Pilot Training at Williams Air Force Base, Arizona and successfully earned his wings in October 1991. In January 1992, he accepted a scholarship to attend Arizona State University. After completing his Master of Arts degree in the history program in May 1993, he accepted a position in Global Policy Planning at the Pentagon in Washington, D.C. He is currently a First Lieutenant and is still on active duty in the Air Force. He is expecting to return to operational flying duties by August 1994. Scott is a member of the Phi Kappa Phi and Phi Alpha Theta Honor Societies.