

LATVIA-USA ECONOMIC RELATIONS 1918–1940¹

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Abstract

Prior to the establishment of the Latvian state in 1918, Latvian economic contacts with the USA were minimal, confined to the USA trade with Tsarist Russia. Latvia declared its independence on 18 November 1918; nevertheless, the US hesitated in recognising Latvia *de iure*. In economic terms, the main problem was war debts. Latvia's war debt was set in 1925 at 5132287 dollars, which together with interest at 4 1/4 per cent, came to 5779562 dollars. The United States of America recognised the Republic of Latvia *de iure* on 28 July 1922. On 24 September 1925, Latvia signed an "Agreement Relating to the Funding of the Indebtedness of Latvia to the United States". Latvia ceased repaying war debts in 1934. In the interwar years, Latvian and USA economic relations was mainly confined to foreign trade and investment although other forms of economic relations such as shipping and tourism were also important. On 1 February 1926, Latvia signed a Provisional Commercial Agreement with the USA, which contained the Baltic and Russian clause and a reciprocal clause in respect of Cuba and the Panama Canal Zone. On 20 April 1928, Latvia and the USA signed a "Treaty of Friendship, Commerce, and Consular Rights", which contained all the provisions of the 1926 Agreement, as well as detailed provisions regarding consular rights, shipping and other provisions. This Treaty was in operation for the whole of the interwar period. In general, Latvia had a negative trade balance with the USA throughout the interwar period. The great distance of America from Latvia and the lack of transport, mainly shipping directly to the USA, negatively affected Latvian and USA trade. Latvia's main exports to the USA were canned fish including "Šprotes", chocolates and candy, cellulose, hides and furs, plywood, timber and timber products (including plywood), and peat and peat products. Latvia's main imports from the USA were cereals; raw cotton; automobiles and parts; industrial and agricultural machinery; petroleum products and, surprisingly, hides and furs. USA investments in Latvia were mainly in the banking sector (79% of total USA investments in 1929), followed by textile industry (8%), trade (commerce) (7%), transport (3%), clothes and shoes industry (2%) and some other minor investments. Most the Bank of Latvia's gold reserve was held overseas. Some 3 tons of gold was held in the USA with a value of nearly 18 million lats. Latvian government and Central bank deposits in U.S. banks were identified, transferred to the U.S. central bank – Federal Reserve System – and frozen in 1940.

Keywords: Latvia, USA, interwar period, trade, war debts, investment, Latvian gold

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Introduction

Latvian contacts with the USA prior to WW1 were far and few between. These were mainly seamen and the occasional immigrant. The first significant wave of Latvian settlers who immigrated to the United States came in 1888 to Boston. There was no mass migration to the United States in the second half of the 19th Century as there was from Scandinavia, Russia proper and Lithuania. This was due in part to the rapid economic development of the Latvian provinces of Tsarist Russia, especially Rīga, which became the third largest industrial centre in Tsarist Russia.² A new wave of Latvian immigration began around 1906, after the failure of the 1905 Russian Revolution. The most famous of these “political” refugees was Kārlis Ulmanis, who later became the first Prime Minister of an independent Latvia. After the First World War, the promise of economic improvements in the newly independent nation, immigration quotas established in 1924 by the United States, and the Great Depression all contributed to slow emigration from Latvia.

The United States of America recognised the Republic of Latvia *de iure* on July 28, 1922, and on November 13 the first envoy of the USA to Latvia. The interwar period consolidated the diplomatic relations between the two countries, and several bilateral agreements were signed. Despite the Great Depression of 1929 and the considerable geographical distance, economic, trade and culture relations were established.

Table 1. Selected economic indicators for Latvia and the USA in the interwar Period

	Latvia	USA
Population (millions)	2 (1939)	150.6 (1940)
Share of urban population (%)	34.6 (1935)	56.5 (1940)
Share of agriculture in the labour force (%)	67.8 (1935)	21.4 (1930)
National Income (millions Ls)	1256 (1938)	418193 (1940)*
National Income per capita (Ls)	628 (1938)	2777 (1940)
Share of Agriculture in NI (%)	39.2 (1938)	7.8 (1940)
Share of Manufacturing in NI (%)	20.5 (1938)	25.2 (1940)

* Conversion of 1940 US dollars to Latvian Lats

Source: Darbiņš, A. & Vītiņš, V. (1947), *Latvija: Statistisks pārskats* [Latvia: A Statistical Overview]; *Ekonomists*, 1934, No. 22, 30.11.1934; *Historical Statistics of the United States 1789–1945* (1949)

² See Karnups, V. P. (2013) for a more detailed examination of this period.

As Table 1 shows, apart from the enormous differences in population and national income, that Latvia was less urbanised and preponderantly agricultural with three times as many people working in agriculture than the USA, and a five times greater share of agriculture in national income. Thus, while Latvia had for all intents and purposes an agricultural economy, the USA was an industrialised economy.

Latvia and USA Economic Relations prior to WW1

Prior to the establishment of the Latvian state in 1918, Latvian economic contacts with the USA were minimal, confined to the USA trade with Tsarist Russia. In the late 19th century and early 20th century there was a rapid growth in the role of Latvia's larger ports – Rīga, Liepāja and Ventspils – in the foreign trade of the Tsarist Russian Empire. This growth was due in part to the increased industrialisation of the Russia Empire, including and especially of Rīga, and the connecting of the Latvian ports by the expansion of the railway network to and from Inland Russia.

The importance of the three Latvian seaports to Tsarist Russian foreign trade through the Baltic seaports is shown by the fact that the value of the total amount of trade (imports + exports) through Russia's Baltic Sea ports in 1913 was 1028 million roubles, of which 585 million roubles – 56.9% went through the three Latvian ports.³ USA trade with Tsarist Russia as a percentage of total trade through the Latvian ports increased enormously. For example, the increase through the port of Riga was from 0.3% in 1901–05 to 12.1% in 1912.⁴

Table 2. Imports and Exports through Latvian Ports by Country – 1913

Country	Exports (million roubles)			Imports (million roubles)		
	Rīga	Ventspils	Liepāja	Rīga	Ventspils	Liepāja
Great Britain	87.17	21.88	14.46	79.73	3.09	13.66
Germany	43.17	24.54	6.74	61.95	2.10	8.64
Belgium	30.92	7.60	1.68	5.20	..	0.78
USA	21.83	0.35	15.17	3.84	6.49	6.73
France	14.15	4.43	3.28	0.08	0.57	0.61
Netherlands	14.89	4.07	3.87	10.43	0.04	1.48
Denmark	5.78	11.01	2.73	11.38	4.43	0.03
Sweden	5.18	0.57	0.49	8.85	2.05	0.03
Others	1.78	0.17	0.23	3.10	0.02	1.03

Source: Skujenieks (1927)

³ Skujenieks (1927), p. 676.

⁴ Skujenieks (1927), p. 673.

As can be seen in Table 2, for Rīga, the USA was the 4th most important in terms of exports, but only 7th in terms of imports. For Ventspils, exports to the USA were negligible, whereas imports from the USA were in 1st place. For Liepāja, the important export partner was the USA, but for imports, the USA was in 3rd place.

Latvia: US Recognition and War Debts

The United States recognised Latvia *de iure* on July 28, 1922, when the U.S. Commissioner at Riga, Evan Young, informed the Foreign Office of Latvia of the United States' decision. Secretary of State Charles Evans Hughes had instructed Young in a telegram dated July 25, 1922, to advise the Foreign Offices of Estonia, Latvia, and Lithuania of this decision on the 28th. The path to recognition was a long and tortuous one.

The aftermath of WWI left parts of Europe and especially Eastern Europe in dire straits with the threat of a full-blown famine looming. The US decided to distribute food aid and other humanitarian assistance to Europe from January 1919; the 'Baltic States of Russia' were also ranked among the countries in urgent need of food aid.⁵ In the period 1919–1922, a number of US organisations became involved in providing relief and assistance in various forms to Latvia including the American Relief Administration⁶, the American Red Cross⁷, the YMCA and the YWCA⁸. Nevertheless, the US hesitated in recognising Latvia *de iure*.

Essentially the United States were on the horns of a dilemma. On the one hand was the issue of the self-determination of nations (Wilson's 14 points), but on the other hand was the idea of an undivided Russia, which would soon be rid of the Bolshevik scourge. The latter point was a contradiction in itself as the US was willing to recognise Poland, Finland and to a lesser extent Armenia, which of course had all been part of Tsarist Russia. In economic terms, the main problem was war debts.

The US calculated that the liabilities of Russia to the USA in 1921 amounted to 302,000,000 dollars.⁹ Following the coup by the Bolsheviks in October 1918, the USA cancelled the credits to Russia, and the Bolsheviks in their turn declared that they renounced all of Russia's former debts and obligations. At this time, some 30 million dollars were added to the Russian debt in relation to Finland, Estonia, Latvia, and Lithuania, which had been

⁵ Organization of American Relief in Europe (1943): pp. 49–50, 143.

⁶ For a detailed account see Jēkabsons, Ē. (2014).

⁷ For a detailed account see Jēkabsons, Ē. (2010).

⁸ For a detailed account see Jēkabsons, Ē. (2009).

⁹ Loans to Foreign Governments 1921, p. 89.

incurred after 1918.¹⁰ The question then became who pays. If Russia was reconstituted to include the Baltic States then obviously the new Russia would have to pay. On the other hand, if the Baltic States (in this case Latvia) remained independent then these governments would have to pay.

The USA made it clear that the loans given earlier could not be waived off, but made an effort to help the European powers by setting up the World War Foreign Debt Commission in 1922. Already in 1923, the US required Latvia to pay its war debts, which according to the Commission, Latvia provisionally owed 4159491 dollars. The Latvian government evaluated the claim and found that part of the aid had not even reached Latvia and much of what had arrived was in poor condition although Latvia had been charged the full price.¹¹ Latvia tried to get the amount reduced but failed. The Commission's final figure for Latvia's war debt was set in 1925 at 5132287 dollars, which together with interest at 4 1/4 per cent, came to 5779562 dollars (see Table 3). On 24 September 1925, Latvia signed an "Agreement Relating to the Funding of the Indebtedness of Latvia to the United States" and immediately paid 4562 dollars in cash (see Table 3). The remainder to be paid over 62 years with interest at 4 1/4 per cent – a total of 13500000 dollars.

Table 3. Latvia's War Debt 1925

Principal amount of obligations to be funded	\$ 5,132,287.14
Interest accrued and unpaid thereon to December 15, 1922, at	
The rate of 4 1/4 per cent per annum	647,275.62
Total principal and interest accrued and unpaid as of	
December 15, 1922	5,779,562.76
To be paid in cash by Latvia upon execution of Agreement	4,562.76
Total indebtedness to be funded into bonds	\$ 5,775,000.00

Source: Agreement Relating to the Funding of the Indebtedness of Latvia to the United States, p. 1.

Latvia dutifully paid the instalments due under the funding agreement regularly through June 15, 1931. Owing to the declaration of the Hoover moratorium, no payments on the war debts were made during the year running from July 1, 1931, through June 30, 1932. On December 15, 1932, the next instalment date, full payment of the amount then due was made

¹⁰ Medijainen, E. (2012), p. 29.

¹¹ Andersons, E. (1982), p. 360.

by Latvia.¹² This was the result of the “Agreement Modifying the Debt Funding Agreement of September 24, 1925” signed by Latvia on 11 June 1932. The Agreement provided for the postponement of further payments to the beginning of fiscal year 1933–34 at the end of the moratorium period, which Latvia utilised. On 12 June 1934, the Latvian Prime Minister informed the US that Latvia will “suspend all payments pending the final revision of the Debt Funding Agreement of September 24th, 1925”¹³ No further payments were made. It has been speculated “that the de jure recognition of the Baltic States was a small precaution on the part of the USA against the attainment of such unity [of purpose by the Baltic States at the Genoa conference of 1922], particularly on the debts issue.”¹⁴

Latvia-USA Economic Relations 1920–1940

In the interwar years, Latvian and USA economic relations was mainly confined to foreign trade and investment although other forms of economic relations such as shipping and tourism were also important.

Latvia’s foreign trade in the interwar was based in large measure on a system of commercial and trade treaties. By 1929, Latvia had concluded commercial treaties with all important European and non-European states, including the USA. They provided the regulatory framework within which were stated the obligations undertaken by Latvia in its foreign trade relations with its trading partners. All these treaties contained the Most Favoured Nation (MFN) principle, as well as the Baltic and Russian clause.¹⁵

The USA for some time did not want to sign a commercial agreement with Latvia because of the Baltic and Russian clause. However, on 5 March 1923, President Harding issued an order to recognise the special circumstances of the Baltic States and reminding the State Department that the USA had inserted a similar clause in respect of Cuba in other USA trade treaties.¹⁶ On 1 February 1926, Latvia signed a Provisional Commercial Agreement with the USA, which contained the Baltic and Russian clause and a reciprocal clause in respect of Cuba and the Panama Canal Zone.¹⁷ On 20 April 1928, Latvia and the USA signed a “Treaty of Friendship,

¹² Patch, B. W. (1936).

¹³ Foreign Relations of the United States Diplomatic Papers, 1934, 800.51W89 Latvia/157.

¹⁴ Medijainen, E. (2012), p. 31.

¹⁵ The Baltic and Russian Clause stipulates that the priority rights and privileges, allowed to the Baltic States and Russia, may not be made applicable to other contracting states by virtue of the most-favoured-nation principle.

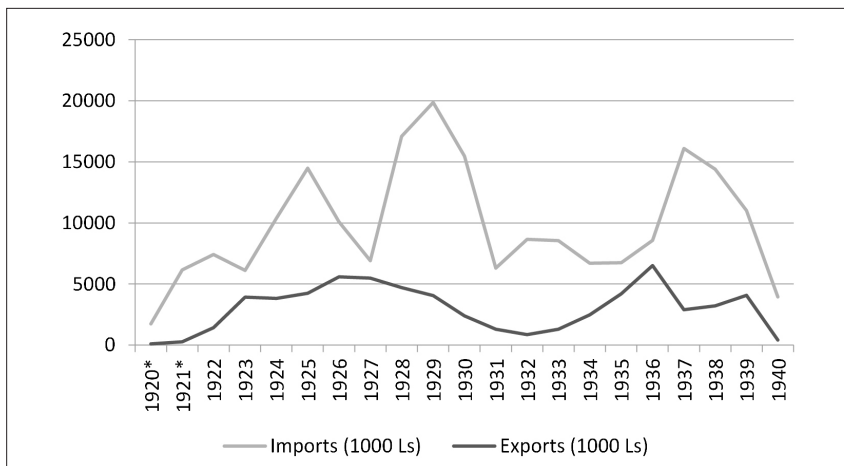
¹⁶ Andersons, E. (1982), p. 362.

¹⁷ Provisional Commercial Agreement Between the United States of America and Latvia (1926), Section 6.

Commerce, and Consular Rights”, which contained all the provisions of the 1926 Agreement, as well as detailed provisions regarding consular rights, shipping and other provisions.¹⁸ This Treaty was in operation for the whole of the interwar period.

Latvian-USA Trade 1920–1940

The value of Latvian imports from and exports to the USA can be seen in Figure 1. Imports grew to 1925, and then decreased prior to the signing of the Treaty in 1928. From 1928, imports increase substantially and in 1929 reached their highest value – nearly twenty million lats. There was second peak in 1937 with a value of over 16 million lats. Exports, on the other hand, were always less than imports with a first peak in 1926. They fell with the Great Depression, but slowly started to rise from 1932 and reached their second peak in 1936 with a value of over six million lats.



* Latvian roubles in 1920 and 1921 have been converted to Latvian lats in accordance with the recalculations of the Director of the Ministry of Finance Credit department, A.Kārklīšs: For 1920, 21.41 Latvian roubles = 1 lats (imports) and 17.26 Latvian roubles = 1 lats (exports), but for 1921, 66.267 Latvian roubles = 1 lats (imports) and 66.914 Latvian roubles = 1 lats (exports)

Sources: Latvijas Statistika Gada Grāmata 1923 [Latvian Statistical Year Book 1923] Rīga: Valsts Statistiskā Pārvalde; Latvijas ārējā tirdzniecība un transits – 1924–1939. [Latvian Foreign Trade and Transit. 1924–1939.] Rīga: Valsts Statistiskā Pārvalde; Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057; Strukturbericht über das Ostland. Teil I: Ostland in Zahlen. – Rīga: Reichskommissar für das Ostland, 1942: 57–58 and Statistical Abstract of the United States 1941, U.S. Department of Commerce, pp. 546–547.

Figure 1. Latvia-USA Imports and Exports 1923–1939

¹⁸ If the 1926 Agreement was a mere 2 pages, the full 1928 Treaty ran to 13 pages!

In the early 1920s, Latvia enjoyed the attention of what Americans call “carpetbaggers”. The most notorious case was with the “U.S.A. International Corporation” in 1920. The Latvian trade representative, Kārlis Ozols, signed a contract with the corporation for the supply of locomotives, railway wagons, soldier’s uniforms and other goods, and Latvia paid the corporation an advance of 450000 dollars. Latvia received none of the goods ordered nor did it receive its 450000 dollars back. The corporation was fictive and its “office” was two rooms in New York.¹⁹

In general, Latvia had a negative trade balance with the USA throughout the interwar period. The great distance of America from Latvia and the lack of transport, mainly shipping directly to the USA, negatively affected Latvian and USA trade.

A Latvian-USA Chamber of Commerce was established in 1939. It was established on the initiative of the US Consul, R. Tiller and the Vice-president of “International Forwarding Company” of New York, K. Schroff.²⁰ One of its initiatives was a delegation composed of the leading Latvian exporters to visit the United States at the end of summer 1939 to study the market conditions on the spot, and to become acquainted with the taste and requirements of the American public. “Some of our exporters are already in the States, and it is hoped that the establishing of direct contact will render good results.”²¹ Unfortunately, the onset of WWII cancelled any such visits.

Latvian Exports to the USA

Latvia’s main exports to the USA were canned fish including “Šprotes”,²² chocolates and candy, cellulose, hides and furs, plywood, timber and timber products (including plywood), and peat and peat products. The amounts and value of Latvia’s main exports exported to the USA in the interwar period are shown in Table 4.

The most important (and consistent) export product to the USA was Hides and furs. In the 1920s, it was the most valuable export and although its value diminished in the 1930s, the trade was increasing in 1939 before the advent of WWII. Another consistent export was Canned Fish including “Šprotes”, which steadily increased from 1927 after the signing of the 1926 Commercial Agreement. Chocolates and candy became a significant

¹⁹ For a detailed account see Jēkabsons, Ē. (2015).

²⁰ *Ekonomists* (1940), p. 503.

²¹ *Latvian Economic Review* (1939), p. 19.

²² Famous Latvian canned fish export – “Šprotes” or Sprats). Sprats are part of the Clupeidae family, which means they call anchovies, sardines and herrings its cousins. In true Latvian technique, Sprats are smoked and/or preserved in oil and canned.

export item in the 1930s (see Figure 2). Another export of significance in the 1930s was Cellulose.

Table 4. Main Latvian exports to the USA 1924–1939²³

Year	Canned Fish including "Šprotes"		Chocolates and candy		Cellulose		Hides and furs		Timber and timber products (including plywood)		Peat and peat products	
	tns	Value (1000 Ls)	tns	Value (1000 Ls)	tns	Value (1000 Ls)	tns	Value (1000 Ls)	tns	Value (1000 Ls)	tns	Value (1000 Ls)
1924	37	48	0	0	0	0	448	3085	539	79	0	0
1925	15	21	0	0	0	0	411	2963	12	2	0	0
1926	67	135	0	0	226	72	524	3859	31	5	0	0
1927	277	527	0	0	203	63	442	2599	952	165	0	0
1928	167	241	0	0	254	69	551	2538	41	15	0	0
1929	371	508	151	381	46	13	238	1303	237	38	0	0
1930	333	461	6	18	30	9	135	515	37	16	0	0
1931	265	356	0	0	0	0	100	322	5	2	0	0
1932	236	268	0	0	633	71	76	166	0	0	0	0
1933	456	398	59	100	1427	147	210	449	19	4	0	0
1934	291	163	146	142	1118	118	57	149	7	2	0	0
1935	500	388	418	291	1063	103	186	538	302	63	138	30
1936	401	508	283	289	1793	240	178	635	137	20	532	23
1937	247	443	173	236	3064	607	7	118	50	1	2260	101
1938	263	584	133	172	4316	870	343	848	399	13	1985	93
1939*	195	470	135	153	2510	467	501	1634	0	0	0	0

* Latvia, following the practice of other nations, stopped publishing detailed data regarding foreign trade after the commencement of WWII. See Ekonomists, 1940, No. 4, p. 231. The data for 1939 is for eight months only – to 31 August 1939.

Source: Latvijas ārējā tirdzniecība un transits – 1924–1939. [Latvian Foreign Trade and Transit. 1924–1939.] Rīga: Valsts Statistiskā Pārvalde; and Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057.

The economic crisis of the Great Depression increased the government's interest in peat production and use, both to reduce coal imports and to boost exports of wood instead of it being used as fuel. Moreover, of course, to combat unemployment as the peat industry was very labour intensive. After K. Ulmanis' coup d'état in 1934, the authoritarian regime's policy of self-sufficiency (self-sufficing) also affected the production and use of peat.²⁴

The main market for Latvian peat was the USA. The main exports were of peat litter and peat dust. Peat to the USA was transported by ships to several ports – New York, Boston, as well as to New Orleans. Peat litter was transported in packages (about 1/3 kbm) and three assortments were available. The highest demand for peat was for the needs of the poultry industry, but there was also a high demand for livestock and gardening needs.

²³ Reliable detailed data is available only from 1924.

²⁴ For a detailed account of peat and peat products in Latvia during the interwar period see Karnups. V. P., (2016).

AS

Laima

LEADING FACTORY OF THE LATVIAN
CONFECTIONERY INDUSTRY

EXPORTS

Chocolate Novelties
Chocolate caramels
Fancies
Assorted Chocolates
Assorted jellied Fruits
Candies
Fruit tablets (drops)
Fruit bonbons, etc.

Selling places:

ENGLAND
Anglo-Baltic Produce Co.,
Ltd.,
25-54 Tooley Street
LONDON S. E. 1.

FRANCE
J. Gamelsky,
29, Rue Thiersstrate-
Bonaparte, PARIS, 14^e.

**UNITED STATES OF
AMERICA**
Spitz, Arnstein & Co. Inc.,
373 Fourth Avenue
NEW YORK.

HOLLAND
Russel & Mars,
Scholtenbergstraat 16,
AMSTERDAM O.

SWEDEN
Sven Olgard,
Hörsögäregatan 5 B,
STOCKHOLM C.

as well as in:
CANADA
BRITISH INDIA
SOUTH AFRICA
AUSTRALIA
JAVA (Dutch Indies)
MOROCCO
PALESTINE
SYRIA
IRAQ

FACTORY: MIERA IELĀ 22-RĪGA - P.O. BOX: 1237 CABLE ADDRESS: LAIMA-RĪGA

Figure 2. Advertisement for “Laima” Chocolates showing the agent for exports to the USA

This high demand for peat from the USA led to the demand for the creation of regular shipping traffic between Latvia and the USA, which could also transport other Latvian export goods.²⁵ In 1939, a ship was purchased by the Latvian United Shipping Company, and renamed *Hercogs Jēkabs*, in honour of Duke Jacob of Courland. It was planned that she would maintain a monthly cargo service between Riga and New York City.²⁶ At that time, it was one of the biggest and most modern ships in Latvia as it was only

²⁵ Zemgales Balss, Nr. 185 (18.08.1938), p. 2.

²⁶ “Latvian Ship Due Friday; To End Fifteen-Day Trip From Riga at Brooklyn”. The New York Times. 1939-05-29. p. 10. (Accessed 30.03.2018).

second ship with diesel engine in the Latvian merchant fleet. The ship was involved in trans-Atlantic voyages from Europe to North and South America. In 1939, the joint-stock company “Overseas Export” was founded to promote the transport of Latvian export goods to the USA with a long-time Latvian resident, Voldemārs Bauce, as the US representative of the company.²⁷

Latvian imports from the USA

Latvia’s main imports from the USA were Cereals; Raw cotton; Automobiles and parts; Industrial and agricultural machinery; Petroleum products and, surprisingly, Hides and furs. The amounts and value of Latvia’s main imports imported from the USA in the interwar period are shown in Table 5.

Table 5. Latvia’s Main Imports from the USA²⁸

Year	Cereals (Wheat, Rye)		Raw Cotton		Hides and furs		Automobiles and parts		Industrial and Agricultural machinery		Petroleum products	
	tns	Value (1000 Ls)	tns	Value (1000 Ls)	tns	Value (1000 Ls)	tns	Value (1000 Ls)	tns	Value (1000 Ls)	tns	Value (1000 Ls)
1924	20715	5908	6	20	17	168	47	135	778	1572	2270	344
1925	29640	10206	0	0	31	152	112	290	1053	1672	4408	611
1926	15903	5123	37	96	41	174	128	302	2114	2537	5249	863
1927	4204	1379	98	233	80	294	129	317	1660	2601	6217	1164
1928	15735	4529	453	1242	166	593	308	994	376	1238	9044	1568
1929	5688	1632	1321	3223	146	344	546	1764	620	1776	4249	1116
1930	1190	508	653	1334	105	254	615	1948	464	1428	8846	1691
1931	145	26	138	177	150	341	550	1572	588	955	4848	843
1932	0	0	1243	1275	46	148	14	77	15	81	4879	487
1933	0	0	3410	3561	15	122	69	211	45	135	634	200
1934	0	0	3872	4219	106	259	156	334	75	225	590	174
1935	0	0	3971	4343	7	272	254	531	61	175	751	202
1936	0	0	4078	5408	9	374	275	634	111	257	1024	200
1937	0	0	4222	7627	11	619	786	2373	265	910	5661	1084
1938	0	0	3804	5224	4	141	672	1978	324	1296	18115	2650
1939*	0	0	2453	3469	0	0	161	596	158	626	5609	885

* Latvia, following the practice of other nations, stopped publishing detailed data regarding foreign trade after the commencement of WWII. See Ekonomists, 1940, No. 4, p. 231. The data for 1939 is for eight months only – to 31 August 1939.

Source: Latvijas ārējā tirdzniecība un transīts – 1924–1939. [Latvian Foreign Trade and Transit. 1924–1939.] Rīga: Valsts Statistiskā Pārvalde; and Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057.

Cereals, mainly wheat and rye, were an important import up until the Depression as Latvia’s agriculture was concentrating on animal husbandry (mainly dairying and pig farming). Latvia, following the lead of the rest of Europe, did all it could to reduce imports and halt the outflow of

²⁷ Daugavas Vēstnesis, Nr. 39 (07.08.1939), p. 2.

²⁸ Reliable detailed data is available only from 1924.

foreign currency including the promotion of import-substitution. The most successful import-substitution was in the area of cereals and animal fodder imports, which by 1931 had almost disappeared as an import item in the case of the USA.

Raw cotton for Latvia's cotton industry was mainly imported via Liverpool and Bremen although the USA was the country of origin. Cotton from the USA dominated raw cotton imports, for example, 69% of the total volume imported in 1933, 82% in 1934 and 85% in 1935.²⁹ Supplying the cotton industry with raw cotton from the USA was another reason for the push for a direct shipping line to the USA.

Surprisingly, Latvia did not only export Hides and furs to the USA, but also imported them from the USA and it was a small, but consistent import throughout the interwar period. Another consistent import was Automobiles and parts, which increased in the 1920s, decreased during the Depression and then steadily increased in the 1930s. American cars were popular in Latvia. One of these was the Cadillac Fleetwood All-Weather Phaeton, which was driven by the Latvian President and Prime Minister Kārlis Ulmanis and can be seen in the Rīga Motor Museum.

Industrial and agricultural machinery imports from the USA were particularly important in the 1920s, but became less so as Latvia's own industries started to produce similar goods, as well as in the 1930s due to the Clearing agreement arrangement with Germany where Latvia exchanged agricultural and timber products for industrial and agricultural machinery.

Petroleum products (petrol, kerosene, lubricating oils etc.) were a significant and consistent import from the USA. More so in the 1920s than later in the interwar period, when Latvia could import petroleum products made from Estonian oil shale.

USA investments in Latvia 1925–1939

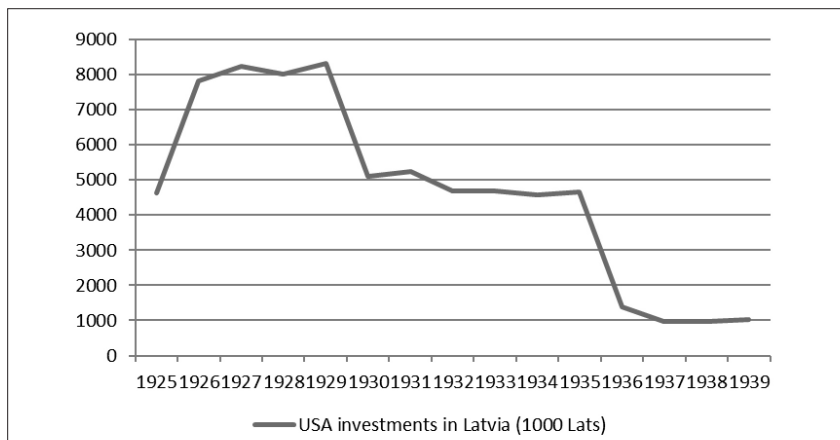
Foreign capital in Latvia was mainly invested in banking, industry, transport and trade. By 1927, over 60% of the equity capital of all Latvian joint-stock banks³⁰ was foreign owned, while foreign capital comprised 27.8% of aggregate capital in insurance, 33.9% in trade (commerce), 63.1% in transport and about 50% in industry.³¹ Many investors hoped that from Latvia they would be able to expand in the huge Russian market.

Figure 3 provides an overview of USA investments in the interwar period.

²⁹ Latvian Economic Review (1936), p. 34.

³⁰ For a brief overview of banking in Latvia in the interwar period see Hiden (2000), pp. 133–149.

³¹ The Latvian Economist (1928), p. 24.



Source: Latvijas Statistiskā gada grāmata. 1929, 1939 [Latvian Statistical Yearbooks 1929, 1939] – Rīga: Valsts Statistiskā Pārvalde; Statistikas tabulas [Statistical Tables] – Rīga: Latvijas PSR Tautsaimniecības Statistikas pārvalde, 1940.

Figure 3. USA investments in the Company Capital of Latvian Undertakings (as at 1 January). 1925–1939

The peak year for USA investments was 1929, when investments totalled 8325000 lats. USA investments were mainly in the banking sector (79% of total USA investments in 1929), followed by textile industry (8%), trade (commerce) (7%), transport (3%), clothes and shoes industry (2%) and some other minor investments.

On 22 October 1932, the government entered into an agreement with The Foundation Company of New York for a draft project regarding the utilisation of the River Daugava and the financing and building of a hydroelectric power station. Based on the research done by the company, on 10 January 1933, the government decided to build a hydroelectric power station at Ķegums. The cost of building the hydroelectric power station was estimated at 5.8 million US dollars (approx. 30 million lats), including a power grid to Rīga and transformer sub-station. However, the company was unable to find the necessary capital to build it by the terms of the agreement – 1 July 1933 and the government looked elsewhere for the necessary finance.³² In fact, the company was in a process of liquidation already by April 1932³³ and the loss of the Latvian contract hastened its demise.

³² Ekonomists (1940), pp. 190–192.

³³ New York Times, 8 April 1932, p. 8.

The onset of the Depression dramatically reduced the value of US investments in the banking sector – from 6583000 lats in 1929 to 3364000 lats in 1931. From this year, it remained reasonably stable, but the decrease accelerated after 1934, when the nationalistic Ulmanis regime began to systematically reduce the amount of the foreign investment stock. Foreign investment stock in the company capital of Latvian undertakings overall was reduced from 50.4% in 1934 to 25.4% in 1939 of which the reduction in industry was from 52.4% in 1934 to 31.9% in 1939, in commerce from 35.9% to 28.2% and in finance and banking from 62.4% to 9.7%.³⁴ By 1937, there was zero USA investment in the banking sector.

As can be seen in Figure 3, USA investments had been reduced from the peak in 1929 to a mere 1013000 lats by 1939, mostly on basis of the elimination of investments in the banking sector. The other sector investments remained more or less stable.

Latvian Gold and Freezing of Assets

The Bank of Latvia Council and the Board managed the formation and storing of gold reserves. Latvia deposited most of its gold reserves in banks overseas. As at 15 July 1940, only 13.2% of its gold was held in Latvia, while the remainder (86.8%) was held in overseas banks.³⁵ The distribution of the gold held in overseas banks can be seen in Table 6. Some 3 tons of gold was held in the USA with a value of nearly 18 million lats.

Table 6. Latvian Gold in Overseas Banks 1940

Bank	Lats	Kgs*
London, Bank of England	38381588	6554.124
New York, Federal Reserve Bank	17890422	3048.119
Paris, Banque de France	5766122	999.952
Geneva, Bank of International Settlements	31652	5.022
Total	62069784	10607.217

* 1941

Source: Leits, A. (1958), pp. 169, 223.

When Germany occupied Norway and Denmark in April 1940, the United States Treasury “froze” \$267 million in Norwegian and Danish property in the USA (Executive Order 8389, issued on 10 April 1940, had frozen Norwegian and Danish financial assets held in the U.S., following

³⁴ Finanču un kredīta statistika (1939), p. 172.

³⁵ Leits, A. (1958), pp. 169.

their occupation by Nazi Germany during World War II).³⁶ Executive Order 8484 extended the same protection to the assets of Estonia, Latvia, and Lithuania after their occupation and annexation by the Soviet Union.³⁷ Latvian government and Central bank deposits in U.S. banks were identified, transferred to the U.S. central bank – Federal Reserve System – and frozen. Part of these deposits, with the permission of the U.S. government, was converted into safe promissory notes whose fruit was used for the maintenance of Latvian missions in exile not only in the U.S., but also in elsewhere in the world for all years of the Soviet occupation. On 17 November 1992, the Bank of Latvia recovered most of the gold in the U.S. Federal Reserve system.

Conclusion

Despite the tortuous path to US recognition *de iure* in 1922, the interwar period consolidated the diplomatic relations between the two countries, and several bilateral agreements were signed and economic, trade and culture relations were established.

In the interwar years, Latvian and USA economic relations was mainly confined to foreign trade and investment although other forms of economic relations such as shipping and tourism were also important.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to the USA made up 1.48% of total Latvian exports, and USA imports made up 5.48% of total Latvian imports. Similarly, in 1937, when Latvian foreign trade reached its post-Depression peak, exports to the USA were only 1.1% of total Latvian exports, and imports from the USA were 7% of total Latvian imports. One suspects that the figures from the point of view of the USA would be significantly less. In other words, trade and thus economic relations were of marginal significance to both countries in the interwar period.

It is interesting to note that in 2017, Latvian exports to the USA totalled 283 946 065 EUR or 2.49% of total Latvian exports (mainly machinery, food industry products, optical equipment, timber and timber products). Whilst imports from the USA totalled 167 428 055 EUR or 1.19% of total Latvian

³⁶ L'Hommedieu (2011), p. 40.

³⁷ "By virtue of the authority vested in me by Section 5(b) of the Act of October 6, 1917 (40 Stat. 411, as amended), and by virtue of all other authority vested in me, I, FRANKLIN D. ROOSEVELT, PRESIDENT OF THE UNITED STATES OF AMERICA, do hereby amend Executive Order No. 8389, as amended, so to extend all the provisions thereof, and with respect to, property in which Latvia, Estonia, or Lithuania or any national thereof has at any time on or since July 10, 1940, had any interest or any nature whatsoever, direct or indirect." Quoted in L'Hommedieu (2011), p. 41.

imports (mainly machinery, automobiles, optical equipment, chemical industry products and food industry products).³⁸ In contrast to the interwar period, Latvia now has a positive trade balance with the USA

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³⁸ Data from the Central Statistical Bureau of Latvia.

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