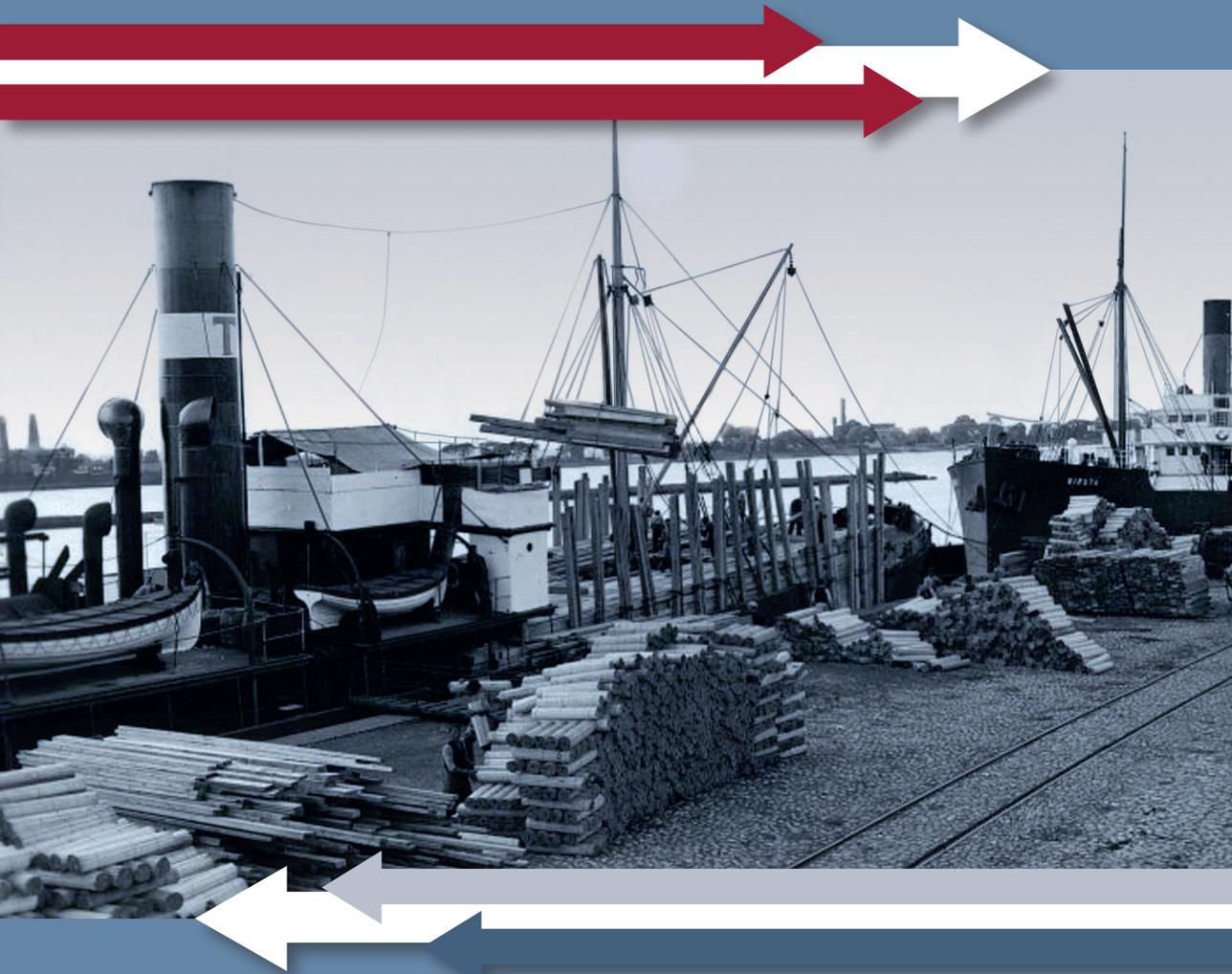


Viesturs Pauls Karnups



The Little Country That Could

Latvian Economic Relations
and Foreign Trade with Various
Countries in the Interwar Period

**The Little Country That Could:
Latvian Economic Relations and
Foreign Trade with Various Countries
in the Interwar Period**

Viesturs Pauls Karnups

University of Latvia Press

UDK 33(474.3)
Ka628

Viesturs Pauls Karnups. *The Little Country That Could: Latvian Economic Relations and Foreign Trade with Various Countries in the Interwar Period.* Riga: University of Latvia Press, 2022. 264 p.

Publication of monograph is supported by the University of Latvia Council of Social Sciences and Humanities at the meeting of July 12, 2021, Minutes No. 8.



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Reviewers:

Professor Aivars Stranga, *Dr. habil. hist.*, University of Latvia;
Dr. Hans Jörgensen, Senior Lecturer / Researcher, Umeå University, Sweden;
Professor Inna Romānova, *Dr. oec.*, University of Latvia

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Cover and layout design: Ineta Priga

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<https://doi.org/10.22364/lctc>
ISBN 978-9934-18-785-8
ISBN 978-9934-18-786-5 (PDF)

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Acknowledgements

First and foremost, I would like to thank Ance Karnupa for her unwavering encouragement and support during the writing of this book, as well as her assistance in the writing of the Latvian summary. Next I would like to thank Aija Rozenšteine, the Director of the University of Latvia Press, for her encouragement and support regarding this book, as well as regarding the academic journals of which I am the General Editor. I would also like to thank the reviewers of the manuscript of this book – Professor Aivars Stranga, *Dr. habil. hist.*, University of Latvia; Dr. Hans Jörgensen, Senior Lecturer / Researcher, Umeå University, Sweden; and Professor Inna Romānova, *Dr. oec.*, University of Latvia – for their positive reviews of the manuscript and their constructive comments. Last but not least, I would like to thank the University of Latvia for its financial support for the publishing of this book.

Introduction

Although Latvia declared its independence on 18 November 1918, it was only in the second half of 1919 that the National government had stabilised following the fall of the German-backed putschist Niedra government and the defeat of the German-supported Russian adventurer Bermont-Avalov (the war against Soviet Russia continued in Eastern Latvia). A Peace Treaty with Soviet Russia was signed on 11 August 1920. The Latvian Republic was still not recognised *de iure* by any European state with the exception of Soviet Russia which itself was not recognised by any other state. Latvia then faced the task of integrating into the European and world economy.

Latvia was recognised *de iure* by Western Europe on 26 January 1921. This collective act of recognition, was accepted by Latvia as conferring final and unreserved *de iure* recognition on the part of all the states represented on the Allied Supreme War Council, namely, Belgium, the British Empire, France, Italy, and Japan. Thereafter came official *de iure* recognition from most European and other states.

Latvia between the wars was a small open economy on the periphery of Europe. Latvia had not only to contend with the necessity of rebuilding an economy shattered by war, but also with the loss of the former Russian market and hence a need to completely re-orientate its economy to Europe and the rest of the world. Despite Riga being one of the largest industrial centres of Tsarist Russia before World War One¹, Latvia had to restructure its economy to one based on agriculture and forestry and was throughout the interwar years highly dependent upon agricultural and forestry product exports as the mainstay of her foreign trade.

Britain and Germany dominated Latvia's foreign trade throughout the interwar period. By 1937, these two countries accounted for nearly 70 % of Latvia's foreign trade. Whilst there are a number of books and articles in respect of Latvia's economic relations and foreign trade with Britain and Germany², there are none dealing with the remaining 30 % of Latvia's foreign trade with countries with which Latvia traded. In the 1920s, Latvia's foreign trade was in large part confined to European countries and some select overseas countries. However, by 1937, Latvia traded and had economic relations with some 115 states, colonies, and territories (excluding Britain and Germany). Some of these are now included in the present volume. Although for most of these countries economic relations and foreign trade with Latvia was peripheral to their and Latvia's economies, nevertheless, the Latvian market was important to certain sectors of the economy of these countries, and, similarly their markets were important to certain sectors of the Latvian economy.

Latvia's foreign trade in the interwar was based in large measure on a system of commercial and trade treaties. By 1938, Latvia had concluded commercial treaties with

¹ For an overview of Latvia prior to WW1 see Chapter 18 of this Volume.

² For example: Stranga, A. (2015); Zunda, A. (1998); Hiden, J. & Salmon, P. (1991) and others.

all important European states (except Spain) and some other countries of the world. Up to 1929, these treaties contained the Most Favoured Nation (MFN) principle, as well as in practically all, the Baltic and Russian clause. The Baltic and Russian Clause stipulates that the priority rights and privileges, allowed to Estonia, Finland, Lithuania, and Russia, may not be made applicable to other contracting states by virtue of the most-favoured-nation principle. Treaties concluded after this time had foregone the MFN principle as such and were based on notions of reciprocity, but still contained the Baltic and Russian Clause. They all provided the regulatory framework within which were stated the obligations undertaken by Latvia in its foreign trade relations with its trading partners.

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 banks³ 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.⁴ Many investors hoped that from Latvia they would be able to expand in the huge Russian market. From 1934, 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 %.⁵

In this Volume I have analysed Latvia's economic relations and foreign trade with 18 countries.⁶ They cover a broad spectrum of states, both from within Europe and outside of it. I have also included five chapters, which are related to Latvia's economy in the interwar period, but which do not fall within the structure of the country specific analysis. Most of the chapters are based on articles I have written and published (and/or conference papers I have presented) over the last few years. However, as the articles were written as stand-alone papers there is inevitably some overlap and repetition between the chapters. I have edited the chapters as much as possible and updated them where necessary. Some chapters were written especially for this Volume. They tell a story of how a small country on the north-east periphery of Europe engaged with the world after a traumatic birth. As in the American fairytale "The Little Engine That Could", Latvia in the interwar period can be seen as the 'little country that could'.

Viesturs Pauls Karnups
Riga, May 2021

³ For a brief overview of banking in Latvia in the interwar period see Hiden (2000), pp. 133–149.

⁴ *The Latvian Economist* (1928), p. 24.

⁵ *Finanču un kredīta statistika* (1939), p. 172.

⁶ I have not analysed in depth the political and other aspects of Latvia's relations with other countries (I have confined my analysis to only that which pertains directly to economic relations and foreign trade).

British India

Introduction

For most Indians Latvia was *terra incognita* until the late 20th century. However, Latvians had knowledge of India at least since the middle of the 19th century, mainly through travellers' tales, missionary reports, and translations from English newspapers. In the Latvian newspapers of the time they read about the Indian Mutiny¹ and the "Great Game" (a term for the strategic rivalry and conflict between the British Empire and the Russian Empire for supremacy in Central Asia).² In the interwar period a large and lively interest in India was exhibited by the intelligentsia, particularly writers, historians, and linguists. The former was interested in Indian literature (both ancient and modern), in particular Rabindranath Tagore³, whose works were originally re-translated into Latvian from English translations and later from the original. The linguists were interested in the Sanskrit language and its relation to Latvian and for some historians this developed into attempts to prove that the original homeland of ancient Latvians was India.⁴ In addition, Latvian newspapers regularly reported on the struggle for independence in the interwar period, particularly in the social-democratic newspapers.⁵

After the First World War and the collapse of the Tsarist Russian Empire, it is reported that some 500 Latvians had ended up in British India.⁶ They were mainly ex-soldiers from the anti-Bolshevik White Army. They were scattered all over British India, mainly in Bombay (Mumbai) and Calcutta (Kolkata), but also in Simla (Shimla), Benares (Varanasi), Jaipur and Kashmir. They worked as plantation managers⁷, overseers and foremen workers. Most returned to Latvia in the early 1920s.

Latvia's first missionary to South India was Anna Irbe (1890–1973). In 1933, she founded and developed the mission station of "Karunagarapuri" near Coimbatore in western Tamil Nadu.⁸ Irbe envisioned Karunagarapuri as a unique Christian centre, a holistic, self-supporting community where evangelistic, social, educational, medical,

¹ For example, *Mājas Viesis*, No. 107, 1857, pp. 318–319.

² For example, *Rīgas Lapa*, No. 50, 1878, pp. 1–2.

³ For example, *Ritums*, No. 1, 1922, pp. 46–51.

⁴ For example, *Zeltene*, No. 5, 1936, p. 4.

⁵ For example, *Sociāldemokrāts*, No. 7, 1932, p. 8.

⁶ *Tautas Balss*, No. 6, 1921, p. 2.

⁷ See *Latvijas Sargs*, No. 90, 1927, "Pie Latvju plantatora Indijā" [With a Latvian Plantation Manager in India].

⁸ *Daugavas Vēstnesis*, No. 41, 1940, p. 8.

and agricultural activities all took place. She compiled a prayer book with lyrics called *Jebamalai* (prayer garland), following the “Indianisation” of worship. This *Jebamalai*, revised and recompiled, is still used today in the Tamil Evangelical Lutheran Church.⁹

Latvia also had a number of honorary consuls in British India¹⁰. In Bombay (Mumbai): 1929 III–1933 VIII Oliver Turton and 1938 II–1940 VIII William Henry Hammond¹¹. In Madras (Chennai): 1928 III–1928 XI Jack Harcourt Wilson. Latvia also had honorary consuls in Ceylon (Sri Lanka): 1927 VII–1931 I Henry Lawson De Mel and 1931 I–1969 I Richard de Mel. As far as could be ascertained they were little involved in economic relations, although the consuls in Bombay (Mumbai) as the main entry port were probably more involved.

British India during the interwar period also had a number of ICS officers who served as Trade Commissioners for British India working out of the British Consulate in Hamburg, Germany. The Commissioners were responsible for trade with Northern Europe including Latvia. They included Hardit Singh Malik (1933–1934)¹², Satyendra Nath Gupta (1935–1937 (?)),¹³ and Hirubhai Mulljibhai Patel (1937–1939). Of these H. M. Patel was the only one to leave a record of his work in Hamburg. As Trade Commissioner for India he was expected to see that trade relations prospered between India and the countries of Northern Europe including Latvia.¹⁴ He makes the point that the most important trading partner was Germany and “...the Baltic States did not count for much.”¹⁵

Nevertheless, in the interwar period, Latvian and British Indian economic relations were mainly confined to foreign trade.

Latvia’s Economic Relations with British India 1924–1939

Although Latvia declared its independence in 1918, trade with British India did not commence until 1924. It ended with the outbreak of WWII in 1939.

Latvia’s foreign trade in relation to British India was more or less regulated by Latvia’s 1923 treaty with Great Britain. Article 26 of the 1923 Treaty of Commerce and Navigation between Great Britain and Latvia states:

⁹ See V. Stephen, Misonare Anna Irbe – sieviete kura apsteidza savu laiku [Missionary Anna Irbe – a Woman before Her Time] in *Ceļš*, Nr. 57, 2006, pp. 59–76.

¹⁰ Jēkabsons, Ē. & Ščerbinskis, V. (eds) (2003), Latvijas konsulārie pārstāvji ārvalstīs, 1918–1991 in *Latvijas ārlietu dienesta darbinieki 1918–1991. Biogrāfiskā vārdnīca*. Rīga: Zinātne, pp. 381–382.

¹¹ For biographical details see http://www.dnw.co.uk/auction-archive/special-collections/lot.php?special-collection_id=57&specialcollectionpart_id=25&lot_id=68335 [Accessed 01.02.2015]

¹² <http://www.learnpunjabi.org/eos/HARDIT%20SINGH%20MALIK%20%281894-1985%29.html> [Accessed 01.02.2015]

¹³ Supplement to the *London Gazette*, 3 June 1935, p. 3599.

¹⁴ Patel, H. M. (2005), *Rites of Passage*. New Delhi: Rupa Publications India Pvt. Ltd., p. 46.

¹⁵ *Ibid.*, p. 47.

“The stipulations of the present Treaty shall not be applicable to India or to any of His Britannic Majesty’s self-governing Dominions, Colonies, Possessions, or Protectorates, unless notice is given by His Britannic Majesty’s representative at Rīga of the desire of His Britannic Majesty that the said stipulations shall apply to any such territory.

Nevertheless, goods produced or manufactured in India or in any of His Britannic Majesty’s self-governing Dominions, Colonies, Possessions, or Protectorates shall enjoy in Latvia complete and unconditional most-favoured-nation treatment so long as goods produced or manufactured in Latvia are accorded in India or such self-governing Dominions, Colonies, Possessions, or Protectorates treatment as favourable as that accorded to goods produced or manufactured in any other foreign country.”

Most Colonies, Possessions and Protectorates had acceded to the Treaty, including the Government of India by the end of 1928.¹⁶

Similarly, Article 1 of the later 1934 Commercial Agreement between the Government of Latvia and His Majesty’s Government in the United Kingdom, with Protocol allowed for the continuation of previous arrangements under the previous treaty:

“The articles enumerated in Part II of the First Schedule to this Agreement [...] shall not on importation into Latvia [...] be subjected to duties or charges other or higher than those specified in the Schedule, provided [...] enjoys most-favoured-nation treatment in Latvia in accordance with Article 26 or Article 27 of the Treaty of Commerce and Navigation between Great Britain and Latvia, signed on the 22nd June, 1923.”

Because of the most-favoured-nation (MFN) treatment guaranteed under the treaties, tariff changes during the interwar period, especially in the wake of the Great Depression, did not unduly affect trade between Latvia and British India.

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

	Latvia	British India
Population (millions)	2 (1939)	389 (1941)
Share of urban population (%)	34.6 (1935)	12.8 (1941)
Share of agriculture in the labour force (%)	67.8 (1935)	74.8 (1946)
National Income (millions Ls)	1256 (1938)	52140 (1934)*
National Income per capita (Ls)	628 (1938)	134 (1934)
Share of Agriculture in NI (%)	39.2 (1938)	40 (1946)
Share of Manufacturing in NI (%)	20.5 (1938)	17 (1946)

* Conversion of 1934 British pounds sterling to Latvian Lats

Sources: Clarke, C. (1940), *The Conditions of Economic Progress*, pp. 36, 42, 44; Roy, T. (2008), *The Economic History of India 1857–1947 (Second Edition)*, pp. 84–85, 346; Tomlinson, B. R. (2013), *The Economy of Modern India (Second Edition)*, p. 4; Darbiņš, A. & Vītiņš, V. (1947), *Latvija: Statistisks pārskats*, pp. 7, 18, 69; *Economists [The Economist]*, 1934, No. 22, p. 816.

¹⁶ LVVA, 295. f., 1. apr., 348. l., 123., 126. lp.

As can be seen from Table 1, despite the enormous difference in population Latvia's share of urban population in the interwar period was almost three times that of India; the share of agriculture in the labour force was only slightly less (about 10 % less). National Income per capita was nearly six times that of India although the share of agriculture was similar. Latvia's share of manufacturing in NI was also slightly higher.

Latvian-Indian Trade 1924-1939

The value of Latvian imports from and exports to British India can be seen in the Figure 1. Imports were at very low levels up to 1927. From 1928 (after India had acceded to the 1923 treaty) imports increase substantially and in 1929 reached their highest value – nearly three million lats. Exports, on the other hand, were greater than imports only up to 1927 with a peak in 1928. They fell with the Great Depression, but slowly started to rise from 1934 and reached their peak in 1938 with a value of over one million lats. Generally, exports exceeded imports only in the early 1920s; for the rest of the period imports exceeded exports. However, in the 1930s there was a closer balance between imports and exports. This reflects the reciprocal nature of the 1934 Commercial Agreement between the Government of Latvia and His Majesty's Government in the United Kingdom.

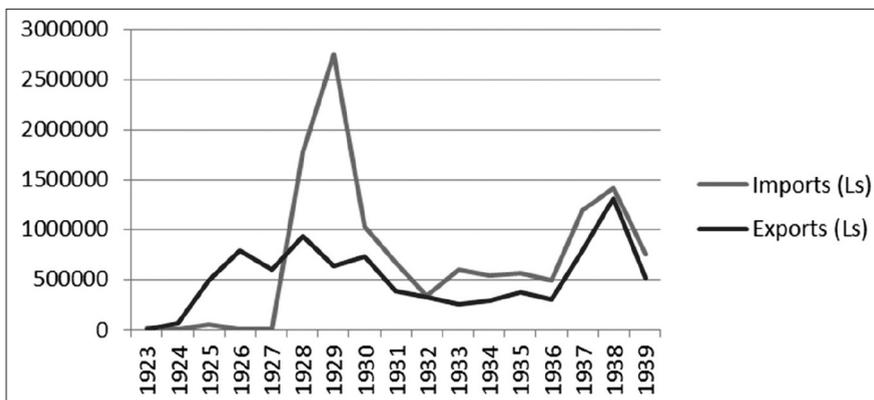


Figure 1. Latvia-British India Imports and Exports 1923-1939¹⁷

Sources: *Latvijas statistiskā 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; and *Mēneša Biļetens Nr. 10*, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057

¹⁷ Latvia, following the practice of other nations, stopped publishing 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.

In terms of Latvian trade statistics, it should be noted that there are problems in respect of British India. In some years the statistics include Ceylon (Sri Lanka) and other British colonies East of Suez, and they also include Burma (Myanmar) up to its official separation from British India in 1937. Nevertheless, it is clear that the vast bulk of the data refers to British India as such and thus can be used to reflect trade between Latvia and British India.

Latvian Exports to British India

Latvia's main exports to British India were plywood, timber and timber products, paper and paper products, and lubricating oils. The amounts and value of Latvia's main exports exported to India in the interwar period are shown in Table 2.

Table 2. Main Latvian Exports to British India 1923–1939

Year	Plywood		Timber and timber products		Paper and paper products		Lubricating oils	
	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)
1923	0	0	8845	3560	0	0	0	0
1924	10 000	39436	0	0	18990	7355	0	0
1925	561140	222324	0	0	384894	206039	84323	43566
1926	827125	290643	0	0	542799	284419	421097	205101
1927	389268	129760	24778	11835	908012	429523	51780	25259
1928	153790	54884	909951	188272	693742	348524	635770	331931
1929	323914	130212	312852	61196	466731	222660	441519	217722
1930	921081	327727	90000	25701	504938	240224	211190	131371
1931	1025339	298194	108516	20975	68212	30055	67685	32718
1932	1250109	236329	218978	27487	198132	61321	0	0
1933	745105	106913	290532	32632	205707	46426	0	0
1934	1427107	183565	318036	41080	273211	55109	0	0
1935	1362984	185704	652812	47867	573683	157912	0	0
1936	1054676	169669	708912	67076	259607	69468	0	0
1937	1830341	429850	1074324	156227	468432	213347	0	0
1938	3508529	1084829	393412	53658	446432	168265	0	0
1939	1171000	358000	299500	40000	301000	117000	0	0

Sources: *Latvijas statistiskā 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; and *Mēneša Biļetens Nr. 10*, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057

Lubricating oils were an important export product in the 1920s,¹⁸ however, exports of lubricating oil ceased in 1931 as a result of the Great Depression. Plywood, on the other hand, was the most important export to British India and continued strongly throughout the interwar period. It reached its peak in 1938 with sales of over one million lats. The amount of Latvian plywood reaching India may have been even larger as some of the plywood exported to Great Britain was re-exported to India.¹⁹ The next important export was paper and paper products, which reached their first peak in 1927 both in volume and value, but continued throughout the period reaching a second peak in 1937. Timber and timber product exports (mainly Aspen blocks) really only commenced in 1927 (with trial shipment in 1923) and reached a peak in 1928 and again in 1937.

During the interwar period, Latvia also exported to British India, in small quantities, matches²⁰, glazed earthenware, tin tableware, glassware, tinned fish and liquors, as well as chocolates and confectionary (See Figure 2).

AS
Laima
LEADING FACTORY OF THE LATVIAN
CONFECTIONERY INDUSTRY

Selling places:

ENGLAND
Anglo-Baltic Producers Co.
LTD.
22-24 Tinsley Street
LONDON S. E. 1.

FRANCE
J. Gumbel
20, Rue d'Angoulême
Boulevard, PARIS, 13^e.

UNITED STATES OF AMERICA
Spitz, Aronson & Co. Inc.
211 Fourth Avenue
NEW YORK.

HOLLAND
Bissell & Mars,
Schiedamskerkerdijk 16,
AMSTERDAM O.

SWEDEN
Svea Ölgård,
Börsgrändgatan 3 B,
STOCKHOLM C.

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

EXPORTS

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

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

Figure 2. Advertisement for Laima confectionery factory showing that British India was also a “selling place” for Laima chocolates and confectionary

¹⁸ For example, exports by the company “A. Oehlich and Co.” (*Ekonomists*, 1937, No. 6, pp. 211–212).

¹⁹ *Ekonomists*, 1929, No. 4, p. 147.

²⁰ For example, exports by the company “Vulkans” (*Ekonomists*, 1925, No. 18, p. 875).

Latvian Imports from British India 1923–1939

Latvia's main imports from British India were furs, hides and furriery articles; nuts and seeds; rice and rice products; spices and condiments; coffee, tea and cocoa; and jute, cotton, wool and hemp (including jute sacks). The amounts and value of Latvia's main imports imported from India in the interwar period are shown in Table 3.

Most Latvian imports from British India commenced in 1928 after the Government of India had acceded to the 1923 Treaty with Great Britain, although some imports of furs and hides, as well as rice had commenced in 1923.

The main import in terms of volume was rice and rice products, which reached their peak in terms of volume and value in 1929. In this period, most rice in fact came from Burma (Myanmar).²¹ Imports of furs and hides fluctuated during the period, reaching a peak in terms of volume in 1935 and in terms of value in 1937. Nuts and seeds were important import products and reached their peak in only in the first eight months of 1939. Spices and condiments (mainly pepper) were also important import products. Although they reached their peak in terms of value in 1924, they continued throughout the period. Coffee, tea and cocoa were important import products as well, especially tea. Although their peaks both in terms of volume and value were in the 1920s, with an increase in the late 1930s, they also continued strongly throughout the interwar period.

The textile fibres jute and cotton were of lesser importance in terms of imports from British India. Cotton was imported in smaller quantities than from other sources because the textile manufacturers felt that Indian cotton was not suitable for their textile machines.²² Jute was the main fibre imported (as well as ready-made jute sacks) with a peak both in terms of volume and value in 1938.

During the interwar period Latvia imported a whole range of Indian goods in small quantities including copra, paraffin, rubber, lead, casein, castor oil, shellac, vaseline, tanning and leatherworking materials, yarn and twine, and fertilisers (phosphorite, potassium, etc.).

Conclusion

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to British India made up only 0.2 % of total Latvian exports, and imports from British India made up 0.8 % of total Latvian imports. Similarly in 1937, when Latvian foreign trade reached its post-Depression peak, exports to British India were 0.6 % of total Latvian exports, and imports from British India were also 0.6 % of total Latvian imports. Thus, there was an increase in exports and a decrease in imports in 1937. One

²¹ Pelcis, V. (1936), *Britu pasaules impērija* [British World Empire]. Rīga: Valter un Rapa A/s Apgāds, p. 52.

²² *Ekonomists*, 1938, No. 3, p. 127.

Table 3. Main Latvian Imports from British India 1923–1939

Year	Furs, hides and furrinary articles		Nuts and seeds		Rice and rice products		Spices and condiments		Coffee, Tea and Cocoa		Jute, cotton, wool and hemp (including jute sacks)	
	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)
1923	6500	11640	0	0	4993	1640	0	0	0	0	0	0
1924	104	5692	0	0	7056	2200	0	0	0	0	0	0
1925	23367	56984	0	0	0	0	0	0	0	0	0	0
1926	0	0	0	0	0	0	0	0	0	0	0	0
1927	5	125	0	0	0	0	0	0	0	0	0	0
1928	11831	39642	19785	14160	4299173	1488329	15213	60359	72382	27289	5365	4555
1929	0	0	34870	23190	7368069	2353533	16883	76011	38592	135292	0	0
1930	1	31	57183	36062	2488766	760101	6630	32604	35215	107504	2195	1489
1931	2790	3290	55258	27788	2554259	546612	12177	24759	15623	42217	1730	1107
1932	201	9101	42050	18091	718602	112646	3110	10560	30097	90503	92620	37121
1933	425	17763	25985	10057	1215991	163139	2074	9624	26371	80689	382937	200166
1934	2201	56639	34138	11539	479792	57220	4623	13524	18990	49007	377824	174866
1935	4830	114737	26458	10480	319374	55577	10424	18705	29735	74912	169661	55638
1936	1598	91138	42505	19737	205980	32268	5743	23156	30867	94070	155764	75601
1937	3646	337069	124833	80275	126286	35876	1536	19329	30102	117408	205442	253380
1938	4235	241383	67878	42914	556466	144157	3246	29205	26373	138961	419289	356200
1939	2000	137000	261000	75000	670000	167000	1000	10000	20000	101000	123000	145000

Sources: *Latvijas statistiskā 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; and *Mēneša Bijetens Nr. 10*, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057

suspects that the figures from the point of view of British India would be similar or even 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 2020 Latvian exports to India (albeit a different India from British India) totalled 42.1 million EUR or 0.2 % of total Latvian exports (mainly metal products, electrical equipment, and timber products) whilst imports from India totalled 62.1 million EUR or 0.4 % of total Latvian imports (mainly rubber products (tires), metals and metal products, pharmaceuticals, and textiles). India's accumulated direct investments in Latvia amounted to 5 million EUR. Although there were no registered Latvian companies operating in India (there were also none in the interwar period); in 2020, some 271 Indian companies were registered in the Latvian Enterprise Register with a total investment of 2.1 million EUR.²³

Revised version of the paper published as 'Latvia and India: Economic Relations 1918–1940', in Humanities and Social Sciences Latvia, Vol. 23, Issue 2 (Autumn–Winter 2015), pp. 37–47.

²³ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/attachments/2021.03_LV_Indija_ekon_sad.pdf#overlay-context=noderigi/valstu-informacija/indija [Accessed 29.04.2021]

Australia

Introduction

In the interwar period Latvian and Australian economic relations were mainly confined to foreign trade. For most Latvians Australia was *terra incognita* and vice-versa. Although Latvia declared its independence in 1918, trade with Australia did not commence until 1922. It ended with the outbreak of WWII in 1939.

Latvia's foreign trade in relation to Australia was more or less regulated by Latvia's 1923 treaty with Great Britain.¹

Most Colonies, Possessions and Protectorates had acceded to the Treaty, as well as self-governing Dominions such as Canada by the end of 1927. However, Australia, which did not accede to the Treaty, after many representations from Latvia, agreed that Latvian goods imported into Australia would be given most-favoured-nation treatment.²

Similarly, Article 1 of the 1934 Commercial Agreement between the Government of Latvia and His Majesty's Government in the United Kingdom, with Protocol allowed for the continuation of previous arrangements under the previous treaty.³

Role of Latvian Honorary Consuls in Australia

Latvian trade with Australia was mediated in large measure through the Latvian honorary consuls in Australia. Latvian honorary consuls reported to and were appointed through the Consul general in London.

The first representative was a Latvian, Kārlis Alksnis, who was appointed in Sydney as an honorary consular agent in January 1921. He had been living in Australia since 1916.⁴ Subsequent honorary consuls were appointed in the late 1920s and early 1930s in Sydney, Adelaide, Brisbane and Melbourne. Of these the most active in encouraging trade between Latvia and Australia was Norman McLeod who was appointed honorary consul in Sydney in July 1931 and served until June 1958.

¹ Details in Chapter 1 of this Volume.

² LVVA, 295. f., 1. apr., 348. l., 16., 49. lp.

³ Details in Chapter 1 of this Volume.

⁴ Andersons, E. (ed.) (1990), p. 519.

In 1932, he established an Australian firm “Latco” (Latvian Australian Trading Company), which he offered to act as purchasing agents for Latvian importers of Australian products and as selling agents for Latvian products.⁵ In the same year he established a show-room, where examples of Latvian products could be exhibited free of charge.⁶ McLeod regularly reported to London urging expansion of Latvian trade to Australia. For example, in his report for March 1932⁷, he makes the point that Baltic timber imported into Australia came mainly from Swedish and Norwegian saw mills and that Latvia could take up some of the Scandinavian market. In addition, he expressed hope that Australian timbers (especially hardwoods) could be exported to Latvia. In the report for June 1933, he suggests that now would be a favourable time for Latvian manufacturers of all kinds of printing papers, straw-board, newsprint and cigarette papers.⁸

Other honorary consuls were more passive and merely reported the existing situation. For example, Robert McComas in Melbourne (appointed March 1931 and served until 1982), reported in his annual report for 1932⁹ that Victoria imported Latvian goods in 1932 to the value of A£12 148, which consisted almost entirely of timber and timber products – match splints, plywood and paper. In contrast, timber and paper to the value of A£20 634 had been imported in 1931.

Problems of Latvian-Australian trade

The problems of Latvian-Australian trade were two-fold: the fact that Australia had a protectionist trade policy with high tariffs (especially during and in the aftermath of the Great Depression)¹⁰, and the general passivity of Latvian manufacturers in respect of a market that was so far away. As early as 1923 an Australian import-export firm noted that they had sold 5 tons of paper and 20 cases of matches, but while they were ready to buy 1000 cases of matches per month, they were having difficulties in making contacts in Latvia.¹¹

McLeod reported in 1932 on the high Australian government tariff on plywood and expressed the hope that it will be modified and “then there will be a recovery in this trade”.¹² Similarly, McComas reported that the tariff and exchange rates combined to keep imports at a minimum.¹³ Nevertheless, trade did take place.

⁵ LVVA, 2574. f., 4. apr., 5460. l., 16. lp.

⁶ LVVA, 2574. f., 4. apr., 4622. l., 8. lp.

⁷ LVVA, 2574. f., 4. apr., 5093. l., 2.–3. lp.

⁸ LVVA, 2574. f., 4. apr., 5460. l., 11. lp.

⁹ LVVA, 2574. f., 4. apr., 5361. l., 54.–55. lp.

¹⁰ See Gregory, R. G. & Butlin, N. G. (eds.) (1988), *passim*.

¹¹ LVVA, 2574. f., 4. apr., 254. l., 65. lp.

¹² LVVA, 2574. f., 4. apr., 5093. l., 2. lp.

¹³ LVVA, 2574. f., 4. apr., 5361. l., 55. lp.

Latvian-Australian trade 1922–1939

As noted earlier Latvian trade with Australia commenced in 1922 with exports of books, paper and cranberries, and with imports of flax, hides and animal fats. The value of Latvian imports from and exports to Australia can be seen in the following Figure 1.

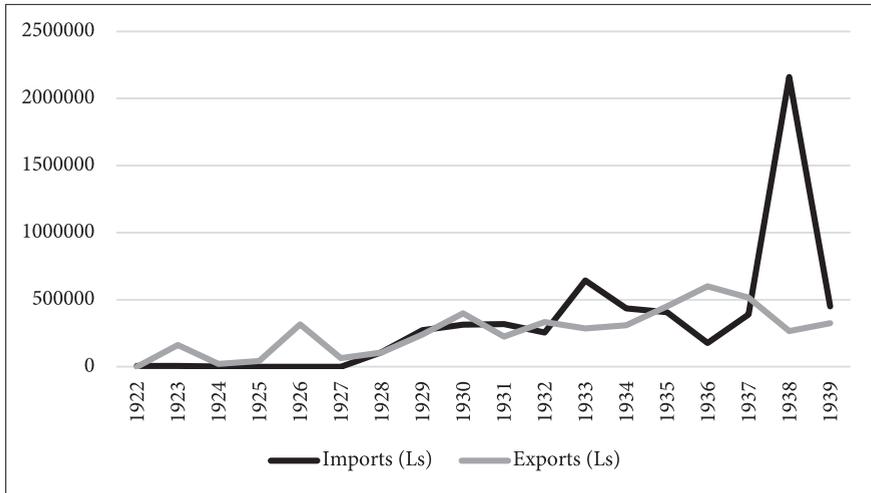


Figure 1. Latvia-Australia Imports and Exports 1923–1939

Source: *Latvijas ārējā tirdzniecība un transīts. – 1921–1939*. [Latvian Foreign Trade and Transit. 1921–1939] Rīga: Valsts statistiskā pārvalde

As can be seen in Figure 1, in general imports were at very low levels up to 1928 (with no imports at all in 1926 and 1927). From 1928 imports increase substantially and in 1938 reach their highest value – over 2 million lats. Exports, on the other hand, were steady and slowly rising and reached their peak in 1936 with a value of over 600 thousand lats.

Generally, exports exceeded imports, the main exception being the extraordinary year of 1938. The huge increase in imports in 1938 was due mainly to the effects of the devaluation of the lats in 1936 and the subsequent growth in manufacturing, especially in the textile industry. Wool imports reached their highest value that year.

Latvian exports to Australia

Latvia mainly exported timber and timber products to Australia. Timber exports as such ceased in 1931, as practically all of Latvian timber was exported to European countries, principally Great Britain, Germany, Belgium and the Scandinavian

countries. Exports of plywood reached their peak in 1929 and continued intermittently in small lots to 1939. Match splints exports, however, took off in 1929 and continued strongly for the rest of the period, reaching their highest value in 1936. Paper and paper products were the mainstay of timber product exports to Australia. They commenced in 1922 and reach their peak in value in 1936. The actual amounts of exports of timber and timber products exported to Australia in the interwar period are shown in Table 1.

Table 1. Latvian timber and timber product exports to Australia 1922–1939

	Timber materials		Plywood		Match-splints		Paper and paper products	
	Amount (kg)	Value (Ls)	Amount (kg)	Value (Ls)	Amount (kg)	Value (Ls)	Amount (kg)	Value (Ls)
1922	0	0	0	0	0	0	120	270
1923	715193	133866	0	0	0	0	8757	4209
1924	0	0	99	154	421	133	6312	2271
1925	0	0	0	0	0	0	93087	40140
1926	1345635	260754	1200	1380	54000	18000	4214	2071
1927	353917	44421	17431	7685	0	0	15388	9798
1928	0	0	148478	78805	0	0	32802	19224
1929	0	0	192702	107900	135770	40707	117255	62736
1930	96014	9098	1124	887	852486	287720	144096	78718
1931	66000	3370	1407	687	656389	182921	71149	29519
1932	0	0	8229	2559	1153340	304971	62998	20878
1933	0	0	0	0	754672	191891	123922	31663
1934	0	0	0	0	1084417	265469	175743	36961
1935	0	0	662	1155	1529813	390037	256943	51563
1936	0	0	0	0	1772543	471947	299475	71192
1937	0	0	1357	629	1365920	368923	171683	69211
1938	0	0	2439	2645	877648	208653	70147	28228
1939	0	0	0	0	1236000	293000	0	0

Source: *Latvijas ārējā tirdzniecība un transīts. 1922–1939* [Latvian Foreign Trade and Transit. 1922–1939] Rīga: Valsts statistiskā pārvalde

The other main Latvian export to Australia was the 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.

Table 2. Exports of Latvian “Šprotes” to Australia

	"Šprotes" (Sprats)	
	Amount (kg)	Value (Ls)
1920	0	0
1921	0	0
1922	0	0
1923	0	0
1924	0	0
1925	0	0
1926	1690	3281
1927	10	22
1928	415	787
1929	535	803
1930	729	1143
1931	324	482
1932	0	0
1933	1413	1169
1934	4565	3738
1935	3533	2852
1936	8648	10974
1937	3355	6069
1938	7220	13997
1939	0	0
1940	0	0

Source: *Latvijas ārējā tirdzniecība un transits. 1922–1939* [Latvian Foreign Trade and Transit. 1922–1939] Rīga: Valsts statistiskā pārvalde

As can be seen from Table 2, the export of “Šprotes” reached their peak in terms of value in 1938, but in terms of amount in 1936.

Latvian imports from Australia

Latvian imports from Australia were mainly raw wool, animal fats, metals (lead and zinc), furs and skins (Table 3), and fresh and dried fruit (Table 4). The bulk of imports was in the late 1920s and in the 1930s.

Table 3. Main Latvian imports from Australia 1922–1939

	Animal fats		Metals (lead, zinc)		Raw wool		Furs and skins	
	Amount (kg)	Value (Ls)	Amount (kg)	Value (Ls)	Amount (kg)	Value (Ls)	Amount (kg)	Value (Ls)
1922	3335	365	0	0	0	0	2977	4801
1923	0	0	0	0	0	0	0	0
1924	0	0	0	0	0	0	4	69
1925	0	0	0	0	0	0	0	0
1926	0	0	0	0	0	0	0	0
1927	0	0	0	0	0	0	0	0
1928	10917	10417	152822	84256	346	2755	0	0
1929	132292	118635	152768	90112	0	0	0	0
1930	183799	142040	313125	139856	0	0	0	0
1931	130823	84194	609596	189157	3420	14044	190	11094
1932	38058	15293	155510	44139	39350	141452	600	8109
1933	4105	1621	223325	47519	136854	518826	16297	91884
1934	10137	3408	845096	168633	43616	193802	8996	134793
1935	0	0	112036	36580	72943	222803	10511	134263
1936	0	0	0	0	5393	16358	4501	85960
1937	0	0	0	0	22158	151922	10414	193442
1938	0	0	25412	12537	52904	257288	10500	196426
1939	0	0	0	0	53000	243000	7000	168000

Source: *Latvijas ārējā tirdzniecība un transits. 1922–1939* [Latvian Foreign Trade and Transit. 1922–1939] Rīga: Valsts statistiskā pārvalde

Imports of animal fats ceased in 1934 as part of an overall import-substitution programme in Latvia. Between 1928 and 1935 the metal imported was lead. After 1935 lead was obtained mainly from Mexico. In 1938 a single shipment of zinc was obtained from Australia.

Australia was a source of exotic furs and animal skins, especially in the 1930s. The shipment of 4 kgs in 1924 was labelled “furs – skunk”! “Skunk” furs appeared regularly in small quantities throughout the 1930s, although which animal it really was it is impossible to say. Other animal furs were recognisably labelled, for example, kangaroo, opossum, wallaby, etc.

The import of Australian fresh and dried fruit had something of the air of “coals to Newcastle” (Table 4). Fresh apples and pears were a feature of these imports

Table 4. Imports of Australian fresh and dried fruits to Latvia

	Fresh and dried fruits	
	Amount (kg)	Value (Ls)
1922	0	0
1923	0	0
1924	0	0
1925	0	0
1926	0	0
1927	0	0
1928	0	0
1929	19503	27452
1930	22906	29960
1931	15670	19495
1932	0	0
1933	0	0
1934	0	0
1935	0	0
1936	2362	1956
1937	34098	35077
1938	27404	30713
1939	31000	40000

Source: *Latvijas ārējā tirdzniecība un transits. 1922–1939* [Latvian Foreign Trade and Transit. 1922–1939]. Rīga: Valsts statistiskā pārvalde

notwithstanding the fact that Latvia had its own large orchards of apples and pears. Various campaigns for import substitution stopped the import after 1931, but they resumed again in 1936. Australian apples must have tasted especially good!

Wages and Prices

In 1948, one of Latvia's leading economists of the 1930s, Alfreds Ceichners,¹⁴ wrote a booklet about Australia for the Latvian Displaced Persons (refugees) in Germany, who were thinking of emigrating to Australia. Apart from general facts about Australia, he included a section on comparative workers' wages and food prices.¹⁵

¹⁴ For a short biography, see Krastiņš, O. (2001), pp. 198–202.

¹⁵ The following is taken from Ceichners, A. (1948), p. 53.

In 1938, the average wages of workers in Sydney and Rīga were as shown in Table 5. With an exchange rate of 1 A£ = 20 lats, this meant that 1 shilling = 1 lats and 1 pence = approx. 8 santīms. Thus, in column 3 of Table 5, the Australian hourly rate has been converted to santīms. Ceichners did a similar comparison for the prices of staple food items, which have also been included in Table 5 with the Australian prices converted to santīms.

Table 5. Hourly wages and food prices in Sydney and Rīga in 1938

	Hourly wage in Sydney (in shillings and pence)	Hourly wage in Rīga (in santīms)	Hourly wage in Sydney (in santīms)		Price per kg. in Sydney (in pence)	Price per kg. in Rīga (in santīms)	Price per kg. in Sydney (in santīms)
Unskilled worker in the metal industry	1 s. 10 p.	45–50 sant.	180 sant.	White bread	5.4 p.	54 sant.	43 sant.
Skilled worker in the metal industry	2 s. 3 p.– 2 s. 8 p.	64–67 sant.	224–264 sant.	Wheat flour	3.7 p.	55 sant.	30 sant.
Bricklayer	2 s. 9 p.	81 sant.	272 sant.	Rice	6.9 p.	106 sant.	55 sant.
Carpenter	2 s. 9 p.	61 sant.	272 sant.	Beef	24.3 p.	101 sant.	194 sant.
Painter	2 s. 7 p.	59 sant.	256 sant.	Pork	28.5 p.	133 sant.	228 sant.
Electrician	2 s. 8 p.	56 sant.	264 sant.	Mutton	17.9 p.	82 sant.	143 sant.
Unskilled worker in the building industry	1 s. 11 p.	50 sant.	188 sant.	Bacon	39.8 p.	165 sant.	318 sant.
Compositor	2 s. 6 p.	83–117 sant.	248 sant.	Sugar	8.8 p.	67 sant.	70 sant.
Baker	2 s. 9 p.	67 sant.	272 sant.	Full milk (per litre)	6.2 p.	20 sant.	50 sant.
Tram driver	2 s.	65 sant.	200 sant.	Unsalted butter	42.5 p.	266 sant.	340 sant.
Cashier	2 s.	65 sant.	200 sant.	–	–	–	–
Railway worker	1 s. 11 p.	44 sant.	188 sant.	–	–	–	–

Source: Ceichners, A. (1948), p. 53

As can be seen from Table 5, although Australian workers in 1938 received a wage 3–4 times higher than Latvian workers, the cost of living as shown by food prices was only 2–3 times higher with some items such as bread and sugar being nearly the same. This suggests that the standard of living in Australia (at least just prior to WWII) was much higher than in Latvia, although the Latvian standard of living was seen at the time as among the highest in Eastern Europe.

Conclusion

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Australia made up 0.1 % of total Latvian exports, and Australian imports made up 0.8 % of total Latvian imports. Similarly in 1937, when Latvian foreign trade reached its post-Depression peak, exports to Australia were only 0.2 % of total Latvian exports, and imports from Australia were also only 0.2 % of total Latvian imports. One suspects that the figures from the Australian point of view would be similar or even 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 2019 Latvian exports to Australia totalled 17.5 million EUR (mainly machines, machinery; electrical equipment, food industry products (including “Šprotes”) and timber and timber products), whilst imports from Australia totalled 1.6 million EUR (mainly food industry products (including wines), article of plastic, machines, machinery; electrical equipment). Some 42 Australian-Latvian joint ventures were registered in the Latvian Enterprise Register with a total investment of 6.1 million EUR in 2019.¹⁶

Revised version of the paper published as ‘Australian-Latvian trade 1918–1940’, in Aldis L. Putniņš (ed). Early Latvian Settlers in Australia, Sterling Star: South Yarra, Victoria, Australia, 2010, pp. 37–47.

¹⁶ Data from the Central Statistical Bureau of Latvia.

South Africa

Introduction

For most Latvians, South Africa was an unknown country. A number of Latvians (mainly Jewish) had emigrated to South Africa around the turn of the 20th century. Some even took part in the Anglo-Boer War (1899–1902) on the Boer side.¹ In the 1930s, Jewish Latvians in Johannesburg formed a Latvian club, popularised Latvia, discussed Latvian affairs (albeit mainly in Yiddish), read Latvian newspapers and celebrated Latvian Independence Day on 18th November.²

South Africa in the interwar period was essentially a dual economy structured along racial lines. A minority white population (20.9 % in 1936 as against a majority African population – 68.8 % in 1936)³ dominated the South African economy. This was reflected in the income per head of the population. Although the overall income per head in South Africa was on average in 1936 SA£36, the figure for whites was SA£130 and for Africans SA£10.⁴

Latvia was recognised *de iure* by Western Europe on 26 January 1921. This collective act of recognition, was accepted by Latvia as conferring final and unreserved *de iure* recognition on the part of all the states represented on the Allied Supreme War Council, namely, Belgium, the British Empire (and thus South Africa), France, Italy, and Japan.

Although South Africa did not have direct representation in Latvia (South African affairs were handled by the British representative), Latvia had three honorary consulates in South Africa – Durban (1928–1931), Johannesburg (1928–1946) and Cape Town (1925–1947). The General-consulate of Latvia was in Cape Town and the first general-consul from 1927 to 1928 was Pieter Johannes Zoutendyk, an auctioneer and notary public. From 1932 to 1947, the consul-general was Sydney Mellin Wale, a director in the Schlesinger Group.

As can be seen from Table 1, despite the large difference in population, Latvia's share of urban population was only slightly more than that of South Africa. The share of agriculture in the labour force was twice that of South Africa⁵, but the National

¹ Krasnais, V. (1938), p. 394.

² Veigners, I. (1993), p. 242.

³ South African Statistics 2000 (2000), Table 1.3.

⁴ Feinstein, C. H. (2005), p. 71.

⁵ This is for the total population, however, the differences between the white population and the African population were striking – for example, 62 % of the African labour force was engaged in agriculture compared to some 26 % of the white population.

Table 1. Selected economic indicators for Latvia and South Africa in the interwar period

	Latvia	South Africa
Population (millions)	2 (1939)	9.6 (1936)
Share of urban population (%)	34.6 (1935)	31.4 (1936)
Share of agriculture in the labour force (%)	67.8 (1935)	33 (1936)
National Income (millions Ls)	1256 (1938)	10670 (1939)*
National Income per capita (Ls)	628 (1938)	1112 (1939)
Share of Agriculture in NI (%)	39.2 (1938)	12.1 (1940)**
Share of Manufacturing in NI (%)	20.5 (1938)	11.6 (1940)**

* Conversion of 1939 South African pounds to US dollars and conversion of 1939 US dollars to Lats

** Based on GDP

Sources: Clarke, C. (1940), *The Conditions of Economic Progress*, p. 35; Nkosi, M. (1986), p. 88; Darbiņš, A. & Vītiņš, V. (1947), *Latvija: Statistisks pārskats*, pp. 7, 18, 69, South African Statistics 2000 (2000), Tables 1.4 and 1.5, The 1936 Census of the Union of South Africa (1943), p. 154, Feinstein, C. H. (2005), p. 138

Income per capita was over 8 times less than that of South Africa due in part to the large share of agriculture in Latvia's NI and South Africa's large mining sector (especially gold and diamonds). Latvia's share of manufacturing in NI was nearly double that of South Africa. However, South Africa was (and is) one of the most mineral rich countries in the world, with massive gold, diamond, coal, iron ore and platinum deposits spread across the country. Latvia, on the other hand, had only gypsum deposits, as well as extensive deposits of peat.⁶ Thus, the share of mining in South Africa's GDP in 1940 was 20.6 %.⁷

Latvian-South African Economic Relations 1922–1939

In the interwar years, Latvian and South African economic relations was mainly confined to foreign trade. Some South African and Latvian trade had already been in existence in the early 1920s. However, direct Latvian-South African trade commenced in 1922.

Latvia's foreign trade in the 1920s was based in large measure on a system of commercial and trade treaties. Latvia's foreign trade in relation to South Africa was more or less regulated by Latvia's 1923 treaty with Great Britain.⁸

Most Colonies, Possessions and Protectorates had acceded to the Treaty, as well as self-governing Dominions such as Canada by the end of 1927. However, South Africa, which did not accede to the Treaty, after many representations from Latvia, agreed

⁶ For a detailed study of the peat industry in Latvia in the interwar period, see Karnups, V. P. (2016).

⁷ Nkosi, M. (1986), p. 88.

⁸ Details in Chapter 1 of this Volume.

that Latvian goods imported into South Africa would be given more or less most-favoured-nation treatment.⁹

Similarly, Article 1 of the 1934 Commercial Agreement between the Government of Latvia and His Majesty's Government in the United Kingdom, with Protocol allowed for the continuation of previous arrangements under the previous treaty.¹⁰

Latvian-South African Trade 1922–1939

As noted previously, some Latvian-South African trade had occurred in 1920–1921. The value of Latvian imports from and exports to South Africa can be seen in the Figure 1.

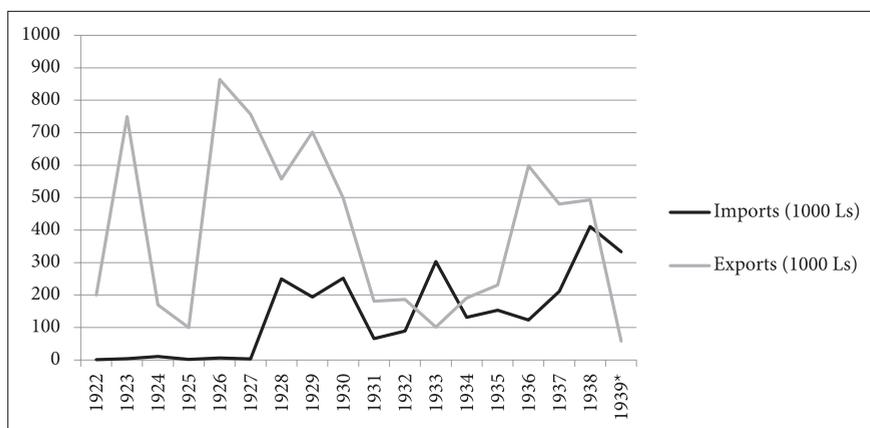


Figure 1. Latvia-South African Imports and Exports 1922–1939

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbook]. 1921–1939; *Latvijas ārējā tirdzniecība un transits – 1922–1939*. [Latvian Foreign Trade and Transit. 1922–1939]; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

As Figure 1 shows exports fluctuated substantially in the interwar period, reaching a pre-Depression low in 1925. Nevertheless, they recovered well, reaching their pre-Depression high in 1926 of 864 thousand lats. Exports fell with Great Depression, although they recovered fairly quickly, starting to rise from 1934 and reaching their peak in 1936. Imports, on the other hand, remained very low in the early 1920s, but increased rapidly with a pre-Depression peak in 1930 and a value of 252 thousand lats. Imports also fell with Great Depression, although they recovered fairly quickly, starting to rise

⁹ LVVA, 295. f., 1. apr., 348. l., 110. lp.

¹⁰ Details in Chapter 1 of this Volume.

from 1932 and reaching their peak in 1938. Generally, exports substantially exceeded imports throughout the interwar period.

Latvian Exports to South Africa

Latvia's main exports to South Africa were Fish and Fish conserves (including "Šprotes"¹¹), Timber and timber products, Confectionery and chocolates, Plywood, Liquors etc., and Paper and paper products (See Table 2).

The most important Latvian export to South Africa in the interwar period both in terms of volume and value was timber and timber products. Timber and timber product exports reached an early peak in 1923 and peaked again in 1927. The post-Depression peak in terms of volume and value was in 1936. South Africa was an important market for the Latvian Forestry industry. Plywood exports began in 1925 and increased steadily in 1930s, reaching a peak in 1936. Paper and paper product exports were also a small, but important part of exports throughout the interwar period, reaching a peak in terms of volume and value in 1936.

A small, but consistent export to South Africa was fish and fish conserves (including "Šprotes", with a pre-Depression peak in 1929 and a post-Depression peak in 1936–1937. Similarly, liquors of all types (including vodka) were a small, but consistent export to South Africa, reaching a pre-Depression peak in 1928 and a post-Depression peak in 1936. Confectionery and chocolates exports were also a small, but consistent export to South Africa, which commenced in 1928 and reach a peak in terms of volume in 1936.

Latvia also exported to South Africa small quantities of berries, halva, mushroom and cucumber conserves, jams and marmalades, bone meal and glues, flax threads, and textile goods.

Latvian Imports from South Africa

Latvia's main imports from South Africa were Fruits (including oranges, mandarins, apricots, grapes, pears, etc.), Furs and hides, Tanning extracts and materials, Paint and varnish extracts and materials, Raw wool, and Palm kernels and oil. The amounts and value of Latvia's main imports imported from South Africa in the interwar period are shown in Table 3.

Imports from South Africa played only a minor role in Latvia's trade with South Africa. The main import from South Africa in terms of volume and value was tanning extracts and materials. These commenced in 1928 and consistently through to 1939,

¹¹ "Šprotes" or sprats are close relatives of anchovies, sardines, and herrings. The Latvian style is to smoke and/or preserve them in oil.

Table 2. Latvia's Main Exports to South Africa (1922–1939)

Year	Fish and Fish con-serves (including "šprotes")		Confectionery and chocolates		Timber and timber products		Plywood		Liquors etc.		Paper and paper products	
	tonnes	Value (1000 Ls) Less than 1000 Ls	tonnes	Value (1000Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000Ls)	litres	Value (1000Ls) Less than 1000Ls	tonnes	Value (1000 Ls) Less than 1000 Ls
1922			0	0	2217	197	0	0	206		0	0
1923			0	0	6794	746	0	0	0		Less than 1 tonne	Less than 1000 Ls
1924			0	0	1437	164	0	0	16		6	3
1925	4	6	0	0	642	75	14	4	671	2	11	6
1926	19	44	0	0	2993	482	6	3	0	0	136	81
1927	10	21	0	0	5036	653	5	3	0	0	145	80
1928	18	31	1	3	2862	396	6	3	189		216	108
1929	25	44	22	52	2843	497	22	10	148		99	48
1930	22	40	4	9	3114	395	3	1	6		64	33
1931	20	31	9	15	963	56	14	5	0	0	131	60
1932	11	13	13	20	1180	48	11	3	0	0	112	42
1933	19	20	8	12	658	38	9	2	18		73	19
1934	11	11	11	14	1573	107	20	8	0	0	200	41
1935	19	17	33	26	1688	99	226	49	122		146	34
1936	22	24	46	49	2370	166	613	158	217	1	578	171
1937	22	46	18	33	708	138	138	76	151		393	157
1938	21	45	23	46	1175	142	456	181	72		130	59
1939*	7	15	20	34	0	0	0	0	0	0	225	80

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbook]. 1921–1939; *Latvijas ārējā tirdzniecība un transits – 1922–1939*. [Latvian Foreign Trade and Transit. 1922–1939], *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939].

Table 3. Latvia's Main Imports from South Africa (1922–1939)

Year	Fruits (including oranges, mandarins, apricots, grapes, pears, etc.)		Tanning extracts and materials		Paint and varnish extracts and materials		Raw wool		Palm kernels and oil		Furs and hides	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1922	0	0	0	0	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1923	0	0	0	0	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1924	0	0	0	0	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1925	0	0	0	0	0	0	0	0	0	0	0	0
1926	0	0	0	0	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1927	0	0	0	0	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1928	2	3	57	9	Less than 1 tonne	Less than 1000 Ls	0	0	202	117	0	0
1929	27	33	242	152	Less than 1 tonne	1	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1930	150	152	108	61	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	Less than 1000 Ls	0	0	Less than 1 tonne	Less than 1000 Ls
1931	59	46	0	0	Less than 1 tonne	Less than 1000 Ls	2	4	5	2	4	8
1932	10	7	68	16	Less than 1 tonne	Less than 1000 Ls	12	41	3	1	0	0
1933	0	0	515	149	Less than 1 tonne	Less than 1000 Ls	39	151	0	0	0	0
1934	0	0	184	47	Less than 1 tonne	Less than 1000 Ls	12	54	227	28	0	0
1935	22	15	402	97	Less than 1 tonne	Less than 1000 Ls	5	16	148	20	0	0
1936	9	6	323	97	Less than 1 tonne	Less than 1000 Ls	2	3	0	0	6	14
1937	3	6	393	174	Less than 1 tonne	1	4	20	0	0	0	0
1938	58	93	171	50	410	217	9	46	0	0	Less than 1 tonne	3
1939*	0	0	232	116	0	0	Less than 1 tonne	3	0	0	1	134

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks], 1921–1939; *Latvijas ārējā tirdzniecība un transīts – 1924–1939* [Latvian Foreign Trade and Transit, 1924–1939]; *Mēneša Bijetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

with a peak in terms of volume and value in 1935. Similarly, paint and varnish extracts and materials were a small, but consistent import from South Africa, reaching a peak in terms of volume and value in 1938. Furs and hides were a small and intermittent import, which commenced in 1922 and reach a peak in terms of volume in 1936 and in terms of value in 1939. Similarly, both raw wool and palm kernels and oil were intermittent imports in the interwar period, reaching peaks in 1933 and 1934 respectively.

Latvia also imported from South Africa small quantities of tobacco, medicinal plants, asbestos, sesame seeds, textiles, and gold.

Conclusion

In the interwar years, Latvian and South African economic relations were exclusively confined to foreign trade.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to South Africa made up 0.26 % of total Latvian exports, and South African imports made up 0.4 % of total Latvian imports. Similarly, in 1937, when Latvian foreign trade reached its post-Depression peak, Latvian imports from South Africa made up 0.09 % of total Latvian imports and Latvian exports to South Africa made up 0.18 % of total Latvian exports. One suspects that the figures from the point of view of South Africa 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 2015, Latvian exports to South Africa totalled 6.9 million EUR or 0.1 % of total Latvian exports (mainly wood and articles of wood, machines, mechanisms and electrical equipment, and vehicles). Whilst imports from South Africa totalled 1.0 million EUR or 0.01 % of total Latvian imports (mainly food industry products, chemical industry products and plant products). As in the interwar period, Latvia has a positive trade balance with South Africa. Also as in the interwar period there are no Latvian investments in South Africa. Nevertheless, there is some minor South African foreign direct investments in Latvia to a value of 33.12 thousand EUR in 2016.¹²

Revised version of the paper published as 'Latvia-South Africa Economic Relations 1918–1940', in Journal of Economics and Management Research, Vol. 9, 2020, pp. 42–49.

¹² Data from Latvian Ministry of Foreign Affairs, <https://www.mfa.gov.lv/arpolitika/divpusejas-attiecibas/latvijas-un-dienvidafrikas-republikas-attiecibas#ekonomika> [Accessed 04.07.2020]

Mandated Palestine

Introduction

With the Balfour Declaration (1917), the British government committed itself to a “national home” for the Jewish people in Palestine. Before the British occupation in October 1918, Palestine was part of Ottoman Syria. Britain was granted a Mandate for Palestine on 25 April 1920 at the San Remo Conference, and, on 24 July 1922, this mandate was approved by the League of Nations. The final borders of Mandated Palestine were set in late 1922, when Trans-Jordan was separated from it.¹ The Balfour Declaration was incorporated into the preamble and second article of the Mandate for Palestine. Britain thus had a “dual obligation” towards both Arabs and Jews.

An interesting side light to the Balfour Declaration of 2 November 1917, was that in the wake of this declaration Imperial Germany created “Pro Palestine, German Committee for the Sponsoring of Jewish Palestine Settlement” in April 1918. A member of the committee was the Latvian economics professor, Kārlis Balodis.² As a member of this committee, he wrote a pamphlet “Palestine as a Jewish settlement area”.³ In the pamphlet he suggested that with irrigation and modern agricultural machinery the estates in Palestine would have no problems supporting a population of six million inhabitants.⁴ He believed that Palestine could remain a part of the Ottoman Empire (Germany’s ally in WW1) and the emigration Europe’s Jewry would transform Palestine into a blooming land, which would also be in the interests of the Ottoman Empire. The Committee ceased working after the collapse of Imperial Germany in November 1918.

Jewish Latvians started to emigrate to Palestine in the 1890s. In 1891, emigrants from Latvia took part in the founding of the Hadera settlement (now a city in Israel) in Palestine.⁵ It is estimated that some 4500 Jewish Latvians emigrated to Palestine

¹ Metzer, J. (1998), p. 3.

² Kārlis Balodis (German: Carl Ballod; June 20, 1864–January 13, 1931) was a notable Latvian economist, University professor, financier, statistician and demographer. Most notably, he was the author of civilian rationing, which was first used in Germany during the First World War and which was subsequently taken up by other nations.

³ Palästina als jüdisches Ansiedlungsgebiet. Berlin: Deutsches Komitee zur Förderung der jüdischen Palästinasiedlung, 1918.

⁴ Balabkins, N. & Šneps, M. (1993), p. 104.

⁵ Dowty, A. (2019), p. 156.

between 1925 and 1935.⁶ The figures for the period 1936 to 1944 are more precise at 820 Jewish Latvian immigrants to Palestine.⁷ In this latter period Great Britain had imposed quotas for Jewish immigration to Palestine, so considerable illegal immigration also took place but, of course, was not registered in any statistics. A number of later well-known Israeli figures had emigrated from Latvia to Palestine in the interwar period, such as historians Shulamith Shahar and Haim Beinart; composers Nachum Heiman and Marc Lavry, the first Ashkenazi chief rabbi of Palestine under the League of Nations mandate to Great Britain to administer Palestine, Abraham Isaac Kook, as well as the graphic designers Maxim and Gabriel Shamir.

In 1929, the eminent Latvian poet and playwright Janis Rainis visited Palestine. Prior to WWI, Rainis had written the tragedy “Jāzeps un viņa brāļi” (Joseph and His Brothers). In terms of philosophical scope and satiety, “Jāzeps un viņa brāļi” is the apex of Rainis’ creative work. It was first published in 1919. In April–May 1929, he traced Joseph’s footsteps in Palestine and Egypt, and visited Joseph’s tomb in Palestine. In Palestine he was the guest of Jewish friends and being a social-democrat, he was very interested in the way the Jews were transforming Palestine (he met with David Ben Gurion and other Jewish labour leaders) as he saw it on the basis of Zionism and socialism.⁸ Rainis and his travelling companions had prepared a very extensive programme of events including visits to the Histradut Cultural Committee, a health insurance company, and cooperative printing-house Hapoel – Hocair. They also visited several rural workers’ organisations and kibbutzim. He was very moved by his visit to Palestine, four months before his death.

During the mandate era, two different social and economic systems, a Jewish one and an Arab one, developed under one political framework – the British mandate administration. Both the Jewish and Arab societies had their own welfare, educational, and cultural institutions and they gradually became in terms of politics and economics independent of one another. Thus, a “dual economy” developed in Mandated Palestine, based on two ethno-national communities.⁹

Latvia was recognised *de iure* by Western Europe on 26 January 1921. This collective act of recognition, was accepted by Latvia as conferring final and unreserved *de iure* recognition on the part of all the states represented on the Allied Supreme War Council, namely, Belgium, the British Empire (and thus Mandated Palestine), France, Italy, and Japan.

Although Mandated Palestine did not have direct representation in Latvia (Mandated Palestine affairs were handled by the British representative), Latvia had one honorary consulate in Mandated Palestine – Jerusalem (1928–1947).

⁶ Dribins, L. (1996), p. 14.

⁷ A Survey of Palestine (1946), pp. 187–203.

⁸ Stranga, A. (2008), pp. 484–485.

⁹ For a thorough examination of the economy of Mandated Palestine based on this concept see Metzger, J. (1998) – The Divided Economy of Mandated Palestine.

Table 1. Selected economic indicators for Latvia and Mandated Palestine in the interwar period

	Latvia	Mandated Palestine
Population (millions)	2 (1939)	1.1 (1939)
Share of urban population (%)	34.6 (1935)	48.6 (1944)
Share of agriculture in the labour force (%)	67.8 (1935)	75.5 (1935)*
National Income (millions Ls)	1256 (1938)	847 (1936)**
National Income per capita (Ls)	628 (1938)	770 (1936)
Share of Agriculture in NI (%)	39.2 (1938)	19.1 (1938)***
Share of Manufacturing in NI (%)	20.5 (1938)	16.9 (1938)***

* Jews = 21.4%; Arabs = 54.1%

** 1936 Palestinian pounds converted to Lats

*** Based on NDP

Sources: Darbiņš, A. & Vītiņš, V. (1947); A Survey of Palestine (1946); Metzger, J., & Kaplan, O. (1985); Metzger, J. (1998)

The honorary consul in Jerusalem was Mordechai Caspi, a businessman and public servant in Jerusalem. Mordechai Caspi was active in promoting commercial ties with Latvia and popularising Latvian goods in Palestine. He was decorated with the Latvian Order of the Three Stars, 4th Class in 1932. In 1936, Mordechai Caspi visited Latvia where he was received by the Latvian Foreign Minister.¹⁰ Following the annexation of Latvia by the USSR in 1940, all Latvian honorary consulates were closed and their leaders, including M. Caspi, were removed from office, in accordance with the decision of the Cabinet of Ministers of the Latvian PSR of 22 August 1940. However, M. Caspi, did not consider the directives of the Government of the USSR and the Government of Soviet Latvia legally binding, and continued to carry out consular functions under the authority of the Latvian Legation office in London until the end of his life in 1947.

As can be seen from Table 1, whilst the population of Latvia was nearly twice that of Mandated Palestine, the share of urban population was some 14 % less than that of Mandated Palestine. The share of agriculture in the labour force in Latvia was some 8 % less than that of Mandated Palestine, however, this was because of the overwhelming agricultural nature of the Arab population. The National Income per capita was near 30 % more than that of Mandated Palestine, again due in part to the large share of agriculture in the Arab population. Latvia's share of agriculture in NI was nearly double that of Mandated Palestine mainly due to the differences

¹⁰ <https://www.mfa.gov.lv/en/news/latest-news/3614-ministry-of-foreign-affairs-presented-documents-from-the-latvian-honorary-consulate-in-jerusalem> [Accessed 13.08.2020]

between the Arab and Jewish segments of the dual economy. In 1939, the Arab share of agriculture in the NDP was 30.1 %, whilst that of Jews was only 9.7 %.¹¹ Latvia's economy was heavily structured towards agriculture and forestry. Nevertheless, both Latvia and Mandated Palestine were classified by the League of Nations as "less industrialised" countries rather than "Countries lagging in industrial development".¹² The share of manufacturing was only slightly more than that of Mandated Palestine (nearly 4 %), again reflecting the differences between the Arab and Jewish communities (in 1939, the shares of NDP in manufacturing were 10.8 % for the Arab segment and 24.2 % for the Jewish segment).¹³

Latvia-Mandated Palestine Economic Relations 1922–1939

In the interwar years, economic relations between Latvia and Mandated Palestine was mainly confined to foreign trade. Latvia's foreign trade in relation to Mandated Palestine was more or less regulated by Latvia's 1923 treaty with Great Britain.¹⁴

Most Colonies, Possessions and Protectorates had acceded to the Treaty, as well as self-governing Dominions such as Canada by the end of 1927.

Similarly, Article 1 of the 1934 Commercial Agreement between the Government of Latvia and His Majesty's Government in the United Kingdom, with Protocol allowed for the continuation of previous arrangements under the previous treaty.¹⁵

Latvia-Mandated Palestine Trade 1922–1939

The value of Latvian imports from and exports to Mandated Palestine can be seen in the Figure 1.

As Figure 1 shows, exports to Mandated Palestine in 1920s were low, reaching a pre-Depression high in 1927 of some 126 thousand lats. Exports rose dramatically with the end of the Great Depression, reaching a post-Depression high of some 1533 thousand lats in 1937. Imports, on the other hand, also remained very low in the early 1920s, but increased rapidly with a pre-Depression peak in 1931 and a value of 414 thousand lats. Imports also fell with Great Depression, although they recovered, starting to rise from 1935 and also reaching their peak in 1937 and a value of 791 thousand lats. Generally, exports substantially exceeded imports throughout the interwar period, especially in the 1930s.

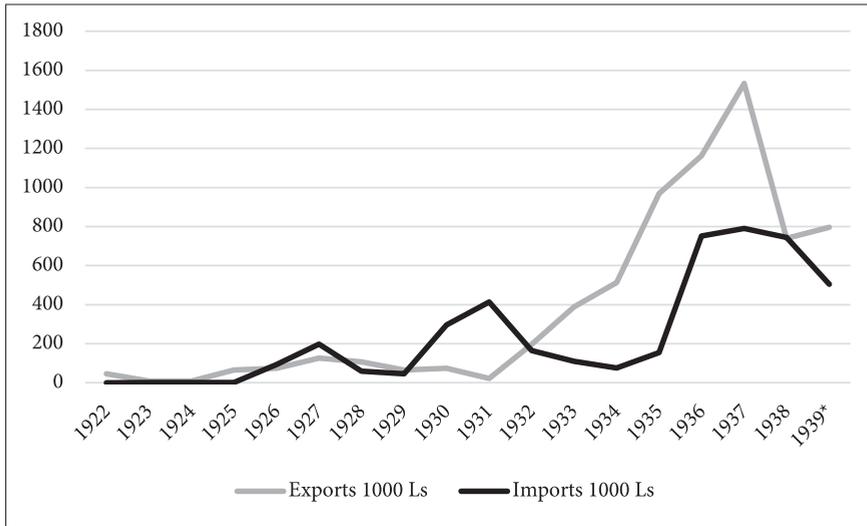
¹¹ Metzer, J. (1998), p. 142.

¹² Industrialisation and Foreign Trade (1945), pp. 26–27.

¹³ Metzer, J. (1998), p. 142.

¹⁴ Details in Chapter 1 of this Volume.

¹⁵ Details in Chapter 1 of this Volume.



* The data for 1939 is for eight months only – to 31 August 1939.

Figure 1. Latvia-Mandated Palestine Imports and Exports 1922–1939

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks]. 1921–1939; *Latvijas ārējā tirdzniecība un transits – 1922–1939*. [Latvian Foreign Trade and Transit. 1922–1939.]; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Latvian Exports to Mandated Palestine

Latvia’s main exports to Mandated Palestine were Fish and Fish conserves (including “Šprotes”¹⁶), Plywood, Paper and paper products, Timber and timber and timber products, Butter, and Wooden nails and pins for footwear (See Table 2).

A significant and consistent Latvian export to Mandated Palestine in the interwar period was fish and fish conserves (including “Šprotes”), with a pre-Depression peak in 1926 and a post-Depression peak in 1935. Similarly were paper and paper products. Paper and paper products exports reached an early peak in 1927 and continued strongly in the 1930s with a peak in terms of volume and value in the eight months of 1939 and a value of 214 thousand lats. Timber and timber product exports began in 1932, with a peak in terms of volume and value in 1934 and a value of 233 thousand lats. Plywood exports also began in 1932, but were a fluctuating part of exports in the 1930s. Similarly, butter exports were a small, but stable export in the 1930s with a peak in terms of value of 1093 thousand lats in 1937. A very small, and fluctuating part of exports throughout the interwar period was wooden nails and pins for footwear.

¹⁶ “Šprotes” or sprats are close relatives of anchovies, sardines, and herrings. The Latvian style is to smoke and/or preserve them in oil.

Table 2. Latvia's Main Exports to Mandated Palestine (1923–1939)

Year	Fish and Fish con- serves (including "Sprates")		Paper and paper products		Timber and timber and timber products		Plywood		Butter		Wooden nails and pins for footwear	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1923	0	0	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	0	0	0	0
1924	5	7	0	0	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1925	20	44	59	22	0	0	0	0	0	0	0	0
1926	27	59	5	4	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1927	16	34	103	37	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1928	17	31	43	27	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1929	33	57	14	9	0	0	0	0	0	0	1	1
1930	35	59	20	11	0	0	7	3	0	0	1	1
1931	13	19	3	3	0	0	0	0	0	0	0	0
1932	27	33	16	5	1140	84	101	21	22	35	1	1
1933	46	47	62	19	2531	145	2	Less than 1000 Ls	102	127	Less than 1 tonne	Less than 1000 Ls
1934	62	50	115	25	3609	233	32	6	190	146	Less than 1 tonne	Less than 1000 Ls
1935	113	94	255	58	1475	95	69	11	645	635	1	1
1936	63	103	231	56	337	23	90	16	629	915	1	1
1937	46	97	550	193	528	93	11	3	468	1093	2	2
1938	31	62	138	44	174	24	1	Less than 1000 Ls	249	597	3	2
1939*	42	91	734	214	0	0	0	0	146	344	0	0

* January-August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks], 1921–1939; *Latvijas ārējā tirzniecība un transīts – 1924–1939* [Latvian Foreign Trade and Transit, 1924–1939]; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Latvia also exported to Mandated Palestine small quantities of mushroom and cucumber preserves, jams and marmalades, metal products, match sticks, glass, confectionery, books, and other goods. Radios were also a popular export to Mandated Palestine in the late 1930s.

Latvian Imports from Mandated Palestine

Latvia's main imports from Mandated Palestine were Fruits (including oranges, lemons, figs, grapes, pears, etc.), Tobacco, and Olive oil. The amounts and value of Latvia's main imports imported from Mandated Palestine in the interwar period are shown in Table 3.

Latvia's most important and consistent import from Mandated Palestine was Fruits (including oranges, lemons, figs, grapes, pears, etc.). Although the quantities imported in 1920s were small, imports of fruits (including oranges, lemons, figs, grapes, pears, etc.) – especially oranges, increased dramatically in the 1930s, reaching a peak in terms of quantity in 1936 and a peak in value of 761 thousand lats in 1937.¹⁷ Tobacco was a small, but consistent import in the 1920s, reaching a peak in 1927 with a value of 197 thousand lats. In the 1930s, Latvia had found other (and cheaper) sources of tobacco and this product disappeared from the import structure with Mandated Palestine. Olive oil became a small, but steady import from Mandated Palestine in the 1930s.

Latvia also imported from Mandated Palestine small quantities of textiles, wine, nuts, books, sesame seeds, and medical instruments.

Conclusion

In the interwar years, Latvia's and Mandated Palestine's economic relations were almost exclusively confined to foreign trade.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Mandated Palestine made up 0.02 % of total Latvian exports, and imports from Mandated Palestine made up 0.01 % of total Latvian imports. Similarly, in 1937, when Latvian foreign trade reached its post-Depression peak, Latvian imports from Mandated Palestine made up 0.3 % of total Latvian imports and Latvian exports to Mandated Palestine made up 0.6 % of total Latvian exports. Despite the significant increase in the proportions of Latvia-Mandated Palestine trade in the Latvian data, one suspects that the figures from the point of view of Mandated Palestine would be

¹⁷ Citrus exports from Mandated Palestine were 77 % of all exports in the period 1931–1939 (Metzer, J. (1998), p. 163).

Table 3. Latvia's Main Imports from Mandated Palestine 1923–1939

Year	Fruits (including oranges, lemons, figs, grapes, pears, etc.)		Tobacco		Olive oil	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1923	0	0	Less than 1 tonne	Less than 1000 Ls	0	0
1924	Less than 1 tonne	Less than 1000 Ls	0	0	Less than 1 tonne	Less than 1000 Ls
1925	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	1	0	0
1926	Less than 1 tonne	Less than 1000 Ls	11	90	0	0
1927	Less than 1 tonne	Less than 1000 Ls	24	197	0	0
1928	Less than 1 tonne	Less than 1000 Ls	13	106	0	0
1929	3	3	6	42	0	0
1930	304	209	11	82	Less than 1 tonne	Less than 1000 Ls
1931	639	406	0	0	3	6
1932	361	159	Less than 1 tonne	Less than 1000 Ls	2	3
1933	225	103	0	0	3	4
1934	159	71	0	0	2	2
1935	273	146	0	0	3	4
1936	1832	713	0	0	9	13
1937	1442	761	0	0	8	24
1938	1309	658	0	0	1	3
1939*	848	435	0	0	0	0

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbook]. 1921–1939; *Latvijas ārējā tirdzniecība un transits – 1922–1939* [Latvian Foreign Trade and Transit. 1922–1939.]; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

significantly less. In other words, trade and thus economic relations were of marginal significance to both countries in the interwar period.

On 29 November 1947, the UN voted to partition Mandated Palestine. On 14 May 1948, the State of Israel was proclaimed. Diplomatic relations between Latvia and

Israel were established on 6 January 1992. It is interesting to note that in 2020, Latvian exports to Israel totalled 71.8 million EUR (mainly food industry products, timber and timber products, machines, mechanisms, and electrical equipment, and optical devices and apparatus). Whilst imports from Israel totalled 16.7 million EUR (machines, mechanisms, and electrical equipment, chemical industry products, plastic and rubber products, and optical devices and apparatus). As in the interwar period, Latvia has a positive trade balance with Israel. Unlike the interwar period there are minor Latvian investments in Israel (totalling some 1 million EUR), whilst there is more substantial Israeli foreign direct investment in Latvia to a value of 66 million EUR in 2020. There were some 260 Israeli companies registered in Latvia in 2020 with a total investment of 172.1 million EUR.¹⁸

Revised version of the paper published as 'Latvia-Mandated Palestine Economic Relations 1920–1940', Humanities and Social Sciences Latvia, Vol. 28, Issue 2 (Autumn–Winter 2020), pp. 20–30.

¹⁸ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/attachments/2021.03_LV_Izraela_ekon_sad.pdf#overlay-context=noderigi/valstu-informacija/izraela [Accessed 29.04.2021]

Finland

Introduction

Although Latvians had sporadic contact with the Finns in previous centuries, especially after Finland was annexed to the Tsarist Empire, it was in the aftermath of the 1905 revolution and during WWI that a large number of Latvian intelligentsia (writers, public figures, etc.) found refuge in Finland.¹ After WWI and into the 1920s, Finland was regarded as a Baltic State along with Estonia, Latvia, Lithuania and to a lesser extent Poland. Later Finland was included with the Scandinavian countries. In the early 1920s, the Latvian Foreign Minister, Z. Meierovics, tried to involve Finland in the creation of political and economic blocs with the other Baltic States, but to no avail.² Finland distrusted Poland and did not want to be involved in the Lithuanian-Polish conflict over Vilnius. While Estonia and Latvia in particular were quite unfriendly to Germany, Finland, on the other hand, not only felt gratitude to the Germans for their assistance in their War of Independence, but cultivated German influences in their cultural life. By 1926 Finland had practically terminated its close co-operation with the other Baltic States and turned to the Scandinavian countries for acceptance into the Nordic Bloc.³ From then on co-operation between Finland and Latvia was mainly in the cultural sphere, vaguely in the military sphere (on a purely informative basis), and economic relations.

Finland recognised Latvia *de facto* on 26 September 1919.⁴ A Latvian representative, Kārlis Zariņš, was appointed to Helsinki already on 03 April 1919, but he did not actually arrive in Helsinki until 26 November 1919. The first Finnish representative to Latvia, A. Herman, arrived in Riga also on 26 November 1919. When Finland recognised Estonia *de iure* on 07 June 1920, it came as a great shock to the Latvian government as they had assumed that Latvia's and Estonia's relations with Finland were equal. Despite the efforts of Zariņš and an agreement in principle to recognise Latvia *de iure* by the Finnish President in October 1920 (albeit together with Poland), recognition was delayed until the Great Powers recognised Latvia *de iure* on 26 January 1921. Lack of *de iure* recognition was no obstacle to the various conferences involving Finland and the Baltic States during

¹ In 1916, there were some 200 Latvians living in Helsinki (Krasnais (1980), p. 79).

² See Varšlavans, A. (1988) for a more detailed examination of this period.

³ Nevertheless, Latvia's first President, Jānis Čakste, visited Finland in May 1926. The Finnish President, Lauri Kristian Relander, visited Latvia in June 1926.

⁴ LVVA, 2570. f., 3. apr., 1126. l., p. 24.

Table 1. Selected economic indicators for Latvia and Finland in the interwar period

	Latvia	Finland
Population (millions)	2 (1939)	3.7 (1939)
Share of urban population (%)	34.6 (1935)	26.8 (1940)
GDP* per capita	4048 (1938)	3589 (1938)
Average annual growth rate (GDP per capita) 1920–1929	5.31	4.94
Average annual growth rates (GDP per capita) 1929–1938	4.1	3.09
% share in GDP of agriculture and forestry	39.2 (1938)	33.4 (1938)
% share in GDP of industry	20.5 (1938)	23.2 (1938)

* GDP measured in 1990 International Geary-Khamis dollars

Sources: Darbiņš, A. & Vītiņš, V. (1947); Broadberry, S. & O'Rourke, K. H. (2016); Hjerpe, R. (1989)

1919–1921 – Rīga September 1919, Tallinn September 1919, Helsinki January 1920, and Rīga–Bulduri August 1920 – to discuss issues of mutual interest.⁵

As can be seen from Table 1, despite a larger population, Finland was less urbanised than Latvia in the interwar period. Nevertheless, their economic structures were similar with Latvia having a slightly larger % share in GDP of agriculture and forestry while Finland had a slightly larger % share in GDP of industry. Interestingly, Latvia's average annual growth rates both pre- and post the Great Depression were slightly higher⁶ as was GDP per capita.

Latvian-Finnish Economic Relations 1919–1940

Some Finnish and Latvian trade was already been in existence prior to the Finnish recognition of Latvia *de facto*. For example, in second half of 1919 (from 01 July), Latvian exports to Finland totalled 7743 lats⁷ and imports from Finland totalled 16178 lats.⁸

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

The Commercial and Navigation Treaty between Latvia and Finland was signed on 23 August 1924 and came into force on 09 July 1925. The case of Finland, however, was different in that Finland in her commercial treaties (except the Treaty with Great Britain), had not included a “Latvian” clause, which similarly to the “Finnish” clause in Latvian treaties would allow her to give preferential treatment to Latvia. Therefore,

⁵ See Kaslas (1976), pp. 126–142 for a detailed examination of these conferences.

⁶ Of course, Latvia started from a much lower base.

⁷ Latvian roubles in 1919–1922 have been converted to Latvian lats in accordance with the rate set by the State Statistical administration – 1 lat = 50 roubles.

⁸ *Ekonomists*, 1920, No. 11, pp. 327–328.

it was possible to only conclude a trade treaty with Finland based on the MFN principle alone, although Latvia expressed at the same time the desire that Finland should include a Latvian clause (similar to the Estonian clause in Finnish treaties) in her treaty system. This was never done. Nevertheless, exceptions to the MFN principle were included in the treaty through Article 20, which stated:

“The following exemptions, immunities and privileges shall not be deemed to infringe the principle of most-favoured-nation treatment on which the present Treaty is based:

- (a) Privileges which have been or may be granted to neighbouring States with a view to facilitating local traffic within either frontier zone up to a maximum breadth of 15 kilometres on each side of the frontier;*
- (b) Privileges which are or may be granted by Latvia to Esthonia and Lithuania in virtue of an economic and Customs union, and by Finland to Esthonia with a view to preserving her traditional trade relations with that country;*
- (c) Benefits in connection with the obligation to employ pilots which are or may be granted to Sweden in respect of navigation north of 58° latitude N. for Swedish vessels of less than 125 net registered tons;*
- (d) Privileges which Finland has granted or may grant to Russia as regards fishing and sealing in Finnish territorial waters of the Arctic Ocean.*

It is understood, however, that each of the Contracting Parties may immediately claim these advantages should they be granted by the other Party to any third State not mentioned above.

Further, the principle of most-favoured-nation treatment shall not be deemed to be infringed by the benefits of the regime governing the importation of wines and other alcoholic beverages conceded by Finland to France under Article VI of the Commercial Convention which was concluded between those two countries on July 13, 1921.”⁹

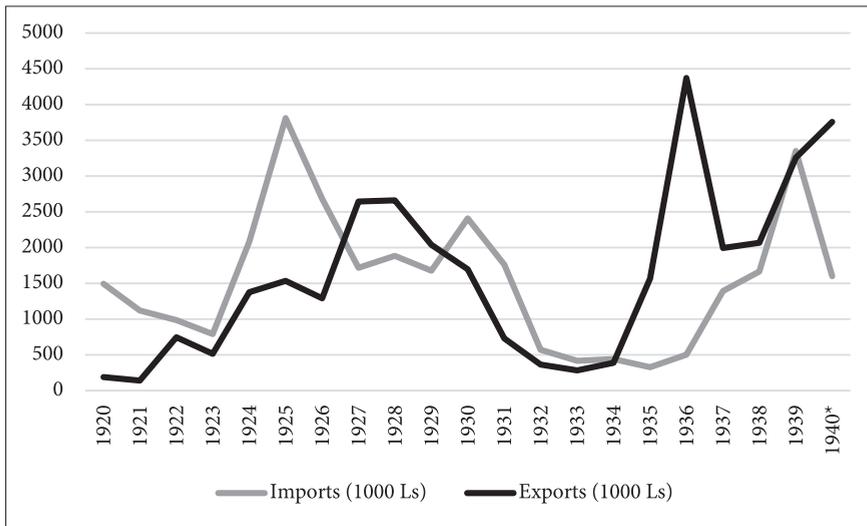
A Commercial Agreement between Finland and Latvia, supplementing the Commercial and Navigation Treaty between Latvia and Finland of 1924, and containing trade balancing provisions was signed 28 March 1936 and came into force on 15 April 1936. On 11 April 1940 in Rīga, Latvia and Finland signed a Payments Agreement, and Exchange of Notes relating thereto of the same date, which came into force on 22.04.1940.¹⁰ This was essentially a “clearing” agreement.

Latvian-Finnish Trade 1920–1940

As noted previously, some Latvian-Finnish trade had occurred in 1919. The value of Latvian imports from and exports to Finland can be seen in the Figure 1.

⁹ See <https://treaties.un.org/doc/Publication/UNTS/LON/Volume%2037/v37.pdf> [Accessed 17.06.2020], pp. 383–397, for the full text of the Latvian-Finnish Treaty in English. Article 20 is on p. 395.

¹⁰ See <https://treaties.un.org/doc/Publication/UNTS/LON/Volume%20201/v201.pdf> [Accessed 21.08.2020], pp. 389–394.



* First 8 months of 1940

Figure 1. Latvia-Finland Imports and Exports 1920-1940

Sources: *Latvijas statistikas gada grāmata 1920-1923* [Latvian Statistical Year Book 1920-1923]. Rīga: Valsts statistiskā pārvalde; *Latvijas ārējā tirdzniecība un transits – 1924-1939* [Latvian Foreign Trade and Transit. 1924-1939]. Rīga: Valsts statistiskā pārvalde; January-December 1939 – LVVA 6824. f, 1. apr., 80. l., 7. lp.; January-August 1940 – LVVA 1308. f., 9. apr., 1906. l, 57. lp.

As Figure 1 shows, from a low start imports increased substantially after the signing of the trade agreement and in 1925 reach their highest value – just under four million lats. Exports, on the other hand, increased more slowly with a peak in 1928 with a value of over two and a half million lats. Both imports and exports fell with Great Depression, but slowly started to rise from 1934 with imports reaching their peak in 1939 and exports in 1936. Generally, exports exceeded imports in the late 1920s and again in the late 1930s.

Latvian Exports to Finland

Latvia's main exports to Finland were Bone meal, Gypsum and gypsum products, Rubber products (including rubber galoshes), Linoleum, Radios, Paints, inks and paint compounds, and Seeds (flax and clover) (See Table 2).

Bone meal was a steady if fluctuating export product to Finland reaching its peak in 1927. The largest export in terms of volume if not value was Gypsum and gypsum products reaching a peak of 394 thousand lats in 1938. Rubber products (including rubber galoshes) were a steady, but very small part of exports as were Paints, inks and paint compounds, and Seeds (flax and clover).

Table 2. Latvia's Main Exports to Finland

Year	Bone meal		Gypsum and gypsum products		Rubber products (including rubber gathoses)		Linoleum		Paints, inks and paint compounds		Seeds (flax and clover)	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1921	0	0	223	3	0	0	0	0	0	0	39	34
1922	0	0	0	0	0	0	51	76	0	0	675	299
1923	0	0	0	0	0	0	71	91	0	0	173	77
1924	294	45	3940	24	1	3	129	145	0	0	730	347
1925	730	98	6343	59	1	3	215	269	49	53	950	420
1926	1005	130	13499	149	0	0	214	282	98	70	22	12
1927	1200	158	15389	201	82	727	136	193	75	60	37	16
1928	1150	150	19194	230	78	861	159	231	112	86	74	43
1929	1110	122	12620	114	47	710	198	243	92	79	49	30
1930	500	42	8210	69	27	525	180	226	30	26	100	50
1931	733	83	4805	32	1	22	0	0	28	16	157	125
1932	410	31	5530	36	3	35	Radios		15	12	75	24
1933	450	31	6533	51	7	55	0	0	53	26	13	6
1934	255	18	13656	118	8	25	2	12	61	28	64	46
1935	0	0	17765	153	15	42	3	22	44	19	28	28
1936	496	32	18113	158	1	7	29	298	63	31	24	42
1937	579	49	32294	386	6	33	37	524	52	43	19	39
1938	477	37	36243	394	7	28	47	550	61	41	30	36
1939*	0	0	24210	289	1	4	13	165	57	40	3	13
1940**	0	0	9275	102	0	0	Less than 1 tonne	3	24	27	11	20

* January–August 1939

** January–August 1940

Sources: *Latvijas statistikas gada grāmata 1920–1923* [Latvian Statistical Year Book 1920–1923]. Rīga: Valsts statistiskā pārvalde; Latvijas ārēja tirdzniecība un transīts – 1924–1939 [Latvian Foreign Trade and Transit. 1924–1939]. Rīga: Valsts statistiskā pārvalde; *Mēneša Bifjetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No.10, October 1939], p.1057; January–August 1940 – LVVA 1308. f., 9. apr., 1906. l., 57. lp.

Linoleum was an important export to Finland in the 1920s. Linoleum in Latvia was produced by the Liepāja branch of the Swedish entrepreneurial family firm of Wicander (Linoleum Aktiebolaget Forshaga), the “Liepāja Cork and Linoleum Factory”¹¹. The factory completely ceased production in 1930 and linoleum disappeared from the foreign trade of Latvia and from exports to Finland. Its place was to a certain extent taken up by the export of radios in the 1930s, the value of which exceeded that of gypsum exports reaching a peak of 550 thousand lats in 1938. Latvian-made radios were popular throughout the Nordic region.

Latvia also exported various quantities of animal products (such as animal intestines), plant products (such as peas and vetch); flax and flax products, machinery, hides and furs and haberdashery, as well as small quantities of other goods.

Latvian Imports from Finland

Latvia’s main imports from Finland were Cellulose, Agricultural machinery, Knives and knife products, Metals and metal products, Textiles and, surprisingly, Paper and paper products. The amounts and value of Latvia’s main imports imported from Finland in the interwar period are shown in Table 3.

Cellulose was a small, but important import in the 1920s. However, it tapered off in the 1930s as Latvia established its own cellulose factories. Similarly, agricultural machinery imports from Finland were important in the 1920s, but became less so as Latvia’s own industries started to produce similar goods. An interesting import was knives and knife products, which was always listed as an important import despite the small quantities. Textile imports were important in 1920s, but again tapered off as Latvia produced its own textiles in the 1930s. Metals and metal products were a small, but steady import throughout the interwar period. Curiously, a steady and important import was paper and paper products given that Latvia itself was a major exporter of such products.

During the interwar period Latvia imported a whole range of Finnish goods in various quantities including minerals and mineral products, plywood, chemicals and chemical products, hides and furs, paving stones, and instruments, as well as small quantities of other goods.

Finnish investments in Latvia 1925–1939

Finnish investments were mainly in the metal-working industry sector (64.8 % of total Finnish investments in 1931), followed by trade (29.8 %), and some other minor investments. Figure 2 provides an overview of Finnish investments in the interwar period.

¹¹ For details see Chapter 8 in this Volume.

Table 3. Latvia's Main Imports from Finland

Year	Cellulose		Agricultural machinery		Knives and knife products		Paper and paper products		Textiles		Metals and metal products	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1921	82	13	84	185	0	0	664	539	8	79	23	2
1922	231	71	30	44	0	0	221	180	20	192	1	1
1923	201	64	18	44	0	0	50	64	16	184	45	1
1924	796	299	39	81	0	0	43	97	80	876	0	0
1925	1252	486	58	157	0	0	43	68	273	2156	451	1
1926	1091	453	17	31	0	0	148	105	160	1273	0	0
1927	220	83	39	66	0	0	256	137	112	865	0	0
1928	0	0	64	76	0	0	64	93	121	915	0	0
1929	377	140	72	117	8	70	79	109	108	687	Less than 1 tonne	1
1930	23	4	52	121	0	0	322	209	196	1254	0	0
1931	740	193	28	57	2	23	788	302	142	738	0	0
1932	1187	190	Less than 1 tonne	2	1	13	79	75	17	60	0	0
1933	1222	160	2	8	1	11	6	5	11	40	0	0
1934	1981	310	4	12	Less than 1 tonne	4	26	15	5	14	0	0
1935	259	44	7	22	1	9	49	33	0	0	0	0
1936	327	58	6	22	1	14	42	35	0	0	11	4
1937	836	180	11	55	1	20	69	79	14	94	225	201
1938	387	73	27	120	1	22	2178	569	13	100	104	34
1939*	708	178	31	122	0	0	4525	1052	0	0	0	0
1940**	718	288	7	46	Less than 1 tonne	2	1803	781	0	0	32	18

* January-August 1939

** January-August 1940

Sources: *Latvijas statistikas gada grāmata 1920–1923* [Latvian Statistical Year Book 1920–1923]. 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; January–August 1940 – LVVA 1308. f, 9. apr., 1906. l, 57. lp.

The peak year for Finnish investments was 1932, when investments totalled 943 000 lats.

The onset of the Great Depression steadily reduced the value of Finnish investments in Latvia. From the peak in 1932 Finnish investments were reduced to 680000 lats in 1934. The decrease accelerated after 1934, when the nationalistic Ulmanis regime began to systematically reduce the amount of the foreign investment stock. As can be seen in Figure 2, Finnish investments had been reduced from the peak in 1932 to a mere

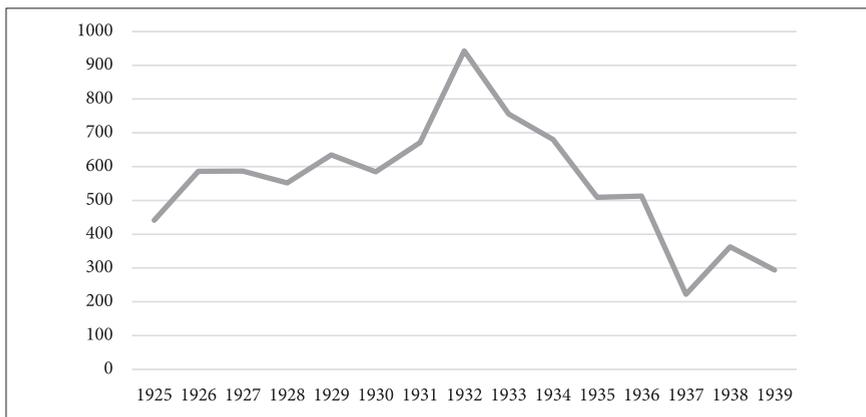


Figure 2. Finnish investments in the Company Capital of Latvian Undertakings (as at 1 January). 1925–1939 (1000 lats)

Sources: *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

222 000 lats by 1937. The slight upturn in 1938 can probably be attributed to a general economic upturn trend (various other countries (for example, Poland) also increased their investments in Latvia in 1938).

Latvia and the Winter War

After the Soviet Union invaded Finland on 30 November 1939, the majority of Latvians sympathised with the Finns. Despite the fact that by this time Latvia (together with the other Baltic States) had become a “protectorate” of the Soviet Union with Red Army units stationed in military bases throughout the country, Latvia was still nominally independent. This was reflected in the newspaper coverage of the conflict, with the newspapers printing press releases from both Finland and the USSR side-by-side.¹²

The official position of the government was strict neutrality in the conflict. The Latvian government however continued to recognise the government in Helsinki and did not expel Finnish representatives from Latvia. On 14 December 1939, the Soviet Union was declared an aggressor and was expelled from the League of Nations. Latvia and the other Baltic States abstained from voting.

Nevertheless, as was noted previously, economic relations, especially trade continued throughout the conflict period. In the four months from 01 September to 31 December 1939, Latvia imported 1 314 000 lats worth of goods from and exported

¹² For a detailed examination of Latvian press coverage at this time see Žigūre, A. V. (2018), pp. 213–227.

330 000 lats worth of goods to Finland.¹³ Similarly, in the four months from 01 January 1940 to 30 April 1940, Latvia imported 26 000 lats worth of goods from and exported 131000 lats worth of goods to Finland.¹⁴ Essentially, the goods exported and imported were similar to previous years, with food stuffs taking up a larger proportion.¹⁵

Conclusion

In the interwar years, Latvian and Finnish economic relations was mainly confined to foreign trade and investment although other forms of economic relations such as tourism were also important. Nevertheless, despite geographical proximity and the advantage of shorter sea routes than to Britain or Germany, the fact of similar export products made significant inter-regional trade between Latvia and Finland unprofitable.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Finland made up 0.74 % of total Latvian exports, and Finnish imports made up 0.46 % of total Latvian imports. However, in 1937, when Latvian foreign trade reached its post-Depression peak, exports to Finland were only 0.8 % of total Latvian exports, and imports from Finland were only 0.6 % of total Latvian imports. One suspects that the figures from the point of view of Finland 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 2020, Latvian exports to Finland totalled 477.2 million EUR or 2.7 % of total Latvian exports (mainly metals and metal products, machinery, food industry products, timber, and timber products). Whilst imports from Finland totalled 666.5 million EUR or 3.8 % of total Latvian imports (mainly mineral products, chemical industry products, electrical goods, and vehicles). At the end of 2020, total Finnish FDI in Latvia was 482 million EUR, whilst total Latvian FDI in Finland was 15 million EUR. There were some 334 Finnish companies registered in Latvia in 2020 (mainly involved in construction (both building and roads), and food and drink manufacturing) with a total investment of 172.1 million EUR.¹⁶

Revised version of the paper published as 'Latvian–Finnish Economic Relations 1918–1940', Humanities and Social Sciences Latvia, Vol. 28, Issue 1 (Spring–Summer 2020), pp. 71–80.

¹³ LVVA, 6824. f., 1. apr., 80. l., p. 7.

¹⁴ LVVA, 6824. f., 1. apr., 80. l., p. 2; 1308. f., 9. apr., 1899. l., p. 49; 1905. l., p. 49; 1904. l., p. 49.

¹⁵ For example, on 01 February 1940, a shipment of 5000 tonnes of rye was organised for Finland through Sweden, LVVA, 2575. f., 17. apr., 76. l., p. 21.

¹⁶ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/dynamic_content_files/2021.03_LV_Somija_ekon_sad.pdf [Accessed 29.04.2021]

Denmark

Introduction

Latvia and Denmark are linked by historical ties dating back to at least the 10th Century and the Viking raids on the Latvian coast of Kurland (in Latvian Kurzeme), as well as the utilisation of the River Daugava to gain access to inland Russia and Byzantium beyond. The Latvian inhabitants of Kurland (the Kurs (Kurši in Latvian) retaliated with raids on Denmark; so much so that in the middle of the 11th Century, the people of Denmark had prayed in churches “God, save us from the Kurs”.¹ Of course, not all was just raid and counter-raid, in between there was trade, which continued after the conquest of the territory of Latvia by the German Teutonic knights in the 13th Century and all subsequent conquerors – Poles, Swedes, and finally Russians in the 18th Century.

Although Latvia declared its independence on 18 November 1918, it was only in the second half of 1919 that the National government had stabilised. The Latvian Republic was still not recognised *de iure* by any European state with the exception of Soviet Russia which itself was not recognised by any other state. Nevertheless, by late 1919, Denmark had established a consulate in Riga.

Latvia was recognised *de iure* by Western Europe on 26 January 1921. This collective act of recognition, was accepted by Latvia as conferring final and unreserved *de iure* recognition on the part of all the states represented on the Allied Supreme War Council, namely, Belgium, the British Empire, France, Italy, and Japan. In the wake of this decision the consul for Denmark in Riga visited the Latvian Foreign Office on 7 February 1921 to extend Denmark’s *de iure* recognition² and the consulate in Riga was upgraded to a general-consulate. In the interwar period, Denmark also had consulates in Liepāja and Ventspils. The official Danish Envoy to Latvia was based in Stockholm and later in Helsinki.

Latvia had eight honorary consulates in Denmark during the interwar period at Esbjerg, Frederikshavn, Helsingør, Nakskov, Odense, Aalborg, Aarhus and Rønne. The General-consulate of Latvia was in Copenhagen and the first general-consul was officially appointed in February 1920 – Kārlis Ducmanis. However, Latvia had had a diplomatic representative in Denmark from as early as March 1919 – Mārtiņš Liepa. Similarly to Denmark, the official Latvian Envoy to Denmark was based in mainly in

¹ Spekke, A. (1951), p. 87.

² LVVA, 2570. f., 3. apr., 1148. l., 48. lp.

Table 1. Selected economic indicators for Latvia and Denmark in the interwar period

	Latvia	Denmark
Population (millions)	2 (1939)	3.8 (1939)
Share of urban population (%)	34.6 (1935)	46.2 (1935)
GDP* per capita	4048 (1938)	5762 (1938)
Average annual growth rate (GDP per capita) 1920–1929	5.31	2.74
Average annual growth rates (GDP per capita) 1929–1938	4.1	1.41
% share in GDP of agriculture and forestry	39.2 (1938)	18 (1935–1939)
% share in GDP of industry	20.5 (1938)	32 (1935–1939)

* GDP measured in 1990 International Geary-Khamis dollars

Sources: Darbiņš, A. & Vītiņš, V. (1947); Broadberry, S. & O'Rourke, K. H. (2016); Johansen, H. C. (1987); Madison, A. (2003); UN Population Studies No. 44 (1969); The Northern Countries in the World Economy, (1937)

Stockholm (although from 1923 to 1930 he was based in Helsinki). From September 1939 to September 1940, the official Latvian Envoy to Denmark was based in Geneva. The activities of the General-consulate and the honorary consulates subordinate to him were suspended by the German invasion of Denmark in April 1940.

As can be seen from Table 1, with a slightly larger population, Denmark was more urbanised than Latvia in the interwar period. Nevertheless, although their economic structures were similar in some aspects (primarily dairy farming and agriculture), Latvia had nearly twice the % share in GDP of agriculture and forestry than Denmark. Denmark also had a larger % share in GDP of industry. Interestingly, Latvia's average annual growth rates both pre- and post the Great Depression were over twice that of Denmark, whilst Denmark's total GDP per capita was some 30 % higher than for Latvia. Of course, Latvia started from a very low base. Nevertheless, Latvia was classified by the League of Nations as a "less industrialised" country, whilst Denmark was seen as an "industrialised" country.³

Latvian-Danish Economic Relations 1919–1940

Prior to World War One Denmark traded extensively with the Tsarist Russian empire, mainly through the Latvian Baltic Sea ports of Riga, Ventspils and Liepāja.⁴ In 1913, Tsarist Russian exports to Denmark through the three ports reached a value of 19.5 million roubles and imports some 35.7 million roubles.⁵

³ Industrialisation and Foreign Trade (1945), pp. 26–27.

⁴ For a detailed examination of Latvia as an entrepôt for Tsarist Russia see Chapter 19 of this Volume.

⁵ Skujenieks (1927), p. 674.

Some Danish and Latvian trade was already been in existence prior to the Danish recognition of Latvia *de iure*. For example, in second half of 1919 (from 08 July to 31 December), Latvian exports to Denmark totalled 14581 lats⁶, but imports from Denmark totalled 267 929.8 lats.⁷ One of Latvia's main trading partners at this time (and in 1920) was Denmark, although in fact basic necessities from other countries flowed through Denmark and Sweden as transit countries.⁸ In 1920, imports from Denmark accounted for 21.5 % of total imports, and according to Latvian statistics in 1920 Denmark was the main country from which Latvia received its imports.⁹

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

Denmark submitted a draft trade agreement to Latvia in June 1923.¹⁰ A month later, it was reported that Denmark is worried about competition from Latvia and the other Baltic States in respect of agricultural products (particularly dairy products) in the world market.¹¹ Finally, after some stalling from the Danish side, a Commercial and Navigation Treaty between Latvia and Denmark¹² was signed on 03.11.1924 and came into force on 10.05.1925. It contained the Baltic and Russian clause, as well as a reciprocal clause from the Danish side in relation to Norway, Sweden, and Iceland. The Treaty was not applicable to the territory of Greenland.

At the end of 1938, the newspaper "Brīvā Zeme" published an article (which appeared in other newspapers as well) that on 30 December Latvia had signed a new trade agreement with Denmark, which seemed to replace the 1924 agreement.¹³ If the 1924 treaty was based on the principles of Most Favoured Nation, the new treaty was similar to the new trade agreement with Great Britain and was based on the principle of "reciprocity" and trade balance, which ensured full balance-sheet alignment between the two countries.¹⁴ The agreement provided for the importation by Latvia of some 2 million Danish crowns worth of Danish goods and for a similar value of Latvian goods by Denmark. On the Latvian side these goods included plywood, timber

⁶ Latvian roubles in 1919–1922 have been converted to Latvian lats in accordance with the rate set by the State Statistical administration – 1 lat = 50 roubles.

⁷ *Ekonomists*, 1920, No. 3, p. 90.

⁸ Latvijas statistiskā gada grāmata 1920, p. v. For example, United States products that came as consignments from the American Relief Administration were imported through Denmark and Sweden, and statistics are marked as imports from these countries.

⁹ *Ibid.*, p. 119.

¹⁰ *Strādnieku Avīze*, No. 132 (17.06.1923), p. 1.

¹¹ *Valdības Vēstnesis*, No. 141 (03.07.1923), p. 1.

¹² Likumu un Ministru kabineta noteikumu krājums (1925), pp. 249–256.

¹³ *Brīvā Zeme*, No. 297 (31.12.1938), p. 6. This was based on a press release from the Finance Minister A. Valdmanis.

¹⁴ *Ekonomists*, 1939, No. 7, p. 433.

and timber products, liquors, gypsum and gypsum products. On the Danish side these goods included machinery, seeds and automobiles.

Despite the advantages of this agreement, and even the fact that, partly on the basis of this agreement, the State A/S “Riga gypsum” was founded with a fixed capital of 1.5 million lats, which would have started the production of gypsum sheets¹⁵, the agreement was never ratified and officially implemented.

In an overview of Latvia’s diplomatic and economic relations with foreign states dated July 21, 1940, Andrejs Kampe, director of the Ministry of Foreign Affairs’ Treaties Department, wrote, that it is “necessary to conclude definitively the trade negotiations that have just taken place [with Denmark], in which a reasonable project has been drawn up”.¹⁶

Latvian-Danish Trade 1920–1940

As noted previously, some Latvian-Danish trade had occurred in 1919. The value of Latvian imports from and exports to Denmark can be seen in the Figure 1.

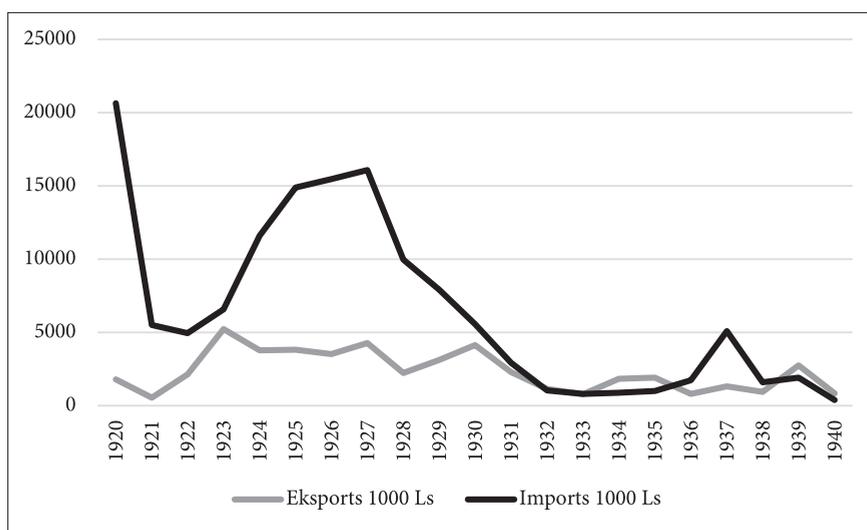


Figure 1. Latvia-Danish Imports and Exports 1920–1940

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks]. 1921–1939; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]; *Strukturbericht über das Ostland*. Teil I: *Ostland in Zahlen* (1942); LVVA, 1308. f., 9. apr., 1906. l.; *Statistisk Aarbog* 1945

¹⁵ *Ekonomists*, 1939, No. 2, p. 101.

¹⁶ LVVA, 1313. f., 1. apr., 152. l., 10.–12. lp.

As Figure 1 shows, from a high start imports decreased dramatically in the early 1920s (due to the recession of 1920/21). The signing of the trade agreement in 1924 stimulated imports, which reached a pre-depression peak of some 16079 thousand lats in 1927. Imports fell again with the Great Depression. A post-depression peak of some 5095 thousand lats in 1937 was probably an effect of the 1936 devaluation of the lat. Exports, on the other hand, increased more slowly with a peak in 1923 with a value of 5233 thousand lats and remained steady throughout the 1920s. Exports fell with Great Depression and continued at low level for the rest of the 1930s. The sharp rise in exports to Denmark in 1939 is usually explained by the short-term effect of the 1938 agreement, as well as the looming possibility of war.

At the outbreak of the Second World War, the Germans had closed the Danish straits, which are the straits connecting the Baltic Sea to the North Sea through the Kattegat and Skagerrak. Trade with Denmark was minimal as Latvia concentrated on sending goods to Sweden and through Sweden to Norway and then on to the United Kingdom.¹⁷ In the period from 01.09.1939 to 31.12.1939 Latvian exports to Denmark totalled 1.14 million lats (1.8 % of total exports during this period) and imports from Denmark totalled 0.65 million lats (1.1 % of total imports during this period).¹⁸ For 1940, Latvia imported from Denmark 1.27 million lats worth of goods and exported to Denmark 0.58 million lats worth of goods.¹⁹

Generally, imports exceeded exports throughout the interwar period.

Latvian Exports to Denmark

Latvia's main exports to Denmark were Timber and timber products, Gypsum and gypsum products, Butter, Linoleum, Plywood, Grains (wheat, rye, barley, oats), and Paper and paper products (See Table 2).

Timber and timber products were a steady and consistent export product to Denmark reaching a peak in terms of volume in 1923, and a peak in terms of value in 1930. The largest export in terms of volume if not value was gypsum and gypsum products, which only really took off in the 1930s and reached a peak in terms of volume and value in 1937. Plywood also was a significant part of exports in the 1930s, reaching a peak in terms of both volume and value in 1937. Paper and paper products were a small, but fluctuating part of exports throughout the interwar period. Grains (wheat, rye, barley, oats) was a fluctuating export to Denmark (in fact Latvia imported grains from Denmark in large quantities – see Table 3), reaching a peak in terms of volume and value in 1935.

¹⁷ For details see Chapter 23 in this volume.

¹⁸ Author's calculations based on data from *Strukturbericht über das Ostland. Teil I: Ostland in Zahlen* (1942), pp. 57–58, and *Mēneša Biļetens* Nr. 10, 1939. g. Oktobris, pp. 1058–1059 and 1083–1087.

¹⁹ Author's calculations based on data from *Statistisk Aarbog* 1945, pp. 114–115.

Table 2. Latvia's Main Exports to Denmark (1920–1939)

	Timber and timber products		Butter		Gypsum and gypsum products		Linoleum		Plywood		Paper and paper products		Grains (wheat, rye, barley, oats)	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1920	8301	398	0	0	0	0	0	0	0	162	4	0	0	
1921	559	112	0	0	0	0	0	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	
1922	1385	204	201	589	0	0	72	141	0	0	21	116	21	
1923	7059	492	667	2172	0	0	8	13	0	0	1	3022	529	
1924	2805	361	537	1990	0	0	19	25	0	0	24	1456	300	
1925	2138	345	369	1532	0	0	37	50	12	5	21	741	191	
1926	1298	192	304	1100	0	0	39	59	436	206	10	Less than 1 tonne	Less than 1000 Ls	
1927	1368	234	213	757	0	0	6	9	708	324	19	Less than 1 tonne	Less than 1000 Ls	
1928	2022	331	122	455	310	3	40	72	628	285	63	0	0	
1929	3743	626	161	607	1300	11	0	0	444	209	3	Less than 1 tonne	Less than 1000 Ls	
1930	3800	630	224	675	5050	43	1	2	646	288	16	0	0	
1931	1393	149	149	375	4630	31	1280	468	0	0	7	0	0	
1932	2822	100	115	180	7280	55	0	0	1138	280	0	0	0	
1933	1875	62	146	156	18130	118	0	0	1438	281	16	0	0	
1934	1268	71	195	146	24353	149	0	0	1144	232	12	2	16633	
1935	1635	77	46	40	25717	153	0	0	1135	244	88	15	21167	
1936	1378	71	Less than 1 tonne	Less than 1000 Ls	24000	183	0	0	1487	361	9	2	1050	
1937	1234	107	Less than 1 tonne	Less than 1000 Ls	25733	218	0	0	2304	840	6	2	0	
1938	800	119	Less than 1 tonne	Less than 1000 Ls	14625	128	0	0	1538	544	10	5	0	
1939*	569	267	0	0	19769	178	0	0	1507	520	0	0	6425	

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks], 1921–1939; *Latvijas ārējā tirdzniecība un transitis – 1924–1939* [Latvian Foreign Trade and Transit, 1924–1939]; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Linoleum was a small part of exports to Denmark in the 1920s. As noted in Chapter Eight of this Volume, the linoleum plant was closed in 1930 and the last shipment of linoleum to Denmark was in the same year.

At the beginning of the 1920s, Latvia exported its butter in large quantities to Denmark, utilising the good offices of Denmark for its further resale to the rest of Europe. Latvians could not understand why Latvian butter had a bad reputation in England. They found out that when Denmark sold Latvian butter further to England, it was selling Latvia's best butter under its own brand, and the worst was sold as Latvia's butter.²⁰ After 1925, Latvia itself could sell its butter directly to the English market without Denmark, and butter exports to Denmark became a minor part of total Latvian butter exports.

Latvia also exported various quantities of rye and wheat flour, eggs, meat and other food products, flax, machinery, confectionery and other goods in the interwar period.

Latvian Imports from Denmark

Latvia's main imports from Denmark were Grains (wheat, rye, barley, oats), Chalk, Machinery (agricultural and industrial), Automobiles and parts, Animal fats, Tobacco and tobacco products, and Seeds. The amounts and value of Latvia's main imports imported from Denmark in the interwar period are shown in Table 3.

In the 1920s, grains (wheat, rye, barley, oats) were a significant import from Denmark to Latvia. Latvia at this time imported large quantities of food and animal fodder grains as it was concentrating on expanding its animal husbandry sector, particularly dairy production. The impact of the Great Depression drastically reduced the import of grains. Latvia introduced subsidies to farmers for the growing of food grains particularly wheat and rye as an import-substitution measure through the creation of a State Grain Monopoly in 1930.²¹ The result was an increase in domestic production of food grains and a dramatic decrease in imported grains, which is reflected in Table 3. In fact Latvia was able to export surplus grain to Denmark in good harvest years as shown in Table 2. Grain imports from Denmark reached a peak both in terms of quantity and value in 1927.

Chalk was an important import from Denmark throughout the interwar period in terms of quantity if not in value, reaching a pre-Depression peak in 1924 and a post-Depression peak in 1934. Another important and consistent import was machinery (agricultural and industrial), which reached a pre-Depression peak in 1924 with a value of 994 thousand lats, and a post-Depression peak in 1937 with a value of 921 thousand

²⁰ *Ekonomists*, 1934, No. 13/14, p. 474.

²¹ Aizsilnieks (1968), pp. 489–492.

Table 3. Latvia's Main Imports from Denmark (1920–1939)

	Grains (wheat, rye, barley, oats)		Chalk		Machinery (agricultural and industrial)		Automobiles and parts		Animal fats		Tobacco and tobacco products		Seeds	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1920	502	73	2	Less than 1000 Ls	68	188	3	9	15	7	273	529	137	75
1921	387	159	0	0	44	172	0	0	140	204	0	0	28	31
1922	1236	362	2257	10	251	248	25	93	194	209	172	771	365	156
1923	3283	769	2461	10	305	706	56	186	45	48	238	645	258	197
1924	18533	5020	6491	18	343	640	135	480	653	864	353	752	319	275
1925	20353	6792	4480	18	376	978	337	1059	732	1170	249	627	293	316
1926	17098	6951	4475	23	294	872	359	1099	729	1069	318	808	94	227
1927	29420	9866	3473	17	208	574	257	847	548	715	243	599	489	324
1928	12830	3972	2943	15	221	501	83	264	512	654	178	454	3117	1094
1929	7385	2085	2360	10	355	994	17	59	736	948	198	413	1318	682
1930	294	66	2832	13	290	772	8	47	615	815	213	485	282	316
1931	205	40	2956	13	150	370	1	17	273	231	191	437	925	314
1932	0	0	5271	18	37	74	1	5	50	18	142	335	87	102
1933	Less than 1 tonne	Less than 1000 Ls	5692	22	65	117	9	24	9	3	24	44	107	91
1934	0	0	6281	18	59	99	132	246	20	7	Less than 1 tonne	Less than 1000 Ls	30	31
1935	7	1	4265	17	170	248	107	182	5	2	Less than 1 tonne	Less than 1000 Ls	82	106
1936	0	0	5731	35	247	339	213	409	0	0	Less than 1 tonne	Less than 1000 Ls	92	62
1937	368	109	4456	53	464	921	477	1122	5	3	Less than 1 tonne	Less than 1000 Ls	164	206
1938	31	11	5420	57	136	349	73	218	0	0	Less than 1 tonne	Less than 1000 Ls	104	142
1939*	0	0	3580	36	60	159	30	129	16	11	0	0	139	246

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks], 1921–1939; *Latvijas ārējā tirdzniecība un transitis – 1924–1939* [Latvian Foreign Trade and Transit, 1924–1939]; *Mēneša Bijetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

lats. Similarly a small, but significant import was automobiles and parts, particularly in the 1920s, decreased during the Depression and then steadily increased in the 1930s. The pre-depression peak for the import of automobiles and parts was in 1926, when 1099 thousand lats worth was imported, with the post-Depression peak in 1937, when 1122 thousand lats worth of automobiles and parts was imported.

Animal fats were an important import in the 1920s, but practically disappeared in the 1930s as Latvia found other and cheaper sources elsewhere. Similarly, tobacco and tobacco products were a significant import in the 1920s, but practically disappeared for the same reasons. A large and somewhat consistent import throughout the interwar period (especially in the 1920s) from Denmark was seeds (mainly flax seeds) reaching a pre-Depression peak in 1928 and a value of 1094 thousand lats, with a post-Depression peak in 1937 and a value of only 206 thousand lats.

During the interwar period Latvia also imported a whole range of Danish goods in various quantities including live animals (cows), animal fodder (oil cake and soya), furs and articles of fur, sesame oil, books, metals and metal products, electrical goods, paints and instruments, as well as small quantities of other goods.

Danish 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 banks²² 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.²³ Many investors hoped that from Latvia they would be able to expand in the huge Russian market. Figure 2 provides an overview of Danish investments in the interwar period.

The peak year for Danish investments in Latvia was 1929, when investments totalled 5194000 lats. Danish investments were mainly in the chemical industry sector (90.1 % of total Danish investments in 1929), followed by leather industry (2.3 %), metal-working industry (2.2 %), and some other minor investments. The chemical industry investment was associated mainly with a pressed oil mill.²⁴

The onset of the Great Depression marked a dramatic reduction in the value of Danish investments in Latvia from 1930. Denmark had withdrawn most of its capital from the chemical industry by 1930 (reduced from 4681 thousand lats to 1019 thousand lats) and by 1939 this was further reduced to 993 thousand lats. Even so this was still 62.6 % of total Danish investments. The huge reduction was probably due to the sale of

²² For a brief overview of banking in Latvia in the interwar period see Hiden (2000), pp. 133–149.

²³ *The Latvian Economist* (1928), p. 24.

²⁴ *Ekonomists*, 1929, No. 13/14, p. 546.



Figure 2. Danish investments in the Company Capital of Latvian Undertakings (as at 1 January). 1925–1939 (1000 lats)

Sources: *Latvijas statistiskā gada grāmata*. 1929, 1939 [Latvian Statistical Yearbooks 1929, 1939]; *Statistikas tabulas* [Statistical Tables] 1940

the pressed oil mill. The small increase in Danish investments in 1937 was in the forestry industry, which went from 80 thousand lats in 1930 to 287 thousand lats in 1937.

An echo of this investment occurred post-war. Despite the fact that Denmark never officially recognised the incorporation of Latvia into the USSR, they were not above submitting a claim for compensation to the USSR for nationalised Danish property in Latvia and the other Baltic States. The total claim was for around DKK 16.5 million for nationalised properties and DKK 2.5 million for commercial claims. The official calculation of Danish economic property (assets) in Latvia, which was submitted to the Government of the USSR, was as follows (on the basis of the largest requests)²⁵:

Table 4. Total assets of Danish creditors in Latvia (million DKK)

Aarhus Oliemølle Ltd.	1.3
Mr. G. Haagensen	1.2
Mr. O. Klingenberg	1.0
Total	3.5 million DKK

Source: Kyn, P. (1998)

²⁵ Based on Kyn, P. (1998), p. 230–236.

In addition, there was Vacuum Oil Co. Ltd.'s request for compensation for branches in Riga and Tallinn (0.7 million DKK). Aarhus Oliemølle Ltd was the part owner of a pressed oil company in Liepaja, Haagensen owned a company and properties in Latvia, and Klingenberg owned a factory in Riga. In the event, Denmark received 2.6 million DKK from the USSR in 1964 as payment for all claims in the Baltic States.²⁶

Conclusion

In the interwar years, Latvian and Danish economic relations was mainly confined to foreign trade and investment although other forms of economic relations such as tourism were also important. Nevertheless, despite geographical proximity and the advantage of shorter sea routes than to Britain, the fact of similar major export products (especially butter and bacon) made significant inter-regional trade between Latvia and Denmark unprofitable.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Denmark made up 1.14 % of total Latvian exports, and Danish imports made up 2.18 % of total Latvian imports. However, in 1937, when Latvian foreign trade reached its post-Depression peak, exports to Denmark were only 0.5 % of total Latvian exports, and imports from Denmark were 2.2 % of total Latvian imports. One suspects that the figures from the point of view of Denmark 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 2020, Latvian exports to Denmark totalled 717.7 million EUR or 4.1 % of total Latvian exports (mainly metals and metal products, machinery and electrical goods, various industrial products, timber, and timber products). Whilst imports from Denmark totalled 367.2 million EUR or 2.1 % of total Latvian imports (mainly chemical industry products, animal husbandry products, machinery and electrical goods, and metals and metal products). At the end of 2020, total Danish FDI in Latvia was 629 million EUR, whilst total Latvian FDI in Denmark was 11 million EUR. There were some 458 Danish companies registered in Latvia in 2020 (service, agriculture, manufacturing, and other industries) with a total invested equity capital of 263.2 million EUR.²⁷ Unlike the interwar period, Latvian exports to Denmark exceed imports from Denmark.

²⁶ Kyn, P. (1998), p. 234. Although Denmark had not officially (and publicly) recognised *de iure* the annexation of Latvia and the other Baltic States by the USSR, to ensure the fulfilment of the compensation agreement, they “let the Soviet side believe that Denmark recognised the incorporation” (Kyn, P. (1998), p. 236).

²⁷ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/dynamic_content_files/2021.03_LV_Danija_ekon_sad.pdf [Accessed 01.05.2021]

Norway

Introduction

Until 1920 relations in general between Latvia and Norway was minimal, partly because up until 1917 Latvia was part of Tsarist Russia and partly because it was only at the end of 1919 that the National government had stabilised. The Latvian Republic was still not recognised *de iure* by any European state with the exception of Soviet Russia which itself was not recognised by any other state. Nevertheless, by late 1919, Norway had established a consulate in Riga.

Latvia was recognised *de iure* by Western Europe on 26 January 1921. This collective act of recognition, was accepted by Latvia as conferring final and unreserved *de iure* recognition on the part of all the states represented on the Allied Supreme War Council, namely, Belgium, the British Empire, France, Italy, and Japan. In the wake of this decision the consul for Norway in Riga visited the Latvian Foreign Office on 05 February 1921 to extend Norway's *de iure* recognition.¹ In the interwar period, Norway had consulates in Riga, Liepāja and Ventspils.

Latvia had ten honorary consulates in Norway during the interwar period from Kristiansand in the south to Vardø in the north. The General-consulate of Latvia was in Oslo and throughout the interwar period, the general-consul was Arturs Vanags. From August 1919, he was appointed as the honorary consular agent for Latvia, and from May 1921, the honorary general-consul in Norway. From 1927, also an agricultural attaché to the Scandinavian countries. He worked very hard in fostering economic and cultural relations between Latvia and Norway. The activities of the General-consulate and the honorary consulates subordinate to him were suspended by the German invasion of Norway in April 1940.

As can be seen from Table 1, despite a slightly larger population, Norway was less urbanised than Latvia in the interwar period. Nevertheless, although their economic structures were similar in many aspects (agriculture and forestry), Latvia had nearly 3 times larger % share in GDP of agriculture and forestry than Norway. Norway also had a slightly larger % share in GDP of industry. It should be noted, that in 1939, industry and trade together with shipping represented over half (59 %) of Norway's GDP share.² Interestingly, Latvia's average annual growth rates both pre- and post the Great

¹ LVVA, 2570. f., 3. apr., 1148., 46. lp.

² Mitchell, B. R. (1978), p. 430.

Depression were nearly twice that of Norway, whilst GDP per capita was only slightly higher in Norway. Nevertheless, Latvia was classified by the League of Nations as a “less industrialised” country, whilst Norway was seen as an “industrialised” country.³

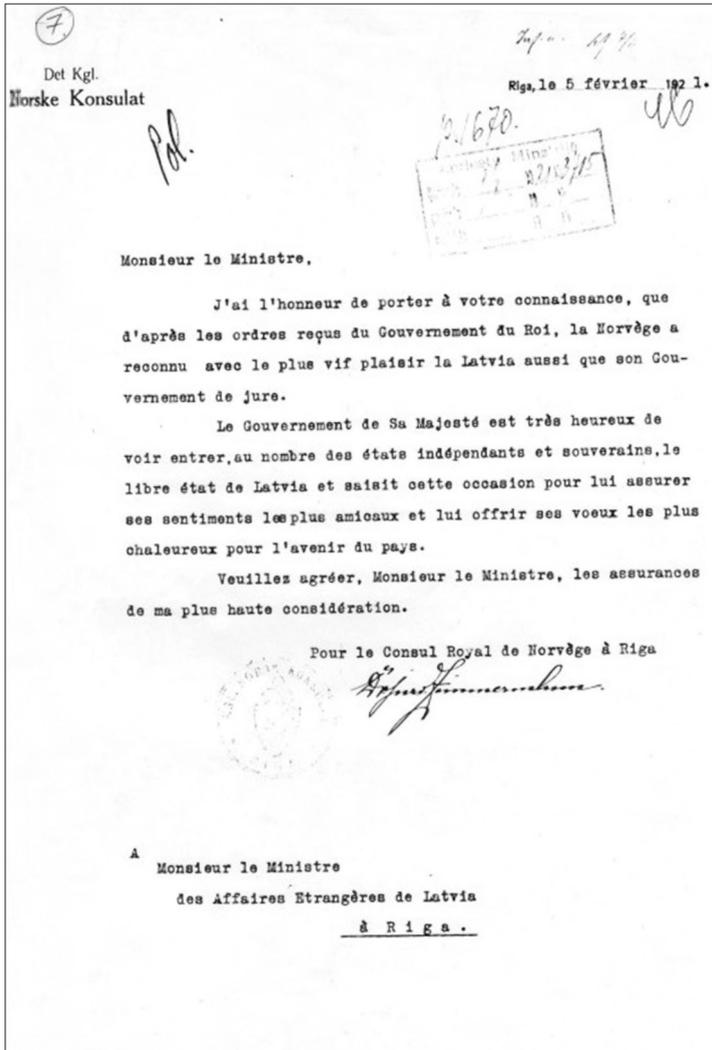


Figure 1. The note by the Consulate of Norway in Riga regarding the recognition of the State of Latvia and its government de iure, 05.02.1921

Source: <https://www.mfa.gov.lv/en/policy/baltic-sea-region/co-operation-among-the-baltic-and-nordic-countries/found-in-the-archives/norway>

³ Industrialisation and Foreign Trade (1945), pp. 26–27.

Table 1. Selected economic indicators for Latvia and Norway in the interwar period

	Latvia	Norway
Population (millions)	2 (1939)	2.9 (1940)
Share of urban population (%)	34.6 (1935)	28.5 (1935)
GDP* per capita	4048 (1938)	4337 (1938)
Average annual growth rate (GDP per capita) 1920–1929	5.31	2.71
Average annual growth rates (GDP per capita) 1929–1938	4.1	2.55
% share in GDP of agriculture and forestry	39.2 (1938)	12 (1939)
% share in GDP of industry	20.5 (1938)	28 (1939)

* GDP measured in 1990 International Geary-Khamis dollars

Sources: Darbiņš, A. & Vītiņš, V. (1947); Broadberry, S. & O'Rourke, K. H. (2016); The Northern Countries in the World Economy (1937); Mitchell, B. R. (1978)

Latvian-Norwegian Economic Relations 1919–1940

Some Norwegian and Latvian trade was already been in existence prior to the Norwegian recognition of Latvia *de iure*. For example, in second half of 1919 (from 08 July to 31 December), Latvian exports to Norway totalled only 80 lats⁴, but imports from Norway totalled 12931.8 lats.⁵

In 1920, Norway was the first country to offer long-term credits to the infant Latvian State at a time when it had not been recognised *de iure* by Norway and when its financial resources were particularly low. The gesture of good will by the Norwegian government was based of course also on sound economic reasons. From the Latvian government's point of view the commodity credits were a godsend, especially when they were long-term (repayment by 01 January 1925) and could be secured with Treasury Bills instead of hard currency that was in short supply. However, the lure of quick profits turned an essentially bona fide commercial transaction into an object of a parliamentary inquiry and harsh criticism of the government (it became known as the "Herring Affair").⁶

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

⁴ Latvian roubles in 1919–1922 have been converted to Latvian lats in accordance with the rate set by the State Statistical administration – 1 lat = 50 roubles.

⁵ *Ekonomists*, 1920, No. 3, pp. 90–91.

⁶ For detailed account of the Herring Affair see Chapter 20 in this Volume.

Latvia began negotiations on a trade agreement with Norway in 1921.⁷ In 1923, in the context of the negotiations on the trade agreement, there was an echo of the Herring Affair.⁸ The Commercial and Navigation Treaty between Latvia and Norway was finally signed on 14 August 1924 and came into force on 10 June 1925.⁹ It contained the Baltic and Russian clause, as well as a reciprocal clause from the Norwegian side in relation to states bordering Norway [Sweden and Finland], Denmark and Iceland.

Latvian-Norwegian Trade 1920–1940

As noted previously, some Latvian-Norwegian trade had occurred in 1919. The value of Latvian imports from and exports to Norway can be seen in the Figure 2.

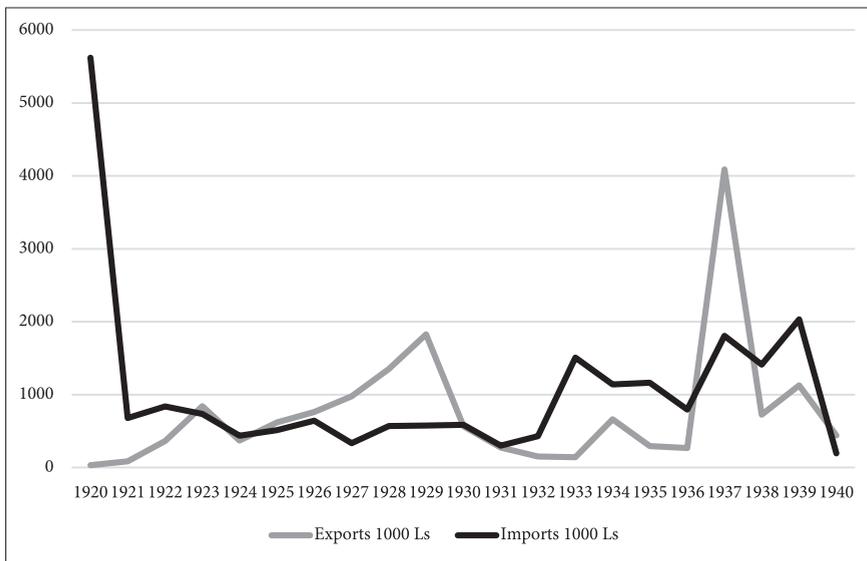


Figure 2. Latvia-Norwegian Imports and Exports 1920–1940

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbook]. 1921–1939; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]; *Historisk Statistikk* 1968. Oslo: Statistisk Sentralbyrå, 1969

As Figure 2 shows, from a high start imports decreased substantially in the interwar period. The signing of the trade agreement in 1924 did not stimulate imports and it

⁷ LVVA, 2570. f., 13. apr., 131. l., 3. lp.

⁸ See Chapter 20 in this Volume.

⁹ Likumu un Ministru kabineta noteikumu krājums. 1925. gads. Rīga: Kodifikācijas nodaļas izdevums, 1925, pp. 192–198.

was not until the 1930s that imports increased significantly reaching a peak in 1939. Exports, on the other hand, increased more slowly with a peak in 1929 with a value of nearly two million lats. Both imports and exports fell with Great Depression, although imports recovered fairly quickly, starting to rise from 1932 and reaching their peak in 1939. Exports on the other hand, continued at low level until the devaluation of the Lat in 1936.¹⁰ The sharp rise in exports to Norway in 1937 is usually explained by the short-term effect of the devaluation. Generally, exports exceeded imports in the 1920s, whilst imports exceeded exports (except for 1937) in the 1930s.

Latvian Exports to Norway

Latvia's main exports to Norway were Timber and timber products, Gypsum and gypsum products, Flax threads, Linoleum, Radios, Paints, inks and paint compounds, and Paper and paper products (See Table 2).

Timber and timber products were a steady if fluctuating export product to Norway reaching a peak in 1929, with another large shipment in 1937. The largest export in terms of volume if not value was Gypsum and gypsum products, which only commenced in the 1930s and reached a peak of 96 thousand lats in 1937. Flax threads (also to minor extent flax) were a steady, but small part of exports as were Paper and paper products. Paints, inks, and paint compounds only commenced in the 1930s and were a small, but important part of exports.

Linoleum was an important export to Norway in the 1920s. As noted in Chapter Eight, the linoleum plant was closed in 1930 and the last shipment of linoleum to Norway was in the same year. Its place was to a certain extent taken up by the export of radios in the 1930s, the value of which exceeded that of the other export products reaching a peak of 405 thousand lats in 1938. Latvian-made radios were popular throughout the Nordic region.

Latvia also exported small quantities of rye, eggs, butter, meat and other food products, textiles, and electrical goods in the interwar period.

Latvian Imports from Norway

Latvia's main imports from Norway were Herrings, Furs and articles of fur, Pyrites, Metals and metal products, Saltpetre and Animal fats and Fish oils. The amounts and value of Latvia's main imports imported from Norway in the interwar period are shown in Table 3.

¹⁰ See Chapter 22 in this Volume for a discussion of the effects of the 1936 Lat devaluation on Latvia's foreign trade.

Table 2. Latvia's Main Exports to Norway (1921–1940)

Year	Timber and timber products		Gypsum and gypsum products		Flax threads		Linoleum		Paints, inks and paint compounds		Paper and paper products	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1921	7365	135	0	0	0	0	0	0	0	0	0	0
1922	2079	217	0	0	0	0	0	0	0	0	0	0
1923	8326	638	0	0	0	0	5	6	0	0	Less than 1 tonne	Less than 1000 Ls
1924	550	43	0	0	0	0	6	8	0	0	0	0
1925	2381	313	0	0	0	0	7	9	0	0	43	25
1926	18	7	0	0	4	18	170	268	0	0	25	11
1927	3388	232	0	0	37	168	255	447	0	0	37	168
1928	17014	837	0	0	8	36	106	177	0	0	8	26
1929	21270	1009	0	0	77	293	233	352	0	0	10	5
1930	64	33	5125	39	61	225	109	162	0	0	61	225
1931	0	0	3310	28	25	63	0	0	0	0	25	63
1932	117	27	4515	33	31	76	Radios		0	0	31	76
1933	3190	51	5685	36	9	19	0	0	0	0	9	19
1934	778	15	18396	95	15	28	0	0	108	42	15	28
1935	0	0	5383	26	6	12	0	0	97	34	6	12
1936	0	0	9151	53	69	123	Less than 1 tonne	3	148	59	69	123
1937	80155	3462	15425	96	11	29	24	251	137	96	77	24
1938	0	0	12479	83	4	15	47	405	138	87	57	19
1939*	0	0	6750	45	34	90	8	94	127	86	0	0
1940**	0	0	1130	47	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	2	Less than 1 tonne	14	Less than 1 tonne	6

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

** January–August 1940 (Norwegian statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks], 1921–1939; *Latvijas ārējā tirdzniecība un transitis – 1924–1939* [Latvian Foreign Trade and Transit, 1924–1939]; *Mēneša Bijetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]; *Historisk Statistikk* 1968. Oslo: Statistisk Sentralbyrå, 1969

Table 3. Latvia's Main Imports from Norway (1920–1940)

Year	Herrings		Furs and articles of fur		Pyrites		Saltpetre		Animal fats and Fish oils		Metals and metal products (including cast iron, aluminium and zinc)	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1920	1950	1863	0	0	0	0	0	0	0	0	0	0
1921	3264	636	0	0	0	0	0	0	5168	450	0	0
1922	1102	218	0	0	0	0	110	1320	0	0	24	618
1923	1138	253	0	0	0	0	0	0	0	0	0	0
1924	122	28	0	0	0	0	0	0	33	21	Less than 1 tonne	1.6
1925	196	56	0	0	0	0	0	0	23.1	20.5	4.2	13
1926	467	144	0	0	0	0	612	143	15	21	Less than 1 tonne	9
1927	102	36	0	0	0	0	102	25	42	46	6	16
1928	416	62	0	0	0	0	995	223	143	124	60	62
1929	104	14	Less than 1 tonne	Less than 1000 Ls	2.3	16.7	382.5	82.7	348.6	314.9	39	53
1930	107	35	6	33	0	0	0	0	236	189	43	30
1931	2	Less than 1000 Ls	15	80	4061	73	0	0	121	71	63	25
1932	4	Less than 1 tonne	35	217	2010	36	0	0	166	69	27	11
1933	0	0	43	234	16782	243	4445	654	194	79	108	37
1934	0	0	34	345	18398	286	3003	334	126	55	193	48
1935	0	0	13	183	22207	334	3649	397	107	53	249	59
1936	Less than 1 tonne	Less than 1 tonne	11	247	18619	377	0	0	73	55	152	56
1937	0	0	10	285	27796	691	0	0	244	175	203	112
1938	0	0	9	190	33872	908	0	0	120	93	81	37
1939*	0	0	4	68	18622	502	0	0	59	40	254	64
1940**	0	0	0	0	4400	61	0	0	253	26	0	0

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

** January–August 1940 (Norwegian statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks], 1921–1939; *Latvijas ārējā tirdzniecība un transīts – 1924–1939* [Latvian Foreign Trade and Transit, 1924–1939]; *Mēneša Biljetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]; *Historisk Statistikk* 1968, Oslo; Statistisk Sentralbyrå, 1969

In the 1920s, herrings were the most important and main import from Norway to Latvia. The largest volume and value of herrings was imported in 1920 as part of the Herring Affair noted above. The impact of the Great Depression drastically reduced the import of herrings and this reduction was finalised with Latvia's new trade agreement with the United Kingdom in 1934. The agreement was based on a reciprocity (mutual obligations, compliance) principle. The agreement spelled out Latvia's obligation to import from the UK various commodities, in this case herrings from Scotland, because the British objective was to improve the negative balance of trade with Latvia. Thus, imports of herrings from Norway practically disappeared from Latvia's import structure.

Animal fats and fish oils were a steady, but small part of imports as were Metals and metal products (including cast iron, aluminium and zinc). The import of furs and articles of fur began in the 1930s and became a small, but steady part of imports. Saltpetre was an important import in the late 1920s and early 1930s, but disappeared as other sources of saltpetre were found (mainly Germany due the clearing agreement between the two countries). Latvia imported pyrites from Spain in large quantities in the late 1920s, but this was discontinued due to the lack of a trade agreement (and Spain's internal problems in the 1930s) and the product was imported from Norway with which Latvia had such an agreement. It was the largest import item both in terms of volume and value in the 1930s, reaching a peak of 33 872 tonnes and 908 thousand lats in 1938. During the interwar period Latvia also imported a whole range of Norwegian goods in various quantities including live animals (sheep), agricultural and industrial machinery, textiles and textile products, paving stones, and instruments, as well as small quantities of other goods.

Norwegian investments in Latvia 1925–1939

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

The peak year for Norwegian investments in Latvia was 1925, when investments totalled 345 000 lats. Norwegian investments were mainly in the timber industry sector (43.5 % of total Norwegian investments in 1925), followed by transport (20.9 %), and some other minor investments.

The onset of the Great Depression marked a dramatic reduction in the value of Norwegian investments in Latvia from 1930. Norway had withdrawn its capital from the timber industry by 1933 and only a small investment in transport (5000 lats) remained. From the peak in 1925, Norwegian investments were reduced to zero by 1936. Investment in transport returned in 1939 (again only 5000 lats).

An echo of this investment occurred post-war. Despite the fact that Norway never officially recognised the incorporation of Latvia into the USSR, they were not above submitting a claim for compensation to the USSR for nationalised Norwegian property

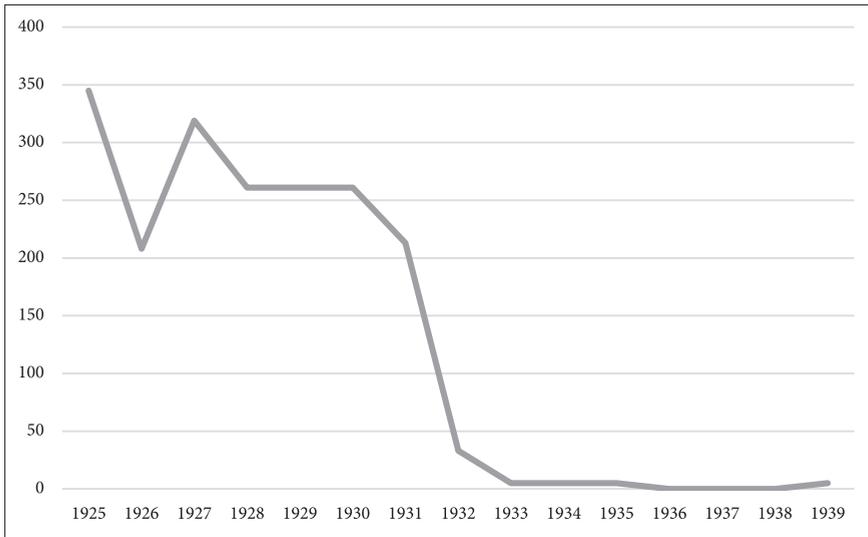


Figure 3. Norwegian investments in the Company Capital of Latvian Undertakings (as at 1 January). 1925–1939 (1000 lats)

Sources: *Latvijas statistiskā gada grāmata*. 1929, 1939 [Latvian Statistical Yearbooks 1929, 1939]; Statistiskas tabulas [Statistical Tables] 1940

in Latvia and the other Baltic States, for which they received ½ million NOK compensation in 1959.¹¹

Latvia and Norway and the beginning of WWII¹²

After September 1939, foreign trade became Latvia’s weakest point. A great deal of what happened in foreign trade was beyond the control of Latvia and was a consequence of the war.¹³ The commencement of the war effectively closed the Baltic Sea region to British and allied shipping as it was clear that the Royal Navy would not enter the Baltic Sea to offer protection against German warships. In September 1939, the Admiralty closed both the Baltic and Mediterranean Seas to the British merchant

¹¹ They did agree orally that the claim and subsequent agreement was not to be considered a *de iure* recognition of the incorporation of the Baltic States into the USSR after the USSR had protested against a written statement to that effect (see Kyn, P. (1998), p. 233).

¹² For a detailed analysis of this period see Chapter 23 of this Volume.

¹³ For a comprehensive overview of Latvian foreign trade as a whole for 1939/1940, see Stranga, A. “Latvijas ārējā tirdzniecība 30. gadu nogalē” [Latvian Foreign Trade of the End of the 1930s]. *Latvijas Vēsture*, Nos. 1993/4, 1994/1, 1994/3, 1995/1, 1995/2 and 1995/3.

marine.¹⁴ The British suggested that the Baltic States organise their foreign trade in their own ships to Sweden via the territorial waters of the Baltic States, Finland, and Sweden. Swedish and Norwegian railways could then take them to Norwegian ports on the Atlantic coast for transshipment to Britain.¹⁵

Despite many official announcements that trade with Britain had ceased (mainly to placate the Germans) some minor trade continued through the Norwegian ports. The Consul General of Latvia in Norway, A. Vanags, in reply to a letter from the Latvia Foreign Ministry on 2 January 1940 noted that if the bill of lading is made out for goods as transit goods through Norway then the Norwegians would not detain them.¹⁶ Swedish transit data for the period confirms that the preferred route for Latvian agricultural exports between September 1939 and April 1940 was to Swedish ports, by rail to Norwegian ports and thence to Britain.¹⁷ Imports came by the same route or directly to Swedish ports (especially Gothenburg) in neutral ships.

With the commencement of the German offensive in the West, all vestiges of trade with Britain disappeared. The rapid occupation of Denmark and Norway in April 1940 put paid to any thoughts of further utilising the Sweden-Norway transshipping route or even the often discussed, but seldom used route via the coastal waters of Sweden, Denmark, and Norway. On 17 June 1940, Latvia was occupied by the Soviet Union.

Conclusion

In the interwar years, Latvian and Norwegian economic relations was mainly confined to foreign trade and investment although other forms of economic relations such as tourism were also important. Nevertheless, despite geographical proximity and the advantage of shorter sea routes than to Britain, the fact of similar major export products made significant inter-regional trade between Latvia and Norway unprofitable.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Norway made up 0.67 % of total Latvian exports, and Norwegian imports made up 0.16 % of total Latvian imports. However, in 1937, when Latvian foreign trade reached its post-Depression peak, exports to Norway were 1.6 % of total Latvian exports, and imports from Norway were only 0.8 % of total Latvian imports. One suspects that the figures from the point of view of Norway would be significantly less. In other words, trade and thus economic relations were of marginal significance to both countries in the interwar period.

¹⁴ LVVA, 2574. f., 4. apr., 7499. l., 141. lp.

¹⁵ Andersons E. (1984), p. 295.

¹⁶ LVVA, 2575. f., 13. apr., 2. l., 48. lp.

¹⁷ National Archive in Stockholm, Utrikesdepartementet, 1920 års dossier – system, H 2606, and National Archives in Arninge, Sweden, Statens handelskommission, 1939 års, statistiska avdelningen, vol. 25.

It is interesting to note that in 2020, Latvian exports to Norway totalled 392.4 million EUR or 2.2 % of total Latvian exports (mainly metals and metal products, food industry products, paper and paper products, timber, and timber products). Whilst imports from Norway totalled 85.6 million EUR or 0.5 % of total Latvian imports (mainly mineral products, animal husbandry products, timber and timber products, machinery and electrical goods, and metals and metal products). At the end of 2020, total Norwegian FDI in Latvia was 491 million EUR, whilst total Latvian FDI in Norway was 14 million EUR. There were some 260 Norwegian companies registered in Latvia in 2020 (service, retail, manufacturing, and other industries) with a total invested equity capital of 356.8 million EUR.¹⁸

Revised version of a paper presented at the international conference: Baltic Connections Conference 2021, Helsinki, Finland, Zoom, Internet, 20–21 April 2021.

¹⁸ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/dynamic_content_files/2021.03_LV_Norvegija_ekon_sad.pdf#overlay-context=latvijas-ekonomiska-sadarbiba-ar-norvegiju [Accessed 01.05.2021]

Sweden

Introduction

Latvia and Sweden are linked by historical ties dating back to at least the 7th Century if not earlier.¹ There was a Swedish trading settlement in Grobiņa in western Latvia in 7th and 8th Centuries.² In the 10th Century came the Swedish Viking raids on the Latvian coast of Kurland (in Latvian Kurzeme), as well as the utilisation of the River Daugava to gain access to inland Russia and Byzantium beyond. The Latvian inhabitants of Kurland (the Kurs (Kurši in Latvian) retaliated with raids on Sweden and at various times established settlements of their own in Southern Sweden and Gotland.³ Swedish Livonia was a dominion of the Swedish Empire from 1629 until 1721 and included the northern part of modern Latvia (the Vidzeme region including Rīga). This represented the conquest by Sweden of the major part of the Polish-Lithuanian Duchy of Livonia during the 1600–1629 Polish-Swedish War. Riga was the second largest city in the Swedish Empire during this time. Swedish rule has been remembered as the “Lābie zviēdru laiki”⁴ [the Good Swedish times] in Latvian historical memory as compared to the German and Polish times previously and Russian times, which followed.

Although Latvia declared its independence on 18 November 1918, it was only in the second half of 1919 that the National government had stabilised. The Latvian Republic was still not recognised *de iure* by any European state with the exception of Soviet Russia which itself was not recognised by any other state. Nevertheless, by late 1919, Sweden had established a consulate in Riga.

Latvia was recognised *de iure* by Western Europe on 26 January 1921. This collective act of recognition, was accepted by Latvia as conferring final and unreserved *de iure* recognition on the part of all the states represented on the Allied Supreme War Council, namely, Belgium, the British Empire, France, Italy, and Japan. In the wake of this decision the consul for Sweden in Riga visited the Latvian Foreign Office on 05 February 1921 to extend Sweden’s *de iure* recognition⁵. A Swedish Legation was

¹ Krasnais suggests that Latvian and Swedish relations can be dated back to the 1st Century. (Krasnais, V., (1938), p. 81)

² Balodis, A. (1991), p. 23.

³ Krasnais, V. (1938), p. 81.

⁴ Lindström, P. (2000), p. 7.

⁵ LVVA, 2570. f., 3. apr., 1148. l., 44. lp.

Table 1. Selected economic indicators for Latvia and Sweden in the interwar period

	Latvia	Sweden
Population (millions)	2 (1939)	6.3 (1939)
Share of urban population (%)	34.6 (1935)	34.2 (1935)
GDP* per capita	4048 (1938)	4725 (1938)
Average annual growth rate (GDP per capita) 1920–1929	5.31	3.71
Average annual growth rates (GDP per capita) 1929–1938	4.1	2.22
% share in GDP of agriculture and forestry	39.2 (1938)	13.4 (1939)
% share in GDP of industry	20.5 (1938)	46.3 (1939)

* GDP measured in 1990 International Geary-Khamis dollars

Sources: Darbiņš, A. & Vītiņš, V. (1947); Broadberry, S. & O'Rourke, K. H. (2016); Schön, L. (2006); Madison, A. (2003); *The Northern Countries in the World Economy* (1937)

established in Rīga with an Envoy, Ulf Torsten Undén, appointed in January 1922. In the interwar period, Sweden also maintained consulates in Rīga, Liepāja and Ventspils.

Latvia had thirteen honorary consulates in Sweden during the interwar period from Luleå and Umeå in the north to Helsingborg and Malmö in the south, as well as Visby in Gotland. The Latvian Legation was in Stockholm and the first Envoy was officially appointed in March 1921 – Fridrihs Grosvalds. He had earlier served as the diplomatic representative of Latvia in Sweden from April 1919.

On 28 May 1929, President Gustav Zemgale arrived on a state visit to Stockholm. The Swedish King Gustav V's response visit to Latvia took place on 29–30 June 1929.

After the invasion and annexation of Latvia and the other Baltic States by Russia in 1940, Sweden moved swiftly to recognise the incorporation.⁶ In August 1940, the Swedish government closed the Latvian Legation and all consulates and handed them over to the USSR along with all documents and archives.

As can be seen from Table 1, with a population three times the size of Latvia, Sweden was as urbanised as Latvia in the interwar period. Nevertheless, although their economic structures had many similarities in some aspects (primarily dairy farming and agriculture), Latvia had nearly three times the % share in GDP of agriculture and forestry than Sweden. Sweden also had twice the % share in GDP of industry. Thus, while Latvia had for all intents and purposes an agricultural economy, Sweden was a more industrialised economy. However, there was an enormous difference in natural endowments. Sweden was rich in natural resources such as copper, iron ore and other metals. Latvia, on the other hand, had only gypsum deposits, as well as extensive

⁶ Sweden was one of the few Western countries to recognise the incorporation of the Baltic States into the Soviet Union. For a detailed analysis of Swedish recognition of the occupation of the Baltic States see Kangeris, K. (1998), pp. 188–211.

deposits of peat.⁷ Interestingly, Latvia's average annual growth rates both pre- and post the Great Depression were larger than that of Sweden, whilst Sweden's total GDP per capita was only slightly higher than for Latvia. Of course, Latvia started from a very low base.

Latvian-Swedish Economic Relations 1919–1940

Prior to World War One Sweden traded extensively with the Tsarist Russian empire, mainly through the Latvian Baltic Sea ports of Riga, Ventspils and Liepāja. In 1913, Tsarist Russian exports to Sweden through the three ports reached a value of 6.24 million roubles and imports some 10.93 million roubles.⁸

Some Swedish and Latvian trade was already been in existence prior to the Swedish recognition of Latvia *de iure*. For example, in second half of 1919 (from 08 July to 31 December), Latvian exports to Sweden totalled 22669.26 lats,⁹ but imports from Sweden totalled 4729.86 lats.¹⁰ One of Latvia's main trading partners at this time (and in 1920) was Sweden, although in fact basic necessities from other countries also flowed through Denmark and Sweden as transit countries.¹¹ In 1920, imports from Sweden accounted for 11.6 % of total imports, and exports 8.6 % of total exports.¹²

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

In early 1924, Sweden offered Latvia the purchase of goods from Sweden on credit up to one million Swedish krona, on the condition that 25 % of the value of the goods to be paid immediately while the other 75 % to be paid over a six-year period, plus 6 %. This credit could be used by individuals, as well as by the state. These were seen as very advantageous conditions and a law (Law on the use of foreign goods credits) was passed in the *Saeima* (Parliament) on 17 June 1924.¹³

Latvian representatives arrived in Stockholm in August 1924 to discuss the signing of a trade agreement. A Convention of Commerce and Navigation between Latvia and Sweden was signed on 22.12.1924 and came into force on 29.06.1925.¹⁴ It contained

⁷ For a detailed study of the peat industry in Latvia in the interwar period, see Karnups, V. P. (2016).

⁸ Skujenieks (1927), p. 674.

⁹ Latvian roubles in 1919–1922 have been converted to Latvian lats in accordance with the rate set by the State Statistical administration – 1 lat = 50 roubles.

¹⁰ *Ekonomists*, 1920, No. 3, p. 90.

¹¹ *Latvijas statistiskā gada grāmata 1920* (1921), p. v. For example, United States products that came as consignments from the American Relief Administration were imported through Denmark and Sweden, and statistics are marked as imports from these countries.

¹² *Latvijas statistiskā gada grāmata 1920* (1921), p. 119.

¹³ *Saeimas Stenogrammas Nr. 2* (29.04.1924), pp. 1097–1099.

¹⁴ *League of Nations, Treaty Series*, Vol. XXXVI, 1925, pp. 283–287.

the Baltic and Russian clause, as well as a reciprocal clause from the Swedish side in relation to Denmark and Norway.

As a result of the Great Depression, on 26 March 1935, Latvia agreed with Sweden to settle payments in trade in goods between Latvia and Sweden. The “clearing agreement” became operational on April 1.¹⁵

The agreement mainly provided that:

- 1) Latvian buyers of goods in Sweden pay their debts to sellers in Latvia by paying the amount of debt to the Swedish Clearing Office in Stockholm;
- 2) The clearing house credits the total non-interest-bearing invoice carried in French francs for the amounts received, which it discloses in the name of the Clearing Office;
- 3) Swedish buyers of goods in Latvia, in turn, pay their debts to sellers in Sweden by paying the amount of debt in lats to the Latvian Ministry of Finance's Clearing Office in Riga;
- 4) The Clearing Office credits the total non-interest-bearing invoice carried in French francs for the amounts received, which it discloses in the name of the Clearing Office;
- 5) if an operation is not invoiced in French francs, lats or Swedish kronor, the contribution must be paid by converting the relevant currency into French francs at the last rate determined by the Paris Stock Exchange prior to the date of the contribution;
- 6) each government, as far as it is concerned, shall take the necessary steps to compel importers to apply the clearing system established by this arrangement; and
- 7) The agreement shall remain binding until one of the Contracting Parties commences it by notifying it one month in advance.

The agreement was concluded between governments and related to requirements stemming from trade in goods between the two countries and also related to neighbouring costs such as transport, insurance, proclamations and similar charges, provided that these side-effects related to trade in goods for which calculations took place through clearing. The agreement refused to settle charges applicable to goods of the other country imported into one country or another. Calculations on claims of financial nature could not be done in the clearing.

On 12 June 1936, amendments to the abovementioned clearing agreement were adopted in the form of an exchange of notes, which provided that the mutual calculations would continue to take place not in French francs, which caused considerable difficulties and inconvenience, but in Swedish kronor. The amendments entered into force on 13 June.

¹⁵ *Likumu un Ministru kabineta noteikumu krājums* (1935), pp. 99–106.

On 21 November of the same year, due to the devaluation of the lats, the clearing agreement in the form of an exchange of notes was changed again¹⁶ and it was determined that:

“The conversion required for determining the amounts to be paid to Latvian vendors at the Latvian Clearing-up Bureau shall be made to the sum 15 per cent, according to the average rate of Latvia on September 28, in relation to the Swedish krona, but for the remaining 85 per cent, according to the last average rate specified by the Riga Stock Exchange, which will be known.”

The amendment entered into force on the same day.

However, the clearing agreement as a whole did not justify the expectations associated with it when concluding the agreement. Trade turnover did not show the desired increase, but, as a result of the narrow amount of Latvian exports, significant sums of Swedish exporters in the clearing account in Riga were “frozen”. Following these considerations, the two sides agreed to terminate the agreement. On 28 July 1937, in the form of an exchange of notes, the Latvian and Swedish governments agreed to terminate the clearing agreement with effect from 1 August 1937.¹⁷ In the future, the terms of the clearing agreement remained in force, but only until 31 December 1938, and were then applied only to the depreciation of claims in favour of Sweden on that date.¹⁸ As from 1 January 1939, payments for trade in goods with Sweden were made in hard currency. In February 1939, with the participation of the Latvian Credit Bank, a special trading house (*Latvijas Import Fermödlingen*) was established, which, in the form of a commission on consignments, dealt with the sale of Latvian goods in Sweden.

On 15 April 1939, the Latvian Government and the Swedish Government concluded a new agreement on trade exchanges between Latvia and Sweden¹⁹, which provided that:

- 1) the Latvian government undertakes to authorise imports into Latvia of Swedish goods, the value of which would be similar at least to the value of Latvian goods imported into Sweden;
- 2) payments will be made in hard currency to the directly entitled Latvians and Swedes;
- 3) Latvia undertakes not to delay issuing permits for the necessary currency transfers; and
- 4) the agreement shall enter into force on the date of signature thereof and shall be in force twelve months from the date of signature.

In an overview of Latvia's diplomatic and economic relations with foreign countries dated 21 July 1940, Andrejs Kampe, director of the Treaties Department of

¹⁶ Likumu un Ministru kabineta noteikumu krājums (1936), p. 739.

¹⁷ Likumu un Ministru kabineta noteikumu krājums (1937), p. 1057.

¹⁸ Likumu un Ministru kabineta noteikumu krājums (1939), p. 246.

¹⁹ *Ibid.*, p. 246.

the Ministry of Foreign Affairs, wrote that “negotiations are ongoing on the settlement of trade relations [with Sweden]. The Swedish proposals contain a purely acceptable negotiating base.”²⁰

Latvian-Swedish Trade 1920–1940

As noted previously, some Latvian-Swedish trade had occurred in 1919. The value of Latvian imports from and exports to Sweden can be seen in the Figure 1.

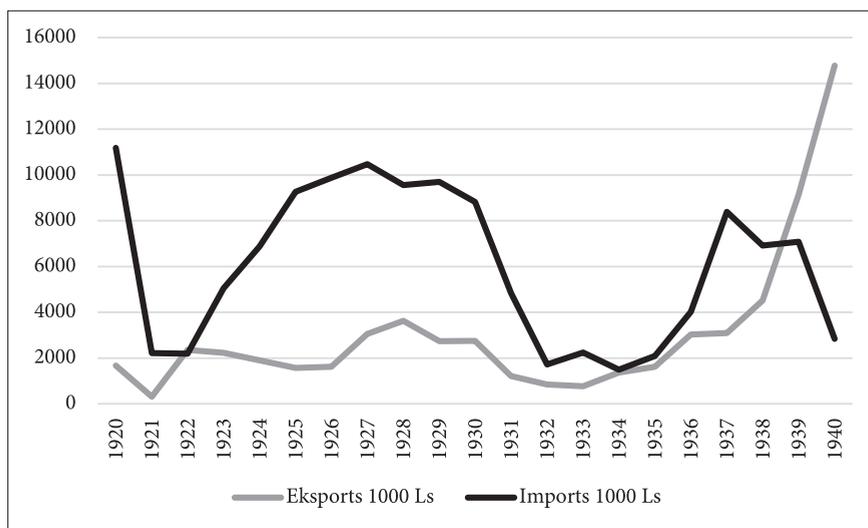


Figure 1. Latvia-Swedish Imports and Exports 1920–1940

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks]. 1921–1939; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]; *Strukturbericht über das Ostland*. Teil I: *Ostland in Zahlen* (1942); LVVA, 1308. f., 9. apr., 1906. l.; *Statistisk Sentralbyrå*, 1969

As Figure 1 shows, from a high start imports decreased dramatically in the early 1920s (due to the recession of 1920/21). However, they recovered quickly and the signing of the trade agreement in 1924 further stimulated imports, which reached a pre-depression peak of some 10 478 thousand lats in 1927. Imports fell again with the Great Depression. A post-depression peak of some 8394 thousand lats in 1937 was probably an effect of the 1936 devaluation of the lat. Exports, on the other hand, increased more slowly with a peak in 1928 with a value of 3627 thousand lats and remained steady throughout the 1920s. Exports fell somewhat with Great Depression, but recovered and

²⁰ LVVA, 1313. f., 1. apr., 152. l., 10.–12. lp.

continued to slowly rise for the rest of the 1930s. The sharp rise in exports to Sweden in 1939 and 1940 is usually explained by the effects of the beginning of WWII.

The range of products for foreign trade in Latvia was greatly influenced by international cartels and syndicates, which, by combining production at European or global level, bought companies in Latvia and, after some time for centralisation, closed them or left them as needed for the small local market. For example, between 1925 and 1928, the Swedish match syndicate Svenska Tändsticks Aktiebolaget already owned four of the five match factories in Latvia.²¹ In 1928, Latvia signed an agreement with this Swedish match syndicate, which provided for the syndication of the Latvian match industry and the granting of an external loan of US \$6 million to Latvia, which actually meant legalising the existing situation.²² Matches and match sticks were lost as a serious export item from Latvia's foreign trade list, and in 1936 exports of matches were suspended altogether.²³

Similarly, linoleum in Latvia was produced by the Liepāja branch of the Swedish entrepreneurial family firm of *Wicander (Linoleum Aktiebolaget Forshaga)*, the “Liepāja Cork and Linoleum Factory”, which before the First World War had produced linoleum for the Russian market.²⁴ After the war the factory renewed production, but already in 1922 was subject to the control of an international linoleum cartel based in Britain. However, in 1927, the *Wicander* firm sold its Liepāja branch to another cartel, which was based in Germany. The factory completely ceased production in 1930 and linoleum disappeared from the foreign trade of Latvia.

At the outbreak of the Second World War, the Germans had closed the Danish straits, which are the straits connecting the Baltic Sea to the North Sea through the Kattegat and Skagerrak. Trade with Denmark was minimal as Latvia concentrated on sending goods to Sweden and through Sweden to Norway and then on to the United Kingdom.²⁵ In the period from 01.09.1939 to 31.12.1939 Latvian exports to Sweden totalled 3.37 million lats (5.4 % of total exports during this period) and imports from Sweden totalled 1.84 million lats (3.0 % of total imports during this period).²⁶ For 1940, Latvia imported from Sweden 2835 thousand lats worth of goods and exported to Sweden 14 782 thousand lats worth of goods.²⁷ Sweden was prepared to accept almost any products to replenish its stocks. On the other hand, Swedish exports to Latvia declined as much as from other Scandinavian countries, because at this time it was

²¹ *Ekonomists*, No. 10, 1928, p. 473.

²² *Ekonomists*, No.12, 1928, p. 556.

²³ *The Latvian Economist* (1938), p. 96.

²⁴ See Johansson, A. (1988), pp. 259–262 for a detailed overview of this factory and its fate.

²⁵ For a detailed analysis of this period see Chapter 23 of this Volume.

²⁶ Calculated based on *Strukturbericht über das Ostland*. Teil I: *Ostland in Zahlen* (1942), pp. 57–58 and Mēneša Biļetens Nr. 10, oktobris 1939, pp. 1058–1059, 1083–1087.

²⁷ Calculated based on *Handel berättelse för år 1939* (1941), p. 32 and *Handel berättelse för år 1940* (1942), p. 32.

clear to both the Swedes and the other Scandinavian countries that it was only a matter of time until the USSR finally annexed Latvia and therefore it was not worth exporting goods that could be utilised at home.

Generally, imports exceeded exports throughout the interwar period.

Latvian Exports to Sweden

Latvia's main exports to Sweden were Timber and timber products, Gypsum and gypsum products, Linoleum, Plywood, Flax and flax products, Radios and Paints, inks and paint compounds (See Table 2).

Timber and timber products were a steady and consistent export product to Sweden after an initial large shipment in 1920, reaching a pre-Depression peak in 1928 of 644 thousand lats, and a post-Depression peak in 1936 of 1122 thousand lats. The largest export in terms of volume if not value was gypsum and gypsum products, which really took off in the 1930s and reached a peak in terms of volume and value in 1938. Plywood was a small, but important part of exports in the 1930s, reaching a peak in terms of value in 1938. Paints, inks and paint compounds were a small part of exports, which also became important in the 1930s, reaching a peak in 1932. Flax and flax products was a significant export to Sweden throughout the interwar period, reaching a peak in terms of volume and value in 1939.

Linoleum was a large part of exports to Sweden in the 1920s. As noted above, the linoleum plant was closed in 1930 and the last shipment of linoleum to Sweden was in 1931. Its place was, to a certain extent, being slowly taken up by the export of radios to Sweden in the late 1930s. Latvian-made radios were popular throughout the Nordic region.

Latvia also exported various quantities of potatoes, fish conserves (including "Šprotes")²⁸, meat and other food products, peat, cork, paper and paper products, machinery, bone glues, confectionery and chocolates, and other goods in the interwar period.

Latvian Imports from Sweden

Latvia's main imports from Sweden were Cement, Fire bricks, Machinery (agricultural and industrial), Superphosphate, Field stones, and Metals and metal products (including cast iron, steel, tin, lead and zinc). The amounts and value of Latvia's main imports imported from Sweden in the interwar period are shown in Table 3.

²⁸ "Šprotes" or sprats are close relatives of anchovies, sardines, and herrings. The Latvian style is to smoke and/or preserve them in oil.

Table 2. Latvia's Main Exports to Sweden (1920–1939)

Year	Timber and timber products		Flax and flax products		Gypsum and gypsum products		Linoleum		Plywood		Paints, inks and paint compounds	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1920	5626	250	0	0	0	0	0	0	491	1	0	0
1921	139	4	70	1268	0	0	0	0	0	0	0	0
1922	630	31	199	291	0	0	56	112	0	0	0	0
1923	98	18	85	127	0	0	380	538	0	0	0	0
1924	196	21	27	24	250	2	673	953	0	0	0	0
1925	444	97	52	31	5396	37	562	682	0	0	0	0
1926	1225	210	10	12	7930	73	506	613	0	0	16	15
1927	2329	415	25	35	8961	81	393	620	0	0	58	44
1928	2965	644	50	104	8455	81	382	657	0	0	33	27
1929	1152	214	169	249	12475	117	360	500	28	15	209	175
1930	1082	197	14	15	16587	127	451	618	44	23	206	139
1931	336	24	132	100	11466	98	60	57	62	25	312	195
1932	46	3	30	22	13235	83	0	0	80	26	320	185
1933	137	29	102	90	9315	53	116	25	258	119		
1934	7	Less than 1000 Ls	291	224	20584	110	Less than 1 tonne	2	167	43	295	134
1935	1243	65	245	396	29627	157	Less than 1 tonne	Less than 1000 Ls	229	57	278	108
1936	52030	1122	1046	839	32394	203	0	0	129	33	225	104
1937	23368	1026	590	1044	34225	271	Less than 1 tonne	8	23	12	211	150
1938	1796	159	1265	2120	40756	330	6	55	164	62	262	147
1939*	0	0	2611	4232	37692	317	3	37	0	0	217	143

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks], 1921–1939; *Latvijas ārējā tirdzniecība un transīts – 1924–1939* [Latvian Foreign Trade and Transit, 1924–1939]; *Mēneša Bijetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Table 3. Latvia's Main Imports from Sweden (1920–1939)

Year	Cement		Machinery (agricultural and industrial)		Superphosphate		Fire Bricks		Field stones		Metals and metal products (including cast iron, steel, tin, lead and zinc)	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1920	0	0	668	748	Less than 1 tonne	Less than 1000 Ls	0	0	770	2	0	0
1921	0	0	86	268	0	0	0	0	0	0	63	131
1922	0	0	110	218	1468	155	0	0	0	0	91	112
1923	5183	240	742	1452	11498	904	0	0	0	0	274	421
1924	4304	220	1003	2091	17250	1376	2273	113	0	0	516	635
1925	8674	438	995	2373	33182	2512	1862	105	166	7	761	794
1926	12734	661	1443	2712	19201	1593	3658	193	5051	167	2783	3797
1927	14467	679	1114	1858	16977	1212	2835	184	1317	8	2721	2980
1928	7806	376	1684	2011	13579	927	4514	241	1822	11	3895	3611
1929	6275	283	1903	2761	5047	378	4778	253	3528	155	2116	1053
1930	2018	101	1841	2598	3720	267	3305	177	3094	151	2557	1769
1931	358	13	1150	1780	2380	140	3218	174	189	26	1487	994
1932	0	0	292	416	0	0	2851	121	0	0	5322	604
1933	Less than 1 tonne	Less than 1000 Ls	560	824	53	3	3693	153	0	0	1319	471
1934	Less than 1 tonne	Less than 1000 Ls	643	633	7	Less than 1000 Ls	1160	68	325	25	805	371
1935	2	Less than 1000 Ls	985	967	0	0	693	47	180	11	1059	642
1936	11	2	2038	2019	9898	371	327	19	411	55	1027	675
1937	5025	211	1689	2651	0	0	623	75	648	429	1815	1627
1938	74	13	1118	3358	0	0	467	54	456	60	1355	1063
1939*	63	11	860	1782	0	0	208	21	0	0	414	491

* January-August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks], 1921–1939; *Latvijas ārējā tirdzniecība un transīts – 1924–1939* [Latvian Foreign Trade and Transit, 1924–1939]; *Mēneša Bijetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

In the 1920s, cement was an important import from Sweden, reaching a peak in 1927. In the 1930s, it was a minor import product as Latvia was producing its own cement in sufficient quantities. The large shipment in 1937 was associated with the building of the Ķegums Hydroelectric Power Station. In fact, the relatively large imports from Sweden in the late 1930s are partly due to the construction needs of the Keguma power plant, for which Sweden was the most important investment partner. On 1 August 1936, the Latvian government signed an agreement with the Swedish company *Svenska Entreprenad Aktiebolaget and Aktiebolaget Elektro-Invest* (SENTAB) on the joint construction of the first high-capacity Hydroelectric Power Station (HES) in the Baltic on the Daugava near Ķegums. According to the contract, the Swedish party granted Latvia a credit worth 11 million lats for ten years. Latvia's investment was approximately 30 million lats, which was collected with internal loans.²⁹ The first phase of the Keguma HES was activated on 15 October 1939. A significant and consistent import throughout the interwar period was machinery (agricultural and industrial), reaching a pre-Depression peak in terms of value in 1929 and a post-Depression peak in terms of value in 1938, due to the construction of Keguma HES, where it amounted to 12.9 % of the total import of Latvian industrial machinery.

Superphosphate was also an important import from Sweden in the 1920s, reaching a peak in terms of both volume and value in 1925. As Latvia found other (and cheaper) sources of superphosphate imports declined in the 1930s to almost zero, with an exception in 1936. Fire bricks were an important and consistent import from Sweden throughout the interwar period, reaching a pre-Depression peak in terms of both volume and value in 1929 and a post-Depression peak in 1933. Field stones were a small (in terms of value), but consistent import for much of the interwar period reaching a peak in 1926.

Metals and metal products (including cast iron, steel, tin, lead and zinc) were a significant import from Sweden, reaching a pre-Depression peak in terms of value in 1926 and a post-Depression peak in terms of value in 1937.

Latvia also imported various quantities of grains (wheat, oats), animal fodder, clays and granite, animal fats, coal tar, textiles, paper and paper products, electrical goods, instruments, automobiles and parts, and other goods in the interwar period.

Swedish investments in Latvia 1925–1939

Figure 2 provides an overview of Swedish investments in the interwar period.

From Figure 2, it can be seen that up to 1932 (especially after the agreement with the Swedish Match Trust in 1928) Swedish capital investment increased and then remained unchanged for the rest of the 1930s more or less at 1932 levels. The slight increase in 1936 was probably associated with the Ķegums Hydroelectric Power

²⁹ Johansson, A. (1994), p. 368.

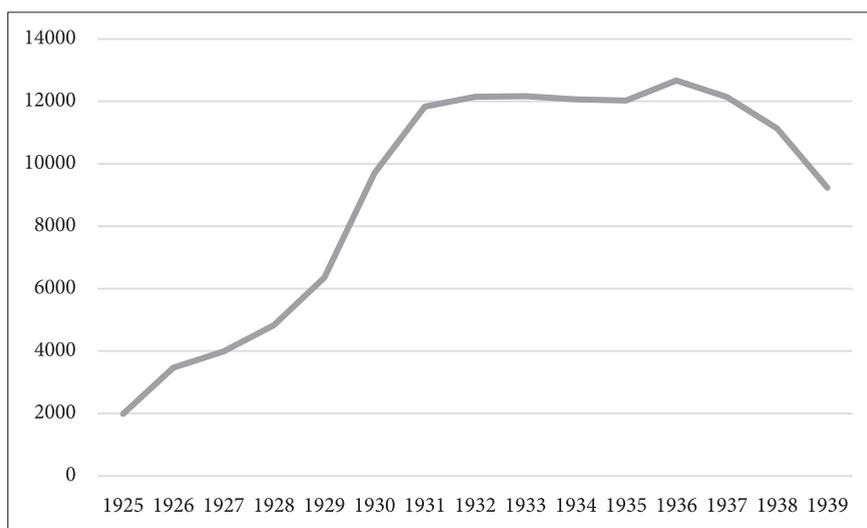


Figure 2. Swedish investments in the Company Capital of Latvian Undertakings (as at 1 January) 1925–1939 (1000 lats)

Sources: *Latvijas statistiskā gada grāmata*. 1929, 1939 [Latvian Statistical Yearbooks 1929, 1939]; Statistikas tabulas [Statistical Tables] 1940

Station. Unlike other foreign investors in Latvia, the Great Depression had little effect on the level of Swedish investment and there was no “flight” of capital. Swedish investments were mainly in linoleum, matches and match stick production.

In May 1941, the Swedish and USSR governments signed an agreement on mutual economic claims in the Baltic States, including Latvia.³⁰ The final official calculation of Swedish economic property (assets) in Latvia, submitted by the Swedish Ministry of Foreign Affairs to the Government of the USSR for compensation due to nationalisation, was as follows:³¹

Table 4. Total assets of Swedish creditors in Latvia, 1941 (million SEK)

Swedish Match	10.9
Svenska Entreprenad AB	12.4
Wingårdh (& associates)	9.9
Wicander	3.6
Skånska Cement	1.1
AGA	0.2
Total	38.1 million SEK

³⁰ Sweden had *de facto* recognised the incorporation of the Baltic States into the USSR in August 1940 and *de iure* on 30 May 1941. See Balodis, A. (1991), pp. 288–290, 344–345 and 407.

³¹ Based on Johansson, A. (1988), pp. 256–258.

Of the companies mentioned in the list by the Swedish Ministry of Foreign Affairs, Swedish Match was related to the chemical industry (matches) and the timber industry (match sticks), *Svenska Entreprenad AB* (Kegums HES), *Wingårdh* – with the chemical industry (superphosphate), *Skånska Cement* – with construction (cement), *Wicander* – with the chemical industry (linoleum) and AGA with the chemical industry (gas and gas appliances).

The Swedish compensation claims for nationalised assets were settled by the USSR basically in 1946, while commercial claims were only settled in 1964. Sweden only received around 11 million SEK from the USSR for nationalised properties and 60,000 SEK on commercial claims.³²

Conclusion

In the interwar years, Latvian and Swedish economic relations was mainly confined to foreign trade and investment although other forms of economic relations such as tourism were also important. Nevertheless, despite geographical proximity and the advantage of shorter sea routes than to Britain, the fact of similar major export products (especially agricultural products) made significant inter-regional trade between Latvia and Sweden unsuccessful.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Sweden made up 1.0 % of total Latvian exports, and Swedish imports made up 2.68 % of total Latvian imports. However, in 1937, when Latvian foreign trade reached its post-Depression peak, exports to Sweden were only 1.2 % of total Latvian exports, and imports from Sweden were 3.6 % of total Latvian imports. One suspects that the figures from the point of view of Sweden 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 2020, Latvian exports to Sweden totalled 1319.7 million EUR or 7.5 % of total Latvian exports (mainly metals and metal products, machinery and electrical goods, various industrial products, timber, and timber products). Whilst imports from Sweden totalled 611.2 million EUR or 3.5 % of total Latvian imports (mainly machinery and electrical goods, vehicles, paper and paper products, and metals and metal products). At the end of 2020, total Swedish FDI in Latvia was 2.7 billion EUR, whilst total Latvian FDI in Sweden was 12 million EUR. There were some 589 Swedish companies registered in Latvia in 2020 (service, banking, manufacturing, and other industries) with a total invested equity capital of 1.2 billion EUR.³³ Unlike the interwar period, Latvian exports to Sweden exceed imports from Sweden.

³² Kangeris, K. (1998), pp. 208–209.

³³ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/dynamic_content_files/2021.03_LV_Zviedrija_ekon_sad.pdf#overlay-context=latvijas-ekonomiska-sadarbiba-ar-zviedriju [Accessed 01.05.2021]

Japan

Introduction

Although currently Latvia and Japan enjoy close and friendly relations and engage in active political cooperation; economic ties develop in a dynamic way and there is excellent co-operation in culture and education; for most Japanese Latvia was *terra incognita* until the early 20th century. However, Latvians had knowledge of Japan at least since the middle of the 19th century, mainly through travellers' tales, missionary reports and translations from English and Russian newspapers.¹ Japan nevertheless was an exotic land somewhere in the Far East, which only a few Latvian sailors had ever visited.

For Latvians, Japan came into close focus during the Japanese-Russian War of 1905, in which many Latvian officers and men fought in the Tsarist Russian army against Japan. Several subsequent Latvian army generals, including the first commander of the Latvian army, David Šimansons; the second commander and later Minister of War, Jānis Balodis; and the Inspector General of the Latvian Legion, Rudolfs Bangerskis, as well as many other officers and soldiers of the Latvian army participated in the war. In addition, a Latvian Prime Minister, Hugo Celmiņš and Latvia's second President, Gustavs Zemgals were also veterans of the Japanese-Russian War.²

Japan was one of four countries (including Great Britain, Germany, Haiti, Japan), which recognised the Latvian government *de facto* before the Versailles peace agreement.³ On 10 January 1919, Japan's ambassador to the UK, Viscount Sutei Chinda, announced the Japanese government's decision to recognise the Latvian People's Council as "a *de facto* independent body pending the final settlement at the forthcoming Peace Conference".⁴ In this Japan followed the lead given by the United Kingdom.

During the Russian civil war, in autumn 1918, the nationally minded Latvians in Siberia created Latvian military formations: the Troickas and Imanta regiments. The Japanese role in the Allied intervention in Siberia was amongst other things to safe-guard the Amur Railway. During this time the tragic "Bochkareva incident" took place. On 15 March 1919, 32 Latvian volunteers on their way to join the Imanta regiment were executed by Japanese forces near Bochkareva railway station.⁵ The Japanese had received false information that these men were Bolsheviks.

¹ For example, Latvian newspapers reported on the Meiji Restoration (e.g. *Mājas Viesis*, No. 14, 1868, p. 108).

² See Katajs, E. (1994), p. 57.

³ Feldmanis, I. (2001), p. 36.

⁴ Cited by Shima, S. (2005), pp. 89–96. [English version]

⁵ See Krasnais, V. (1938) reprint 1980, p. 337.

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

	Latvia	Japan
Population (millions)	2 (1939)	73.1 (1940)
Share of urban population (%)	34.6 (1935)	50.1 (1940)
Share of agriculture in the labour force (%)	67.8 (1935)	50.3 (1930)
National Income (millions Ls)	1256 (1938)	51315 (1940)*
National Income per capita (Ls)	628 (1938)	702 (1940)
Share of Agriculture in NI (%)	39.2 (1938)	15.9 (1939)
Share of Manufacturing in NI (%)	20.5 (1938)	41.3 (1939)

* Conversion of 1940 US dollars to Latvian Lats

Sources: POPULATION OF JAPAN (Final Report of The 2000 Population Census), Statistics Bureau; *Economic Survey of Asia and the Far East, 1947* (1948), Shanghai: United Nations, pp. 15, 18, 30, 32; Darbiņš, A. & Vītiņš, V. (1947), *Latvija: Statistisks pārskats* [Latvia: A Statistical Overview], pp. 7, 18, 69; *Ekonomists* [The Economist], 1934, No. 22, 30.11.1934, p. 816

The Japanese Government later apologised for the misunderstanding and promised to erect a memorial for the men at Bochkareva and to pay compensation⁶ (eventually compensation to the value of 172 800 Yen⁷ was paid to their families).

Japan recognised Latvia *de iure* on 26 January 1921 together with the other large powers⁸ although a formal notification of the recognition was sent on 8 March 1921.⁹

As can be seen from Table 1, Latvia's share of urban population was almost 16 % less than that of Japan and the share of agriculture in the labour force in Latvia was higher (about 17 %). National Income per capita was only slightly higher in Japan than in Latvia (about 10 % higher); however the share of agriculture in NI was over twice as high in Latvia than in Japan. Moreover, Latvia's share of manufacturing in NI was two times less than in Japan. Thus, while Latvia had for all intents and purposes an agricultural economy, Japan was an industrialised economy.

Role of Latvian honorary consuls in Japan

Latvia had a number of honorary consuls in Japan.¹⁰ Thus, although formal *de iure* recognition of Latvia by the Japanese Government occurred in 1921, from 1919 to 1920, Jānis Ozoliņš, a Latvian resident of Kobe, Japan operated as an honorary consular

⁶ See Krasnais, V. (1938) reprint 1980, p. 337.

⁷ See Buks, A., Bočkarevas incidents latviešu un krievu virsnieku ziņojumos [Bochkareva Incident in the Reports of Latvian and Russian Officers] At the 1920 exchange rate this was worth some 87 000 US dollars or over 214 000 lats.

⁸ Feldmanis, I. (2001), pp. 41–42.

⁹ LVVA, 2570. f. 3. apr., 1148. l., 35. lp.

¹⁰ Jēkabsons, Ē. & Ščerbinskis, V. (eds.) (2003), p. 375.

agent, firstly unofficially, but from May 1920 officially.¹¹ Ozoliņš taught English literature and aesthetic subjects at Kvansei Gakuin University, Kobe. He informed the Latvian Government on Japanese politics, the economy, tried to build trade links between the two countries,¹² assisted in the issue of the evacuation of Siberian Latvians, and took part in the discussions regarding the opening a Latvian Legation in Japan. In June 1920, he provided a comprehensive analysis of Japan's trade with Germany¹³, which he used to illustrate the possible areas in which Latvian trade with Japan could also benefit. His report included lists of goods in German, English and Japanese and he pointed out that linseed oil and pig bristles as products which, in the first instance, Latvian goods could substitute for German goods.¹⁴ He returned to Latvia in 1921.¹⁵

From May 1926 to August 1940, the honorary consul in Tokyo was an Englishman, Hans Hunter. Hunter was a businessman (Hunter financial combine) and is still remembered as the founder of the Tokyo Angling and Country Club at Nikko.¹⁶ He had a Latvian deputy consul, B. Janekalns. In 1927, Janekalns provided a full report on the economic, financial and commercial situation in Japan from 1912 to 1926.¹⁷ It included suggestions regarding what Latvia could export to Japan (canned goods, liquor, paper, pulp and plywood, and amber).¹⁸ The consulate also had advice for Latvian merchants who wish to trade with Japan, i.e. that they should place agencies with the larger Japanese firms such as Mitsubishi, Mitsui, Okura and others, which control the market in Japan and are old established firms, as well as a warning regarding high tariffs in Japan.¹⁹

For a few months in 1938 until his death, a Dutch national, Johannes Willem Bode, served as Latvian honorary consul in Yokohama.²⁰

Latvia's Economic Relations with Japan 1918–1940

In general, in the interwar period, Latvian and Japanese economic relations were confined to foreign trade and transit. There is no record of Latvian investments in Japan or of Japanese investments in Latvia. However, there is a record of a Japanese national,

¹¹ LVVA, 2574. f., 2. apr., 11. l., 35. lp.

¹² LVVA, 2574. f., 2. apr., 64. l., 29.–30. lp.

¹³ Ozoliņš, J. (1920)

¹⁴ *Ibid.*, p. 1.

¹⁵ For a fuller description of the life and times of Jānis Ozoliņš see Karablina, T. (2008), pp. 15–22, as well as in Shima, S. (2005).

¹⁶ Sotah, M. (1999)

¹⁷ LVVA, 2574. f., 2. apr., 4425. l., 19.–41. lp.

¹⁸ LVVA, 2574. f., 2. apr., 4425. l., 40. lp.

¹⁹ LVVA, 2574. f., 2. apr., 4425. l., 11. lp.

²⁰ *Jaunākās Ziņas*, No. 173, 04.08.1938.

Kisaburo Jokoi, who from 1928 owned and operated a shop selling Japanese products and toys in Rīga.²¹

On 4 July 1925, Latvia signed a provisional Trade and Navigation Treaty with Japan.²² Negotiations continued in Berlin during 1927 and an additional Protocol was signed 7 April 1927.²³ The whole treaty was ratified by the Latvian Parliament (*Saeima*) on 3 June 1927 and came into force on 3 September 1928.²⁴ The Treaty was similar to an earlier treaty that Latvia signed with Great Britain (22.6.1923). The Treaty with Japan provided generally for Most Favoured Nation (MFN) treatment for both parties and as with other treaties signed by Latvia to that date it contained the Baltic and Russian clause. Reciprocally, there was a similar provision for agreements between Japan and the Soviet Union or China (Article 25). This Treaty was in operation for the whole of the interwar period.

Latvian-Japanese Trade 1922–1939

Prior to the signing of the Treaty there were only some minimal imports up to 1924. Latvian trade with Japan took off in 1925 and continued until the outbreak of WWII. The value of Latvian imports and exports to Japan can be seen in Figure 1.

Imports increased at fairly low levels up to 1929 and reached their peak in 1930. They fell sharply with the Great Depression, but recovered by 1933 and in 1936 reached their highest value – over 400 thousand lats. Exports, on the other hand, were greater than imports up to 1929 with a peak in 1928. They fell with Great Depression and never really recovered, reaching a low peak in 1937 with a value of over 33 thousand lats. Generally, exports exceeded imports only in the 1920s; for the 1930s imports greatly exceeded exports.

For its exports to and imports from Japan Latvia relied mainly on Japanese shipping through Hamburg, Germany. Although there were discussions regarding the extension of Japanese shipping to Rīga, the idea never came to fruition.²⁵ The utilisation of the overland route by railway through Siberia was little used for the export of Latvian goods to and import of goods from Japan.²⁶

This was despite the fact that following the end of the Russian Civil War there were fairly large colonies of Latvians in China, especially Manchuria (*Manchukuo* after

²¹ *Valdības Vēstnesis* [Government Gazette], No. 94, 26. 04. 1935, p. 9.

²² Munter, W. N. (1928), p. 138, 151.

²³ *Valdības Vēstnesis* [Government Gazette], No. 194, 29. 08. 1928, p. 1.

²⁴ Likumu un ministru kabineta noteikumu krājums [Codification of Laws and Cabinet Regulations], 15. burtnīca, 30.06.1927, pp. 507–515; *Valdības Vēstnesis*, No. 194, 29. 08. 1928, p. 1.

²⁵ *Ekonomists*, No. 5, 15.03.1934, p. 179.

²⁶ See section on Transit below.

1931).²⁷ In 1920 there were some 2500 Latvians in Manchuria, which had been reduced to 351 by 1935 and most of whom lived in Harbin.²⁸ Nevertheless, they were very active and had even established a Latvian Chamber of Commerce, which actively sought to interest Latvian manufacturers in exporting to Manchukuo after the Japanese occupation in 1931.²⁹ Although very small lots of *Šprotes* (sprats)³⁰ and other fish conserves and rubber galoshes were exported (presumably via the railway link), Latvian exports to Manchukuo were insignificant. Interestingly, the only recorded import from Manchukuo was 2091 tons of Soya beans worth 47 700 lats in 1939, which came by Japanese shipping to Hamburg and then on to Latvia.³¹

Latvia also participated in a Nordic Trade and Industry exhibition held in Osaka from 1–21 October 1937.³²

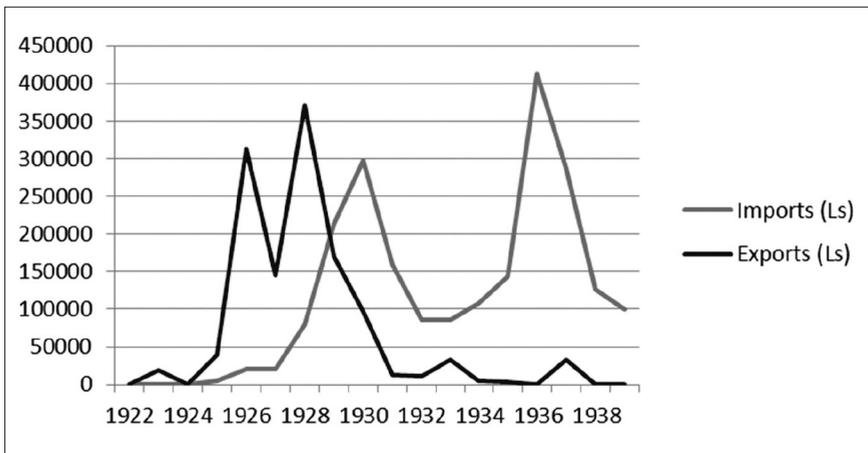


Figure 1. Latvia-Japan Imports and Exports 1922–1939³³

Sources: *Latvijas statistiskā gada grāmata 1923* [Latvian Statistical Year Book 1923] Rīga: Valsts statistiskā pārvalde; *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

²⁷ See Krasnais, V. (1938), pp. 258–367.

²⁸ *Ibid.*, pp. 358–359.

²⁹ See *Dzimtenes Atskaņas*, No. 4, 01.10.1939, pp. 21–24.

³⁰ Sprats are close relatives of anchovies, sardines and herrings. The Latvian style is to smoke and/or preserve them in oil.

³¹ *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1063.

³² *Kurzemes Vārds*, No. 165, 25.07.1937, p. 4.

³³ Latvia, following the practice of other nations, stopped publishing data regarding foreign trade after the commencement of WWII. See *Economists*, No. 4, 1940, p. 231. The data for 1939 is for eight months only – to 31 August 1939.

Latvian Exports to Japan

Latvia's main export to Japan was paper and paper products (See Table 2).

Table 2 Latvia's Main Exports to Japan

Year	Paper and paper products		Šprotes and other fish conserves	
	kg	Value (Ls)	kg	Value (Ls)
1923	23588	11115	0	0
1924	0	0	0	0
1925	79354	38943	0	0
1926	574502	313403	106	522
1927	267018	141540	2135	2927
1928	589434	366323	366	691
1929	293048	165418	2790	3382
1930	165145	86639	0	0
1931	20644	12357	0	0
1932	11585	3829	0	0
1933	43190	15026	2526	3028
1934	22082	4921	297	280
1935	5436	1022	2616	2235
1936	0	0	314	664
1937	30000	7223	0	0
1938	0	0	0	0
1939	0	0	0	0

Sources: *Latvijas statistiskā 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; and *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], pp. 1060–1081

The export of paper and paper products reached their peak in 1928. They fell dramatically with the onset of the Great Depression and never really recovered. Latvia's other main export to Japan was the famous Latvian canned fish export – Šprotes and other fish conserves, which continued intermittently throughout the interwar period.

Latvian imports from Japan

Latvia's main imports from Japan were chemical and pharmaceuticals; agar; food products (mainly rice and spices); fats and oils, soya beans and haberdashery (including buttons and pearls). The amounts and value of Latvia's main imports imported from Japan in the interwar period are shown in Table 3.

Table 3 Latvia's Main Imports from Japan

Year	Chemicals and Pharmaceuticals		Agar		Food products (mainly rice and spices)		Fats and oils (industrial, vegetable and animal) etc.		Soya beans		Haberdashery (including buttons and pearls)	
	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)
1924	1	50	0	0	0	0	0	0	0	0	1	300
1925	78	335	0	0	0	0	0	0	0	0	22	3832
1926	2104	9416	0	0	0	0	20	103	0	0	189	8161
1927	3063	14277	0	0	0	0	462	2507	0	0	92	3959
1928	4436	15268	838	11138	1193	2628	22783	17549	0	0	330	6231
1929	3876	15502	5880	63473	3550	5681	78140	91241	0	0	869	12694
1930	5812	19797	2655	28406	4827	6654	188711	159123	0	0	2171	24917
1931	2877	11778	2823	29634	59429	17629	82408	66791	1041	333	1037	14708
1932	934	4792	4319	30175	36114	10688	7370	22141	992	218	528	7243
1933	2831	14306	2929	9356	84864	17331	22826	31225	0	0	459	4468
1934	808	1964	1855	5735	36481	8550	30200	21534	499639	54090	823	7115
1935	3154	5501	4454	21372	18867	5713	19496	21196	504080	57551	999	11530
1936	833	1375	4965	25582	19566	8774	17449	30131	1999572	270203	3316	43336
1937	980	6612	2494	20384	2442	5497	16814	44505	345350	90969	4919	68820
1938	444	6130	4057	30914	8822	25794	277	417	0	0	1556	35462
1939	0	0	0	0	0	0	...	6000	0	0	1000	28000

Sources: *Latvijas ārējā tirdzniecība un transits – 1924–1939* [Latvian Foreign Trade and Transit. 1924–1939] Rīga: Valsts statistiskā pārvalde; and *Mēneša Bijetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], pp. 1060–1081

Most Latvian imports from Japan commenced in 1924 although some imports of textiles and books, as well as various manufactures had commenced as early as 1922.

The main import in terms of volume was fats and oils, which reached their peak in terms of volume and value in 1930. Imports of chemicals and pharmaceuticals fluctuated throughout the period, reaching a peak in terms of both volume and value also in 1930. Agar was an important import product and reached its peak in terms of both volume and value in 1929. Food products (mainly rice and spices) were also important import items in the 1930s, reaching a peak in terms of volume in 1933 and in terms of value in 1938. Soya beans became an important import product in 1930s reaching a peak in terms of both volume and value in 1936. Haberdashery imports especially buttons and pearls were small but steady import items for the whole of the interwar period, reaching a peak in terms of both volume and value in 1937.

During the interwar period Latvia imported a whole range of Japanese goods in small quantities including toiletries, textiles, glassware, precision instruments, toys, silk and silk thread, paper products, etc.

Transit

Historically, Latvia has been a transit point for both north-south and east-west trade flows. In particular, during the interwar period, Latvian railways linked Latvia with Russia, connecting the country to destinations as far as the Russian Far East, and thus providing opportunities for trade connections with Japan.

The groundwork for a transit trade route from Japan to Latvia and then on to Western Europe was laid in the 1920s. In 1927, a Convention regarding a direct passenger and luggage traffic Europe-Asia through Siberia came into force.³⁴ This route was Vladivostok-Paris-Ostend-Calais through Khabarovsk, Moscow, Rīga and Berlin. Direct traffic from Vladivostok to Japan was maintained by the “Osaka-Chosun (Korea)-Kyushu” shipping company.³⁵

From 1 October 1931, a direct goods traffic railway link existed between Germany, Lithuania, Latvia, Estonia, China and Japan through Siberia, which operated up to 1940.³⁶ From the beginning of WWII when Germany closed the Baltic Sea to Latvian exports and imports, this railway link was seen as a possible route for Latvian trade both with the Far East and the USA.³⁷ However, the link was not utilised either before or during WWII.

³⁴ *Valdības Vēstnesis* [Government Gazette], No. 216, 27.09.1927, pp. 1–4.

³⁵ *Ekonomists*, No. 15/16, 01.08.1926, p. 636.

³⁶ *Ekonomists*, No. 8, 15.04.1940, pp. 547–549.

³⁷ *Ibid.*, p. 549.

The opening of a goods traffic railway link is reflected in the large increase in transit goods flows from Japan through Latvia in the 1930s (see Figure 2).

As can be seen in Figure 2, the vast majority of transit flow was from Japan with minimal transit to Japan. Most of the goods were bound for Germany and included wooden articles, chemical products, textiles, paper products, ceramics and electric motors. There was also a minimal amount of transit goods from Japan to Estonia and Lithuania (chemical products, toys and textiles).³⁸

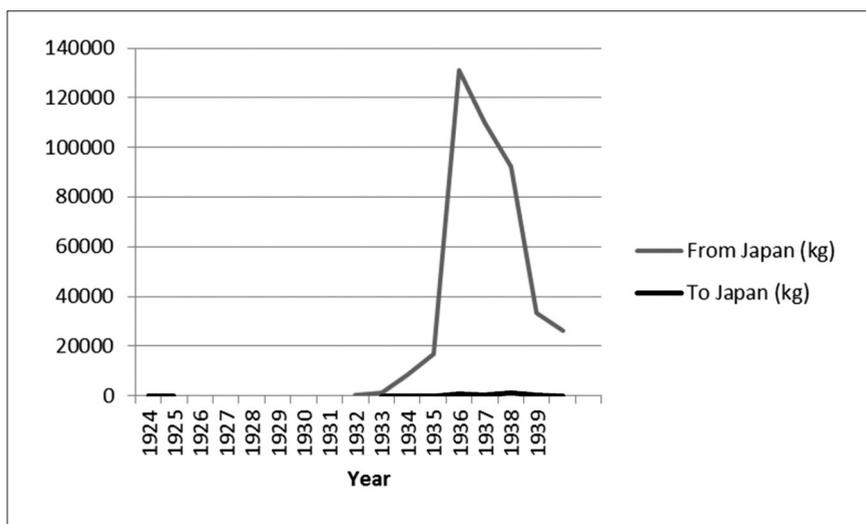


Figure 2. Transit Goods Flows from and to Japan through Latvia

Source: *Latvijas ārējā tirdzniecība un transits – 1924–1939* [Latvian Foreign Trade and Transit. 1924–1939] Rīga: Valsts statistiskā pārvalde

Conclusion

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Japan made up only 0.1 % of total Latvian exports, and Japanese imports made up 0.1 % of total Latvian imports. Similarly in 1938, when Latvian foreign trade reached its post-Depression peak, exports to Japan barely registered in the total of Latvian exports, and imports from Japan were only 0.1 % of total Latvian imports. One suspects that the figures from the Japanese point of view would be similar or even less. In other words, trade and thus economic relations were of marginal significance to both countries in the interwar period.

³⁸ *Ekonomists*, No. 24, 31.12.1933, p. 925.

It is interesting to note that in 2020, Latvian exports to Japan totalled 50.7 million EUR or 0.3 % of total Latvian exports (mainly timber and timber products, optical devices and apparatus, mineral products) whilst imports from Japan totalled 30.7 million EUR or 0.2 % of total Latvian imports (mainly machines, machinery; electrical equipment, articles of plastics and rubber, vehicles). Although there were no registered Latvian companies operating in Japan (there were also none in the interwar period); in 2020, some 7 Japanese companies were registered in the Latvian Enterprise Register with a total investment of 1.9 million EUR.³⁹

Revised version of the paper published as 'Latvian-Japanese Economic Relations 1918–1940', in Humanities and Social Sciences Latvia, Vol. 24, Issue 1 (Spring–Summer 2016), pp. 38–50.

³⁹ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/dynamic_content_files/2021.03_LV_Japana_ekon_sad.pdf [Accessed 02.05.2021]

Brazil

Introduction

Latvians had been immigrating to Brazil since the early 1890's. They were people who hoped to find land for farming, as well as a more prosperous and freer life in the country. The first group of Latvian immigrants (25 families) arrived in Brazil in 1890 under the leadership of a then idealistic young Karlis Balodis.¹ Despite the more or less failure of this first attempt, Latvians continued to emigrate to Brazil. Most of the immigrants up to WWII were Latvian Baptists, who established farming colonies and Baptist congregations in many areas in Southern Brazil (in the states of Santa Catarina, Paraná, São Paulo, and Rio Grande Do Sul). The Latvian immigrants had varied success, some were able to acclimatise to the unfamiliar circumstances and became wealthy, others didn't do so well.² A number of the immigrants didn't stay in the colonies, but settled in the large cities (particularly in São Paulo, the most populous city in Brazil). By the end of the 1930s some 8000 Latvians had settled in Brazil.³

Latvia was recognised *de iure* by Western Europe on 26 January 1921. Brazil recognised Latvia *de iure* on 05 December 1921.⁴ Neither Latvia nor Brazil had official Legations in each other's countries. Nevertheless, Latvia had an honorary general-consul in Rio de Janeiro from 1930 to 1935 (when the general-consul for Brazil, Pēteris Oliņš (a career diplomat), was transferred to Argentina, where he was responsible for both Argentina and Brazil. There was also an honorary consul, Johan Gustaf Stål, in São Paulo from 1932 to 1968.

Brazil had an honorary consul in Rīga from 1922 to 1927, Alfrēds Dinbergs a public servant (he worked for Latvian Railways) and politician (he was elected to the 4th Saeima).

¹ Kārlis Balodis (June 20, 1864 – January 13, 1931) was a notable Latvian economist, University professor, financier, statistician and demographer. Most notably, he was the author of civilian rationing, which was first used in Germany during the First World War and which was subsequently taken up by other nations. His attempts at colonisation failed and he returned to Germany to continue his studies at Jena University (for a detailed account of his Brazilian episode see Balabkins, N. & Šņeps, M. (1993), pp. 34–40).

² For detailed examination of one such more or less successful Latvian colony – Varpa, see Augelli, J. P. (1958), pp. 365–387.

³ Krasnais, V. (1938), p. 451.

⁴ LVVA, 2570. f. 3. apr., 1148. l, 106. lp.

Table 1. Selected economic indicators for Latvia and Brazil in the interwar period

	Latvia	Brazil
Population (millions)	2 (1939)	40.3 (1939)
Share of urban population (%)	34.6 (1935)	15 (1940)
Share of agriculture in the labour force (%)	67.8 (1935)	65 (1940)
GDP* per capita	4048 (1938)	1263 (1939)
Share of Agriculture in NI (%)	39.2 (1938)	32.7 (1930-1945 average)
Share of Manufacturing in NI (%)	20.5 (1938)	24.7 (1930-1945 average)

* GDP measured in 1990 International Geary-Khamis dollars

Sources: The Development of Brazil: Report of the Joint Brazil-United States Economic Development Commission (1954); Wagner, F. E. & Ward, J. O. (1980); Madison, A. (2003); Gómez-León, M. (2015); Darbiņš, A. & Vītiņš, V. (1947)

As can be seen from Table 1, despite the large difference in population, Latvia's share of urban population was nearly twice that of Brazil in the interwar period. The share of agriculture in the labour force was more or less similar to that of Brazil, but GDP per capita in Latvia was over three times larger than in Brazil. Latvia's share of manufacturing in NI was slightly less (4 %) than that of Brazil, whilst Latvia's share of agriculture in NI was some 7 % higher than Brazil. Nevertheless, Latvia was classified by the League of Nations as a "less industrialised" country, whilst Brazil was seen as a country "lagging in industrial development".⁵

Latvian-Brazilian Economic Relations 1922–1939

In the interwar years, Latvian and Brazilian economic relations were mainly confined to foreign trade. Although as early as 1920, Latvians in Brazil were writing to Latvia regarding the opportunities for trade – cotton, tobacco, raw rubber, cane sugar and other products⁶, direct Latvian-Brazilian trade commenced in 1922.

Latvia's foreign trade in relation to Brazil was finally regulated by an exchange of notes between the Brazilian and Latvian governments constituting a commercial agreement⁷ in Paris on 21 September 1932,⁸ and came into force on 07 January 1933. It was initially for three years and on the expiry of the three year period would remain

⁵ Industrialisation and Foreign Trade (1945), pp. 26–27.

⁶ *Baltijas Vēstnesis*, No. 44 (23.02.1920), p. 4.

⁷ League of Nations, Treaty Series, Vol. CXXXVII, 1933, pp. 61–68.

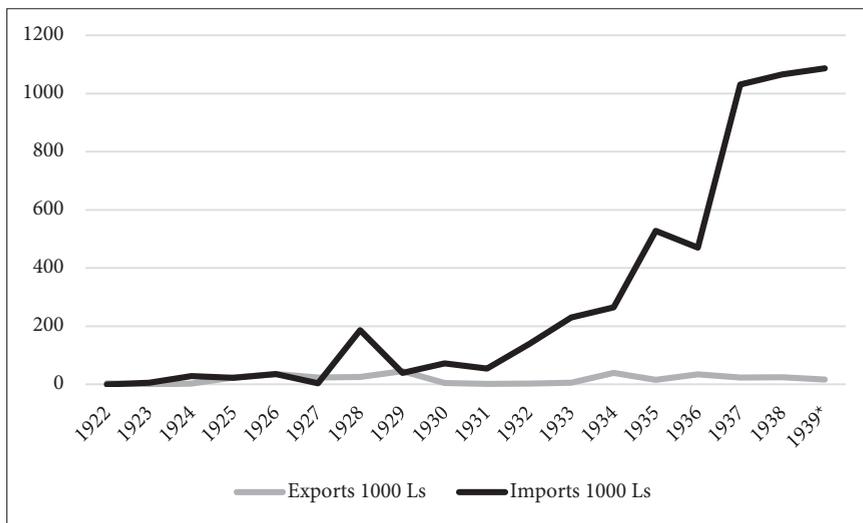
⁸ This was apparently the "normal" method by which Brazil entered into trade agreements. The exchange was between the Brazilian Embassy and the Latvian Legation in Paris, France.

in force by tacit consent until it had been denounced by either party. The commercial agreement contained the MFN principle, as well as the Baltic and Russian clause, but no reciprocal clause for Brazil.

There was no Latvian direct foreign investment in Brazil (apart from the funds that the Latvian immigrants brought with them and their contribution to the Brazilian economy through their farms). On the other hand, in the period 1926–1928, there was Brazilian investment in the Latvian food processing industry of some 16000 lats.⁹ This had disappeared by 1929 and there were no further Brazilian investments in Latvia for the rest of the interwar period.

Latvian-Brazilian Trade 1922–1939

The value of Latvian imports from and exports to Brazil can be seen in the Figure 1.



* The data for 1939 is for eight months only – to 31 August 1939.

Figure 1. Latvia-Brazil Imports and Exports 1922-1939

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks]. 1921–1939; *Latvijas ārējā tirdzniecība un transits – 1922–1939* [Latvian Foreign Trade and Transit. 1922–1939]; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939].

As Figure 1 shows exports to Brazil in the interwar period were very low, reaching a pre-Depression high in 1929 of some 46 thousand lats. Exports fell dramatically with

⁹ *Latvijas statistiskā gada grāmata*, 1930, p. 290.

Great Depression, although they recovered the fairly low level of the 1920s, reaching a post-Depression high of some 40 thousand lats in 1934. Imports, on the other hand, remained very low in the early 1920s, but increased rapidly with a pre-Depression peak in 1928 and a value of 187 thousand lats. Imports also fell with Great Depression, although they recovered fairly quickly, starting to rise from 1932 and reaching their peak in the first eight months of 1939 and a value of 1087 thousand lats. It seems possible that the 1932 commerce agreement stimulated imports from Brazil, but had little effect on exports. Generally, imports substantially exceeded exports throughout the interwar period, especially in the 1930s.

Latvian Exports to Brazil

Latvia's main exports to Brazil were Fish and Fish conserves (including "Šprotes"¹⁰), Plywood, Paper and paper products, Rubber goods, and Linoleum (See Table 2).

The most important Latvian export to Brazil in the interwar period both in terms of volume and value was paper and paper products. Paper and paper products exports reached an early peak in 1929. The post-Depression peak in terms of volume and value was in 1935. Plywood exports began in 1935, but disappeared after 1936. Rubber product exports were also a small, but fluctuating part of exports throughout the interwar period.

A small, but consistent export to Brazil was fish and fish conserves (including "Šprotes", with a pre-Depression peak in 1926 and a post-Depression peak in 1938. Linoleum was an important export to Brazil in the 1920s. Linoleum in Latvia was produced by the Liepāja branch of the Swedish entrepreneurial family firm of Wicander (*Linoleum Aktiebolaget Forshaga*). As noted in Chapter Eight of this Volume, the factory completely ceased production in 1930 and linoleum disappeared from the foreign trade of Latvia and from exports to Brazil.

Latvia also exported to Brazil small quantities of pig bristles, liquors etc (especially vodka), mushroom and cucumber conserves, jams and marmalades, potatoes, cellulose, books, and toys.

There were a number of attempts to interest Latvian exporters to export to Brazil in the interwar period both from the Latvian consuls in Brazil and from the Government, but to little avail. The most important attempt was a long article on the Brazilian economy and Latvian export possibilities in the journal published by the Ministry of Finance, *Ekonomists*, in 1934.¹¹ The article suggested that apart from the need of

¹⁰ "Šprotes" or sprats are close relatives of anchovies, sardines, and herrings. The Latvian style is to smoke and/or preserve them in oil.

¹¹ *Ekonomists*, No. 21 (15.11.1934), pp. 759–763.

Table 2. Latvia's Main Exports to Brazil (1924–1939)

Year	Rubber goods		Paper and paper products		Linoleum		Fish and Fish conserves (including "Šprotes")	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1924	Less than 1 tonne	3	0	0	0	0	0	0
1925	1	16	Less than 1 tonne	2	4	5	0	0
1926	0	0	0	0	17	28	4	8
1927	0	0	0	0	12	21	Less than 1 tonne	2
1928	0	0	21	15	6	10	0	0
1929	0	0	52	32	9	11	Less than 1 tonne	1
1930	Less than 1 tonne	Less than 1000 Ls	6	3	0	0	Less than 1 tonne	1
1931	0	0	Less than 1 tonne	2	0	0	Less than 1 tonne	Less than 1000 Ls
1932	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	2	2
1933	0	0	9	3	Plywood		3	3
1934	0	0	2	2	0	0	2	2
1935	0	0	24	7	50	7	1	1
1936	0	0	8	4	150	28	2	4
1937	2	7	22	8	0	0	4	9
1938	1	5	0	0	0	0	6	14
1939*	0	0	0	0	0	0	0	0

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks]. 1921–1939; *Latvijas ārējā tirdzniecība un transits – 1922–1939* [Latvian Foreign Trade and Transit. 1922–1939]; *Mēneša Bijetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Latvian exporters to be more competitive, they would also need to find trading partners in Brazil or failing that, establish branches of their own firms in Brazil. Unfortunately, the geographic distance to Brazil and irregular shipping were enough to deter increasing exports to Brazil.

Latvian Imports from Brazil

Latvia's main imports from Brazil were Coffee and cocoa, Wool and cotton, Rubber, Furs and hides, Tobacco and tobacco products, and Carnauba (plant) wax. The amounts and value of Latvia's main imports imported from Brazil in the interwar period are shown in Table 3.

Table 3. Latvia's Main Imports from Brazil 1923-1939

Year	Coffee and cocoa		Wool and cotton		Rubber		Furs and hides		Tobacco and tobacco products		Carnauba (plant) wax	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1923	1	3	0	0	0	0	1	3	0	0	0	0
1924	Less than 1 tonne	Less than 1000 Ls	0	0	0	0	0	0	0	0	0	0
1925	16	23	0	0	0	0	0	0	0	0	0	0
1926	14	30	1	6	0	0	0	0	0	0	0	0
1927	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	3	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	0	0
1928	8	18	0	0	9	19	55	16	0	0	Less than 1 tonne	Less than 1000 Ls
1929	8	18	0	0	3	6	5	11	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	2
1930	14	21	0	0	6	9	24	34	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	Less than 1000 Ls
1931	10	10	0	0	16	26	2	3	0	0		
1932	15	12	0	0	5	3	137	113	0	0	Less than 1 tonne	2
1933	222	152	Less than 1 tonne	2	25	22	63	38	1	2	3	5
1934	177	100	95	108	10	11	25	25	9	7	3	4
1935	177	79	54	59	Less than 1 tonne	Less than 1000 Ls	472	377	13	10	1	3
1936	193	121	0	0	8	14	288	304	16	13	2	6
1937	132	156	256	406	4	11	189	403	25	28	2	8
1938	308	273	329	415	0	0	124	224	23	26	Less than 1 tonne	1
1939*	136	104	378	511	0	0	297	448	0	0	1	4

* January-August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks], 1921-1939; *Latvijas ārējā tirdzniecība un transitis - 1922-1939* [Latvian Foreign Trade and Transit, 1922-1939]; *Mēneša Bijetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Latvia's most important and consistent import from Brazil was coffee and cocoa. Although the quantities imported in 1920s were small, imports of coffee and cocoa increased dramatically after the signing of the 1932 commerce agreement, reaching a peak in 1938 with a value of 273 thousand lats. The other more or less consistent import during the interwar period was furs and hides. They also increase substantially during the 1930s with a peak in the eight months of 1939 and a value of 448 thousand lats.

Wool and cotton became a significant import in the 1930s, also reaching a peak in the eight months of 1939 and a value of 511 thousand lats. Tobacco and tobacco products were a small, but steady import in the 1930s, reaching a peak in 1937 and a value of 28 thousand lats. Another small, but steady import during the 1930s was Carnauba (plant) wax. Rubber was a small and intermittent import during the interwar years, reaching a peak in 1936 with a value of 14 thousand lats.

Latvia also imported from Brazil small quantities of fruits (oranges and bananas), medicinal plants, wheat bran, books, and jute sacks.

Conclusion

In the interwar years, Latvian and Brazilian economic relations were almost exclusively confined to foreign trade. In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Brazil made up 0.02 % of total Latvian exports, and Brazilian imports made up 0.01 % of total Latvian imports. Similarly, in 1937, when Latvian foreign trade reached its post-Depression peak, Latvian imports from Brazil made up 0.4 % of total Latvian imports and Latvian exports to Brazil were a negligible part of total Latvian exports. One suspects that the figures from the point of view of South Africa 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 2019, Latvian exports to Brazil totalled 12.2 million EUR (mainly machines, mechanisms, and electrical equipment, mineral products, and vehicles). Whilst imports from Brazil totalled 11.6 million EUR (mainly weapons and ammunition, plant products, and machines, mechanisms, and electrical equipment). Unlike the interwar period, Latvia has a positive trade balance with Brazil. Again, unlike the interwar period there are minor Latvian investments in Brazil (totalling some 1 million EUR). Similarly, there is some minor Brazilian foreign direct investments in Latvia to a value of 0.24 million EUR in 2019.¹²

Revised version of a paper presented at the international conference: 46th Economic and Business History Society Conference, Zoom, Internet, 18–21 May 2021.

¹² Data from Latvian Ministry of Foreign Affairs, <https://www.mfa.gov.lv/arpolitika/divpusejas-attiecibas/latvijas-un-brazilijas-attiecibas#ekonomiskas-attiecibas> [Accessed 09.08.2020]

United States of America

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.¹ 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.

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

¹ For a detailed examination of Latvia as an entrepôt for Tsarist Russia see Chapter 19 of this Volume.

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)

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.² 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 1901–1905 to 12.1 % in 1912.³

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.

² Skujenieks (1927), p. 676.

³ Ibid.

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)

The aftermath of WW1 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.⁴ 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 Administration⁵, the American Red Cross⁶, the YMCA and the YWCA⁷. 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.⁸ 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,

⁴ Organization of American Relief in Europe (1943): pp. 49–50, 143.

⁵ For a detailed account see Jēkabsons, Ē. (2014).

⁶ For a detailed account see Jēkabsons, Ē. (2010).

⁷ For a detailed account see Jēkabsons, Ē. (2009).

⁸ Loans to Foreign Governments 1921, p. 89.

and Lithuania, which had been incurred after 1918.⁹ 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 4 159 491 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.¹⁰ Latvia tried to get the amount reduced but failed. The Commission's final figure for Latvia's war debt was set in 1925 at 5 132 287 dollars, which together with interest at 4 1/4 per cent, came to 5 779 562 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 remained to be paid over 62 years with interest at 4 1/4 per cent – a total of 13 500 000 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	47,275.62
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 by Latvia.¹¹ 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 1933–1934 at the end of the moratorium period, which Latvia utilised. On

⁹ Medijainen, E. (2012), p. 29.

¹⁰ Andersons, E. (1982), p. 360.

¹¹ Patch, B. W. (1936).

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”¹² 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.”¹³

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.

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.¹⁴ 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.¹⁵ 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.¹⁶ 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.

¹² Foreign Relations of the United States Diplomatic Papers, 1934, 800.51W89 Latvia/157.

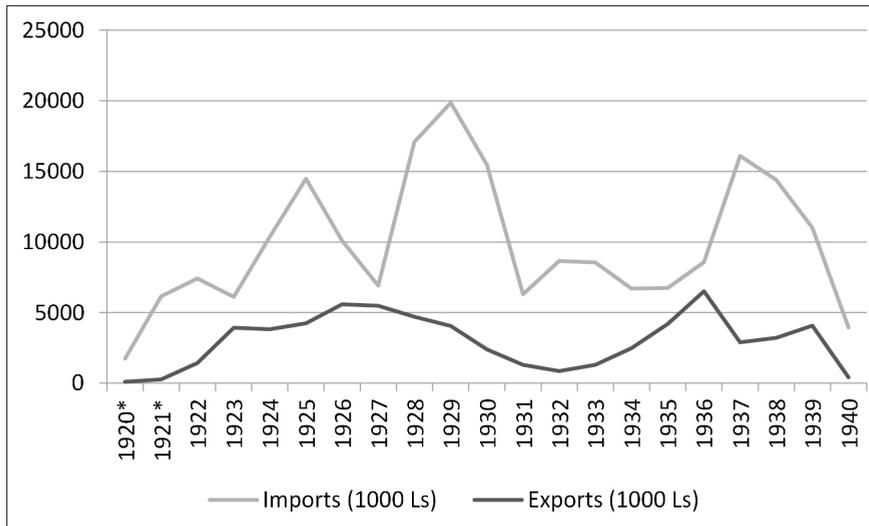
¹³ Medijainen, E. (2012), p. 31.

¹⁴ Andersons, E. (1982), p. 362.

¹⁵ Provisional Commercial Agreement Between the United States of America and Latvia (1926), Section 6.

¹⁶ 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 450 000 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.¹⁷



* 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)

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

Sources: *Latvijas statistiskā 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

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

¹⁷ For a detailed account see Jēkabsons, Ē. (2015).

Forwarding Company” of New York, K. Schroff.¹⁸ 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.”¹⁹ 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”,²⁰ 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 export item in the 1930s (As can be seen in Figure 2 in Chapter One of this Volume, the advertisement for “Laima” Chocolates also shows the agent for exports to the USA). Another export of significance in the 1930s was Cellulose.

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.²¹

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.

¹⁸ *Ekonomists* (1940), p. 503.

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

²⁰ 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.

²¹ For a detailed account of peat and peat products in Latvia during the interwar period see Karnups, V. P. (2016).

Table 4. Main Latvian exports to the USA 1924–1939 (Reliable detailed data is available only from 1924)

Year	Canned Fish including "Šprotes"		Chocolates and candy		Cellulose		Hides and furs		Timber and timber products (including plywood)		Peat and peat products	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	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 transīts – 1924–1939* [Latvian Foreign Trade and Transit: 1924–1939] Rīga: Valsts statistiskā pārvalde; and *Mēneša Bilietens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 105

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.²² 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.²³ At that time, it was one of the biggest and most modern ships in Latvia as it was only 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.²⁴

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.

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.

²² *Zemgales Balss*, Nr. 185 (18.08.1938), p. 2.

²³ 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]

²⁴ *Daugavas Vēstnesis*, Nr. 39 (07.08.1939), p. 2.

Table 5. Latvia's Main Imports from the US (Reliable detailed data is available only from 1924)

Year	Cereals (Wheat, Rye)		Raw Cotton		Hides and furs		Automobiles and parts		Industrial and Agricultural machinery		Petroleum products	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	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 Bilietens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 105

USA investments in Latvia 1925–1939

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

The peak year for USA investments was 1929, when investments totalled 8 325 000 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.

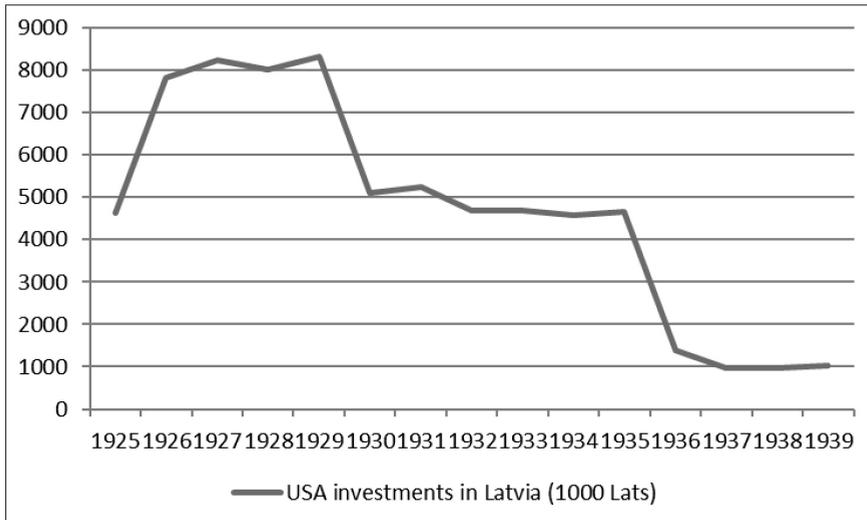


Figure 3. USA investments in the Company Capital of Latvian Undertakings (as at 1 January). 1925–1939

Source: *Latvijas statistiskā gada grāmata. 1929, 1939* [Latvian Statistical Yearbook 1929, 1939]. Rīga: Valsts statistiskā pārvalde; Statistikas tabulas [Statistical Tables]. Rīga: Latvijas PSR Tautsaimniecības statistikas pārvalde, 1940

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.²⁵ In fact, the company was

²⁵ *Ekonomists* (1940), pp. 190–192.

in a process of liquidation already by April 1932²⁶ and the loss of the Latvian contract hastened its demise.

The onset of the Depression dramatically reduced the value of US investments in the banking sector – from 6 583 000 lats in 1929 to 3 364 000 lats in 1931. From this year, it remained reasonably stable, but the decrease accelerated after 1934. 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 1 013 000 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.²⁷ 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 their occupation by Nazi Germany during World War II).²⁸ Executive Order 8484 extended the same protection to the assets of Estonia, Latvia,

²⁶ *New York Times*, 8 April 1932, p. 8.

²⁷ Leits, A. (1958), pp. 169.

²⁸ L’Hommedieu (2011), p. 40.

and Lithuania after their occupation and annexation by the Soviet Union.²⁹ 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 2020, Latvian exports to the USA totalled 431.7 million EUR or 2.5 % of total Latvian exports (mainly machines, machinery; electrical equipment, food industry products, timber and timber products). Whilst imports from the USA totalled 222.2 million EUR or 1.3 % of total Latvian imports (mainly machines, machinery; electrical equipment, vehicles, optical devices and apparatus). In contrast to the interwar period, Latvia now has a positive trade balance with the USA. In 2020, USA accrued direct investments in Latvia amounted to 142 million EUR, while direct investments accrued by Latvia in the USA were 74 million EUR. Some 364

²⁹ “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.

USA companies were registered in the Latvian Enterprise Register with a total investment of 79.8 million EUR in 2020.³⁰

Revised version of the paper published as 'Latvia-USA Economic Relations 1918–1940', Humanities and Social Sciences Latvia, Vol. 27, Issue 1 (Spring–Summer 2019), pp. 5–21.

³⁰ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/dynamic_content_files/2021.03_LV_ASV_ekon_sad.pdf (Accessed 02.05.2021)

Turkey

Introduction

Although for most Turks Latvia was, and still to large extent is, *terra incognita*, for Latvians, Turks and Turkey, at least in the interwar period, was a known and remembered entity. Latvians, as part of the Tsarist Russian Empire, had been conscripted into the Russian Army and had taken part in the Russian-Ottoman wars in the late 19th century.

During the Russo-Turkish war of 1877–1878, several hundred Turkish prisoners-of-war from the battle of Plevna (in Bulgaria) were sent to Cēsis, Latvia. There they were given a certain freedom of movement and were able to mingle with the local population. Unable to cope with the harsh climatic conditions and being so far from home, they suffered from pneumonia and later typhus. Despite the best efforts of doctors 26 Turkish soldiers died and were buried together in a special cemetery on the outskirts of the city.¹ After the war, most of soldiers returned home, although one at least stayed to open a Turkish bakery in Cēsis.

On 26 September 1937, a monument, financed by the Turkish envoy to Latvia and Cēsis City council, to the Turkish soldiers at their final resting place was unveiled.²

The monument to the Turkish soldiers was renewed in 2005 with the assistance of the Turkish Government. The inscription on the monument reads, in Latvian and in Turkish: “26 Turkish soldiers, who were captured in the battle of Plevna during the Turkish-Russian war and died later in Cēsis, are buried here. 1877–1937”.

Similarly, during the First World War, when Russian armies invaded the Ottoman Empire and occupied parts of Northern Turkey, there were Latvians among the Russian soldiers who were awarded medals for their bravery.³ Some were also taken as prisoners-of-war. In 1917, in the occupied city of Trabzon, the Latvian soldiers even established a Latvian Society with some 40 members.⁴ As a result of the Bolshevik *coup d'état* in Russia and the end of WWI, in 1921, there were some 200 Latvian refugees in Turkey, most of who returned home.⁵

¹ *Latvijas Kareivis*, 22 September 1937, p. 2; *Jaunākās Ziņas*, 22 September 1937, p. 4.

² *Brīvā Zeme*, 27 September 1937, p. 6.

³ See Krasnais, V. (1938), pp. 378–379, where the author describes the part played by a Latvian sergeant – major in the capture of Erzurum in 1916.

⁴ *Ibid.*, p. 379.

⁵ See Andersons, E. (1982), p. 660.

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

	Latvia	Turkey
Population (millions)	2.0 (1939)	17.5 (1939)
Share of urban population (%)	34.6 (1935)	18 (1939)
Share of agriculture in the labour force (%)	67.8 (1935)	77 (1939)
National Income (millions Ls)	1256 (1938)	1669 (1934)*
National Income per capita (Ls)	628 (1938)	95.4 (1934)
Share of Agriculture in NI (%)	39.2 (1938)	39 (1939)*
Share of Manufacturing in NI (%)	20.5 (1938)	17 (1939)*

* Conversion of 1934 Turkish pounds to US dollars and conversion of 1934 US dollars to Lats

+ Based on GNP

Sources: Clarke, C. (1940) *The Conditions of Economic Progress*, p. 36; Owen, R. & Pamuk, S. (1999) *A History of Middle East Economies in the Twentieth Century*, p. 244; Darbiņš, A. & Vītiņš, V. (1947), *Latvija: Statistisks pārskats*, pp. 7, 18, 69; *Ekonomists*, 1934, No. 22, p. 816

A Friendship Treaty between Latvia and Turkey was negotiated and signed in Warsaw, Poland on 3 January 1925 (signed into law on 7 April 1925)⁶. The Treaty established formal diplomatic relations between the two countries, as well as paving the way for closer economic relations. Despite entering into a friendship agreement, in the absence of diplomatic missions in Latvia and Turkey, relations between the two countries remained very passive. Only on 30 January 1929 did the Turkish Foreign Minister, Tevfik Rüştü Aras, send a note addressed to the Latvian Foreign Minister, Anton Balodis, stating his desire to develop relations between the two countries. He appointed an adviser (previously the Director of the Department of Foreign Affairs), Ibrahimu Osman Bey, as his government's representative in Latvia as an authorised "charge d' affaires", thus establishing a Turkish Legation in Rīga, not only for Latvia, but also the other Baltic States.⁷ However, due to budget restrictions in Turkey, the Legation was closed on 26. May 1932. Nevertheless, discussions continued regarding the re-opening of the Legation in Rīga. On 24 August 1935, the Turkish President, Kemal Atatürk, signed an accreditation document for the new Turkish envoy, Nuri Batu, addressed to the Latvian Government.⁸

The first Latvian honorary consul in Turkey, Remzi Avoundouk Zade, was appointed on 17 January 1928. However, he resigned with effect from 01 July 1928.⁹ It was not until 1934–1935 that new honorary consuls were appointed (Mustafa Arifi and Otto Keller). In 1938, Latvia appointed an official General-Consul, Aleksandrs Kacens, to represent Latvia in Ankara.¹⁰

⁶ See *Saeimas Stenogrammas*, 31. marts 1925, pp. 930–931 and *Likumu un ministru kabineta noteikumu krājums*, 14. burtnīca, 4. maijā 1925, Tieslietu ministrijas kodifikācijas nodaļa, Rīga, pp. 239–241.

⁷ Jēkabsons, Ē. (2018), p. 39.

⁸ *Ibid.*, p. 50.

⁹ LVVA, 2570. f., 14. apr., 82. l.

¹⁰ LVVA, 2570. f., 14. apr., 674. l., 81., 85. lp.

Nevertheless, in the interwar period, Latvian and Turkish economic relations were mainly confined to foreign trade.

As can be seen from Table 1, Latvia's share of urban population was almost twice that of Turkey; the share of agriculture in the labour force was slightly less (10 % less), but the National Income per capita was six times that of Turkey although the share of agriculture was similar. Latvia's share of manufacturing in NI was also slightly higher.

Latvian-Turkish Economic Relations 1921–1940

Some Turkish and Latvian trade had already been in existence prior to the formal establishment of the Turkish state. In 1921, Latvia imported tobacco leaf from Turkey and in 1922, Latvia imported some cotton. In 1923, the first Latvian export shipment of linoleum was sent to Turkey. By 1924, both imports from and exports to Turkey were a regular feature of Latvian foreign trade.

A Commercial and Navigation Convention between Latvia and Turkey was signed on 28 May 1928 and came into force on 17 September 1929. It provided generally for Most Favoured Nation (MFN) for both parties and as with other treaties signed by Latvia to that date it contained the Baltic and Russian clause.¹¹ It also contained a list of goods to which the MFN customs provisions would be applied. In relation to the list for Latvian imports it contained such items as raisins, figs, nuts, tobacco leaf, cotton, opium, olive oil, etc., but for Latvian exports such items as butter, tinned fish, flax, linoleum, rubber galoshes, etc. Unfortunately, because of the onset of the Great Depression¹² the Convention had a very short life. The day before the Convention was due to come into force, the Turkish side denounced the Convention beginning from 17 September 1929 and it ceased to function 17 December 1929.¹³

The denunciation of the Convention did not mean that trade or other economic relations between Latvia and Turkey ceased. In 1930, both states exchanged diplomatic notes emphasising that until a new trade agreement is negotiated and signed each state will apply MFN principles to the goods of the other.¹⁴

The distance between Latvia and Turkey was another impediment to the expansion of trade. Latvia had signed in 1933 a Commercial Treaty between Latvia and

¹¹ Reciprocally, there was a similar provision for agreements between Turkey and the lands of the former Ottoman Empire, which separated from Turkey in 1923.

¹² "At the beginning of 1929, the prices of exported goods [in Turkey] were dramatically decreased. When the prices decreased, the foreign trade was reduced to a minimum level." Takim, A. & Yilmaz, E., Economic policy during Ataturk's era in Turkey (1923–1938), *African Journal of Business Management*, Vol. 4(4), pp. 549–554, April 2010, p. 552.

¹³ *Valdības Vēstnesis*, No. 287, 18. decembris 1929, p. 1.

¹⁴ *Rīts*, No. 311, 11. novembris 1935, p. 5; LVVA, 2574. f., 2. apr., 6940. l., 38. lp.

the USSR¹⁵ by which Article 6 allowed for transit privileges also from the Black Sea ports of the USSR to Latvia and vice versa. Turkey, however, had not signed a similar convention with the USSR, which meant that goods from Turkey had to travel the long sea route or Turkish exporters had to negotiate each shipment separately with Soviet authorities. As a result many Latvian importers purchased Turkish products through Germany or the Netherlands.¹⁶ However, importing Turkish products through Germany and the Netherlands raised the price of such goods, which was unfavourable to Latvian importers. By 1936, Latvian importers were visiting Turkey to establish contacts and purchase products such as raisins, figs, and nuts for direct importation to Latvia.¹⁷

By late 1937, talks were conducted between the Latvian and Turkish governments and a new trade agreement package was negotiated in Ankara in November 1937. The package, which was signed on 12 January 1938 and came into force on 27 January 1938, consisted of a Commercial Convention between Latvia and Turkey, a Commercial Agreement between Latvia and Turkey and a Clearing Agreement between Latvia and Turkey.¹⁸

The Commercial Convention was essentially the same as the 1929 Convention, providing for MFN treatment and containing the Baltic and Russian clause and the Ottoman Empire clause. The Commercial Agreement, on the other hand, dealt essentially with a contingent (quota) system for each nation's products which could be imported based upon product lists. For Latvia the list of goods included match-splints, cellulose, paper, flax thread, rubber galoshes, radios, paint, plywood, and other goods, whilst for Turkey the list included hides, sesame seeds, raisins, figs, nuts, raw cotton, tobacco, wool, tanning materials, and other goods. As both countries were having problems with foreign currency reserves, the Clearing Agreement¹⁹ was an essential part of the trade agreement package. The Agreement provided that the settling of accounts between the two nations would be in British sterling pounds through the Central banks. For Latvian importers there was the additional advantage that they could settle accounts through the clearing system also for Turkish goods, which were imported through third countries. The trade agreement package operated up to WWII.

Latvian-Turkish Trade 1921–1940

As noted previously, some Latvian-Turkish trade had occurred prior to the formal establishment of the Turkish state. The value of Latvian imports from and exports to Turkey can be seen in the Figure 1. Imports were at very low levels up to 1933. From

¹⁵ Bilmanis (1978), pp. 178–184.

¹⁶ *Jaunākās Ziņas*, 21. novembris 1936, p. 11; LVVA, 2574. f., 2. apr., 6940. l., 3. lp.

¹⁷ *Ibid.*, p. 11.

¹⁸ See *Valdības Vēstnesis*, 1. februāris 1938, pp. 1–4.

¹⁹ The basic idea behind bilateral clearing agreements was to even out or “balance” trade between two countries, while at the same time conserving scarce foreign currency and gold reserves.

1933 imports increase substantially and in 1938 reach their highest value – over one million lats. Exports, on the other hand, were greater than imports up to 1930 with a peak in 1925. They fell with Great Depression, but slowly started to rise from 1934 and reached their peak in 1938 with a value of over 700 thousand lats. Generally, exports exceeded imports only in the 1920s; for the 1930s imports exceeded exports.

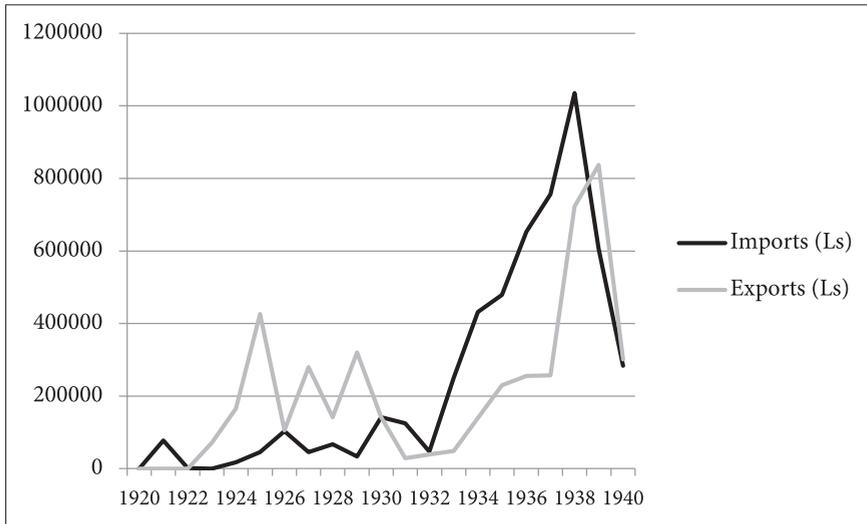


Figure 1. Latvia-Turkey Imports and Exports 1920–1940²⁰

Sources: *Latvijas ārējā tirdzniecība un transits – 1921–1939* [Latvian Foreign Trade and Transit. 1921–1939] Rīga: Valsts statistiskā pārvalde; and *Mēneša Biļetens Nr. 10, oktobris 1939* [Monthly Bulletin, No. 10, October 1939], p. 1057; LVVA, 2574. f, 2. apr, 733. l., 19., 98. lp.

Although for all practical purposes trade with Turkey ceased with the commencement of WWII, as a result of the “Agreement regarding Trade Turnover between Latvia and the USSR” signed on 18 October 1939, some trade continued through USSR ports on the Black Sea. In 1939 and early 1940, Latvia exported through Odessa to Turkey.²¹

²⁰ Latvia, following the practice of other nations, stopped publishing official data regarding foreign trade after the commencement of WWII. See *Economists* [The Economist] No. 4, 1940, p. 231. The data for 1939 and 1940 is from reports by the Latvian General-Consul, A. Kacens, in Istanbul (LVVA, 2574. f., 2. apr., 733. l., 19., 98. lp.). As the figures provided by him were in Turkish lira, these were converted from 1940 Turkish lira to US dollars and further converted from 1940 US dollars to Lats (1.38 TL = 1 USD; 5.50 Ls = 1 USD). The data for 1940 is for five months only – to 31 May 1940.

²¹ LVVA, 1314. f., 5. apr., 100. l., 25. lp.

Latvian Exports 1923–1939

In the 1920s, Latvia mainly exported linoleum to Turkey. The export of linoleum reached its peak in 1925. The other main export goods in this period were paper and paper products, which commenced in 1927 and rubber galoshes, which commenced in 1925. Both continued intermittently throughout the decade. The export of linoleum ceased in 1930 due to a change in the cartel arrangements in 1927.²² The linoleum factory completely ceased production in 1930 and linoleum disappeared from the foreign trade of Latvia.²³

In the 1930s, Latvia mainly exported match-splints to Turkey. The export of match-splints to Turkey was associated with the establishment of the Swedish match syndicate *Svenska Tändsticks Aktiebolaget* in Turkey. Like Latvia²⁴, Turkey also received a loan from the Swedish Match Company to the amount of 10 million US dollars (131 million in 2010 dollars) for the concession to produce matches in Turkey.²⁵ Unlike Latvia where match production for export ceased in the 1930s, match production in Turkey was expanded. The export of match-splints reached its peak in 1938. Paper and paper products continued to be exported intermittently throughout the decade reaching a peak in 1939. The export of rubber galoshes ceased in 1931, but recommenced in 1938.

The amounts and value of main exports exported to Turkey in the interwar period are shown in Table 2.

Latvian Imports 1924–1939

In the 1920s, Latvia mainly imported tobacco leaf from Turkey. The import of tobacco leaf reached its peak in 1929 in terms of value, although in terms quantity the largest was in 1924. The other main import goods from Turkey in this period were nuts, which commenced in 1929 and seeds, which commenced in 1928.

In the 1930s, Latvia also mainly imported tobacco leaf from Turkey. The import of tobacco leaf reached its peak in 1939. Seeds continued to be imported intermittently throughout the decade reaching a peak in 1930, as well as nuts, which reached their peak in 1939. Three new imports – sesame seeds, raisins and figs, became important in the 1930s. Import of sesame seeds began in 1932 and reached their peak in 1938; import

²² Johansson (1988), p. 260.

²³ *Ibid.*, p. 261 and Aizsilnieks (1968), p. 537.

²⁴ In 1928, Latvia signed an agreement with the Swedish match syndicate, which provided for the syndication of the Latvian match industry and the granting of an external loan to Latvia of 6 million US dollars (78.3 million 2010 dollars).

²⁵ Deck (1930), p. 151.

Table 2. Main Latvian exports to Turkey 1923–1939

Year	Linoleum		Match-splints		Paper and paper products		Rubber galoshes	
	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)
1923	55250	70788	0	0	0	0	0	0
1924	130445	160459	0	0	0	0	0	0
1925	172330	224803	0	0	0	0	36256	200208
1926	67324	98559	0	0	0	0	0	0
1927	115947	177850	0	0	26937	10154	16882	83845
1928	88274	124498	0	0	14305	5284	0	0
1929	64408	76828	0	0	0	0	44577	242418
1930	54606	66250	0	0	2880	5760	9208	68645
1931	0	0	56000	16050	0	0	0	0
1932	0	0	120000	31612	16712	7034	0	0
1933	0	0	122507	34205	21292	6457	0	0
1934	0	0	542718	138304	0	0	0	0
1935	0	0	835091	224966	3387	612	0	0
1936	0	0	882406	242746	0	0	0	0
1937	0	0	580485	255402	5869	1696	0	0
1938	0	0	899347	424835	322192	133546	28353	115601
1939	0	0	425000	350725	390000	143478	51000	203261

Sources: *Latvijas ārējā tirdzniecība un transits – 1921–1939* [Latvian Foreign Trade and Transit. 1921–1939] Rīga: Valsts statistiskā pārvalde; and *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057; LVVA, 2574. f, 2. apr, 733. l., 49. lp.

of figs began in 1931 and peaked in 1939. The importation of raisins began in 1932, ceased in 1935, but recommenced in 1938, reaching their peak in 1939.

The amounts and value of main imports imported from Turkey in the interwar period are shown in Table 3.

Investment

Although there are no records of Latvian investment in Turkey, there was some investment from Turkey in Latvia. Turkish investment in Latvia was exclusively in the tobacco industry. Turkish investment in 1925 (when records of foreign investment in Latvia commenced) was 278 000 lats, rising to a peak of 853 000 lats in 1932–1933, and this level was generally maintained to 1937. Following the devaluation of the lat

Table 3. Main Latvian imports from Turkey 1924–1939

Year	Sesame seeds		Nuts		Tobacco leaf		Raisins		Figs		Seeds	
	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)
1924	0	0	0	0	27664	77352	0	0	0	0	0	0
1925	0	0	0	0	0	0	0	0	0	0	0	0
1926	0	0	0	0	0	0	0	0	0	0	0	0
1927	0	0	0	0	0	0	0	0	0	0	0	0
1928	0	0	0	0	2141	15669	0	0	0	0	214	233
1929	0	0	944	2844	7913	90590	0	0	0	0	0	0
1930	0	0	243	1327	2601	27664	0	0	0	0	15000	12660
1931	0	0	718	1551	8511	44230	0	0	1438	2759	10000	8476
1932	313	180	1260	2802	4276	22322	288	269	10865	6530	313	180
1933	0	0	37629	67066	13005	44614	28453	17508	11356	8602	3314	2294
1934	0	0	19914	37002	8670	17220	84528	57904	2468	2775	14569	6058
1935	8000	3946	10134	18035	7012	10013	0	0	2300	2217	2466	876
1936	38925	18654	16456	21229	65873	208621	0	0	591	224	515	130
1937	117662	43117	11845	15651	133682	366670	0	0	923	590	1273	391
1938	129206	54385	28422	34392	114645	326656	95535	43685	18752	11023	551	239
1939*	40665	26464	48343	67081	108279	402814	196547	112438	22367	15993	1480	722

* First eight months of 1939 – to 31 August 1939.

Sources: *Latvijas ārējā tirdzniecība un transīts – 1921–1939*. [Latvian Foreign Trade and Transit. 1921–1939] Rīga: Valsts statistiskā pārvalde; and *Mēneša Bilietens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057

at the end of 1936 and both Turkey's and Latvia's decision to attach their currencies to the British pound sterling²⁶, the value of Turkish investments fell dramatically and by 1939 had dropped to 408 000 lats.

The values of Turkish investments in Latvia in the interwar period are shown in Figure 2.

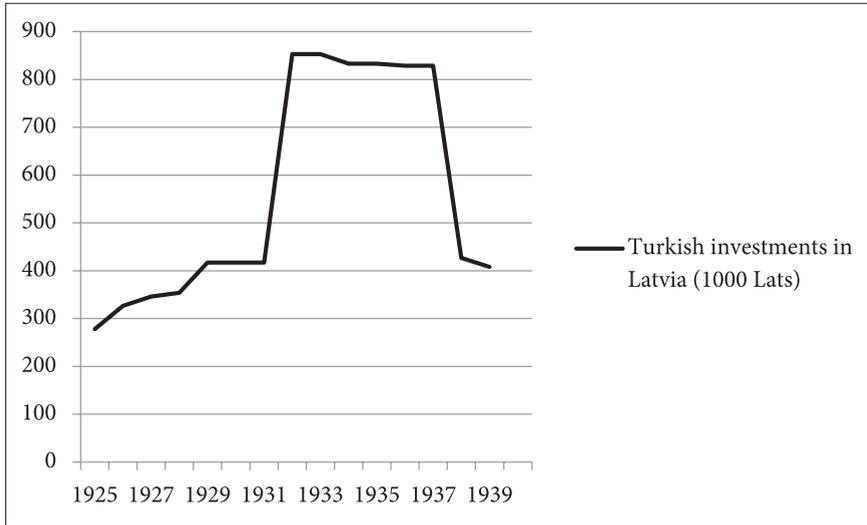


Figure 2. Turkish investments in Latvia 1925–1939 (1000 Lats)

Sources: *Latvijas statistiskā gada grāmata* 1929 [Latvian Statistical Year Book 1929], Rīga: Valsts statistiskā pārvalde, 1930, p. 265; *Statistiskas tabulas* [Statistical Tables], Rīga: Latvijas PSR Tautsaimniecības statistikas pārvalde, 1940, p. 170

Conclusion

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Turkey made up 0.01 % of total Latvian exports, and Turkish imports made up 0.001 % of total Latvian imports. Similarly in 1938, when Latvian foreign trade reached its post-Depression peak, exports to Turkey were only 0.03 % of total Latvian exports, and imports from Turkey were only 0.05 % of total Latvian imports. One suspects that the figures from the Turkish point of view would be similar or even less. In other words, trade and thus economic relations were of marginal significance to both countries in the interwar period.

²⁶ Layton (1937), p. 26.

It is interesting to note that in 2020 Latvian exports to Turkey totalled 148.9 million EUR or 0.8 % of total Latvian exports (mainly metal products, wheat and rye, animal and animal husbandry products, timber products) whilst imports from Turkey totalled 108.2 million EUR or 0.6 % of total Latvian imports (mainly transport vehicles, citrus fruits, machinery, textiles, metal products). In 2020, some 134 Turkish companies were registered in the Latvian Enterprise Register with a total investment of 7.9 million EUR. The total value of Turkish foreign direct investment (FDI) in Latvia from was 14 million EUR, while FDI from Latvia in Turkey was 1 million EUR in 2020.²⁷

Revised version of the paper published as 'Latvian and Turkish Economic Relations 1918–1940', in Humanities and Social Sciences Latvia, Vol. 22, Issue 1 (Spring–Summer 2014), pp. 20–30.

²⁷ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/attachments/2021.03_LV_Turcija_ekon_sad.pdf#overlay-context=noderigi/valstu-informacija/turcija [Accessed 06.05.2021]

Poland

Introduction

Polish-Latvian relations date back as far as the 16th century when the last Grand Master of the Livonian Order and the archbishop of Riga requested the assistance of King Sigismund August of Poland to face a possible invasion by the Muscovite tsar.¹ In the final stages of Latvia's War of Independence, a military alliance between Latvia and Poland against the Red army in Latvia's eastern region of Latgale was concluded from 1919 to 1920. Poland recognised the independence of Latvia on 27 January 1921 (the Polish note on the recognition of Latvia *de iure* is dated 31 December 1920 but was submitted to the Latvian Ministry of Foreign Affairs on 27 January 1921). In the interwar period, economic relations between Latvia and Poland were mainly confined to foreign trade, although there were some investments in Latvia from Poland as well. Although Latvia declared its independence in 1918 (at the same time as the rebirth of Poland), trade with Poland did not commence until 1921 after the end of the Latvian War of Independence. It ended with the outbreak of WWII in 1939. Latvia's foreign trade in relation to Poland was more or less regulated by the 1927 Provisional Commercial Agreement, the 1929 Commercial and Navigation treaty, as well as the 1938 Protocol of Tariff with Signature Protocol.

A number of political and social factors complicated Latvia's relations with Poland in the interwar period:

- Poland's invasion in 1920 and later annexation in 1922 of the Lithuanian territory of Vilnius and surrounding district. Lithuania was in a state of war with Poland until 1938. This put paid to any hope of future political or economic alliances between the Baltic States and Poland in the interwar period.
- Latvia's land reform of the 1920's, which included the expropriation of large estates, also included estates owned by now Polish citizens (especially in the Latgale region). The original law did not allow for compensation for the expropriated land, only that the former owners could retain 50 ha. However, on 12 February 1929, in a confidential addendum to the 1929 Commercial and Navigation treaty, Latvia agreed to pay 5.4 million gold lats compensation to former landowners – Polish citizens.²

¹ Jēkabsons, Ē. (2018), p. 1.

² 20. *gadsimta Latvijas vēsture*. II: *Neatkarīgā valsts. 1918–1940* (2003), p. 395.

Table 1. Selected Economic Indicators for Latvia and Poland in the Interwar Period

	Latvia	Poland
Population (millions)	2 (1939)	34.9 (1938)
Share of urban population (%)	34.6 (1935)	30 (1938)
Share of agriculture in the labour force (%)	67.8 (1935)	64.9 (1931)
National Income (millions Ls)	1256 (1938)	15400 (1938)*
National Income per capita (Ls)	628 (1938)	441 (1938)
Share of Agriculture in NI (%)	39.2 (1938)	32.4 (1937)
Share of Manufacturing in NI (%)	20.5 (1938)	27.9 (1937)

* Conversion of 1938 Polish zloty to Latvian lats (1 zloty ~ 1 lats)

Sources: Darbiņš, A. & Vītiņš, V. (1947); *Ekonomists* (1934); Lethbridge, E. (1985); Crampton, R. and B. (1996); National Income Statistics 1938–1948 (1950); *Ekonomists* (1938); The Population of Poland (1975).

- Poland's borders with Latvia.³ Latvia and Poland shared a 105 km long border, although until 1929 Poland claimed the Latvian town of Griva and six adjoining parishes. In 1929, the Polish government recognised the existing border as legal and a joint border commission for demarcating the border on the ground was established. It completed its work in 1938.
- Polish minority in Latvia.⁴ The Polish minority in Latvia was the fourth largest and was located mainly in eastern Latvia in the Latgale region. The Polish minority constituted approximately 3 per cent of Latvia's population, most of whom (some 64 %) lived in the cities.⁵ Up until 1929 there much agitation against the Latvian government by the Polish minority in Latgale in relation to both the border and land compensation issues.

The above-mentioned political and social issues impinged to a greater or lesser extent on Latvia's economic relations with Poland, particularly the Lithuanian issue as will be seen later.

As can be seen from Table 1, despite the enormous difference in population Latvia's share of urban population in the interwar period was slightly higher than in Poland; the share of agriculture in the labour force was also slightly higher. National Income per capita was half as much again than that of Poland although the share of agriculture in NI was higher. Latvia's share of manufacturing in NI was slightly lower. Essentially, Latvia's economic structure per se was similar to that of Poland. However, there was an enormous difference in natural endowments. Poland had substantial mineral resources. It had large proven reserves of hard and brown coal, in addition to deposits of copper,

³ For a detailed study of Latvian-Polish border issues, see Jēkabsons, Ē. (2003).

⁴ For a detailed study of Poles in Latvia, see Jēkabsons, Ē. (1996).

⁵ *20. gadsimta Latvijas vēsture. II: Neatkarīgā valsts. 1918–1940* (2003), p. 301.

sulphur, zinc, lead, silver, magnesium, and rock salt. There were also petroleum and gas deposits. Latvia, on the other hand, had only gypsum deposits, as well as extensive deposits of peat.⁶

Latvian-Polish Economic Relations 1921–1939

Some Polish and Latvian trade had already been in existence prior to the formal signing of a trade agreement. In 1921, Latvia imported petroleum and petroleum products, textiles and metals and metal products from Poland whilst exporting rags and waste cloth, paper and paper products, fish and fish conserves to Poland. Similarly, in 1922, Latvia imported the same products, as well as agricultural and industrial machinery, and exported the same products as well as linoleum. By 1923, both imports from and exports to Poland were a regular feature of Latvian foreign trade.⁷

Although Latvia had concluded a trade agreement in 1922 with Czechoslovakia, and a year later with Great Britain, it was not until 1925 that talks began with Poland in respect of concluding a trade agreement. This was due mainly to financial instability in Poland and it was not until the financial reforms of Władysław Grabski and the introduction of the new national currency – the zloty – that the first steps could be taken in respect of trade agreement between Latvia and Poland. The first draft agreement was presented by Poland to Latvia at the beginning of 1925. Discussions regarding the trade agreement lasted four years.

The main obstacle to signing an agreement turned out to be not of an economic, but of a political nature. The Polish side objected to including Lithuania and the USSR as in the Baltic and Russian clause. It would appear that Poles objected to including Lithuania mainly to allow Poland some freedom of action in relation to Lithuania (the original proposal included reserving for Poland the possibility to accord Lithuania preferential treatment from which Latvia would be debarred⁸), whilst objections to the inclusion of the USSR was based on fears of Soviet economic penetration of Latvia, which would in turn harm Polish interests in Latvia.⁹ The Latvian side categorically dismissed these objections and insisted on the full inclusion of the Baltic and Russian clause.

In the meantime, the Poles were able to take advantage of the 1926 British coal miners' strike to find lucrative markets in the Baltic States and were able to substantially increase Latvian imports of coal from Poland (from some 12 % in 1925 to 54 % in 1926 of all coal imports). In November 1927, Latvia's trade agreement with the USSR,

⁶ For a detailed study of the peat industry in Latvia in the interwar period, see Karnups, V. P. (2016).

⁷ In Latvian trade statistics, Polish imports and exports are grouped together with imports to and exports from Danzig – based on the assumption that most of the goods were of Polish origin.

⁸ Munter, W. N. (1928), p. 147.

⁹ *Ekonomists* (1929), p. 330.

based upon the Baltic and Russian clause, came into force and thus Polish objections to the inclusion of USSR became superfluous if Poland wanted to conclude a trade agreement with Latvia. Therefore, from an economic point of view it was in Poland's interest to conclude a trade agreement. On 22 December 1927, a Provisional Commercial Agreement was signed. The issue of Lithuania was left open to be decided when the final trade agreement was agreed to.

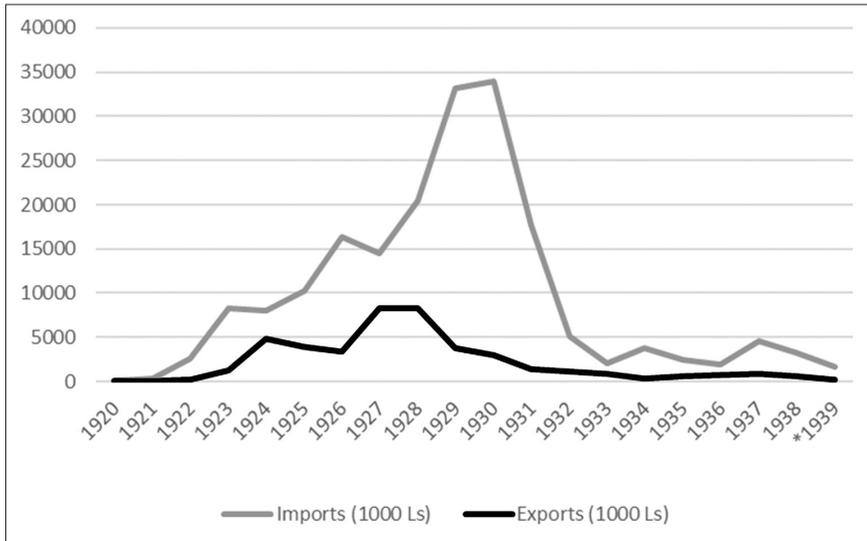
Discussions regarding a final agreement continued through 1928 and 1929. Poland, after the failure of trade talks with Lithuania where the Lithuanians categorically refused to sign a trade agreement with Poland, finally decided that the objections to the inclusion of Lithuania made no practical sense.¹⁰ This enabled the trade talks with Latvia to end successfully and on 2 December 1929, the Treaty of Commerce and Navigation between Latvia and Poland was signed.

The treaty came into force 17 April 1931 and terminated the 1927 agreement. The general structure of the treaty was similar to all the other bilateral trade agreements concluded by Latvia. This included (Article 20) the Baltic and Russian clause and from the Polish side it contains a special clause relating to the conditions obtaining between the Polish and the German sections of Upper Silesia, which are considered beyond the scope the MFN principle. It also included two tariff lists (Article 8) – List A, which pertained to lowered customs tariffs for goods from Latvia to Poland and List B, which pertained to lowered customs tariffs for goods from Poland to Latvia. In 1938, List A was amended and the 1938 Protocol of Tariff with Signature Protocol was signed. The Signature Protocol refers the Latvian Chamber of Commerce and Industry at Riga being authorised to certify the invoices required for porcelain wares originating in and coming from Latvia, on the basis of most-favoured-nation treatment.

Latvian-Polish Trade 1920–1939

Latvian-Polish trade in the interwar period fluctuated at very low levels. Latvia's trade balance with Poland throughout the interwar period was passive with imports far exceeding exports. The value of Latvian imports from and exports to Poland can be seen in the Figure 1. Latvia's exports to Poland were low and reached their peak in 1926 at just over 8 million lats. The signing of the trade agreement in 1929 failed to stimulate Latvian exporters to the Polish market. The onset of the Great Depression further reduced Latvia's exports to Poland, as most of these were manufactures. The tariff agreement of 1938 also failed to stimulate exports. Latvia's imports from Poland, on the other hand, were much higher and reached their peak in 1930 at nearly 34 million lats. Thereafter, they dropped to very low levels, which continued until the beginning of WWII.

¹⁰ *Ekonomists* (1929), p. 331.



* The data for 1939 is for eight months only – to 31 August 1939.

Figure 1. Latvia-Poland Imports and Exports 1920–1939

Sources: *Latvijas statistiskā gada grāmata 1920–1923* [Latvian Statistical Year Book 1920–1923] Rīga: Valsts statistiskā pārvalde; *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

Latvian Exports to Poland

Latvia’s main exports to Poland were Fish and fish conserves (including “Šprotes”¹¹), Rags and waste cloth, Paper and paper products, Linoleum, Paints, inks and paint compounds, and Seeds (flax and clover) (See Table 2). On examination of Table 2, it would seem that whilst there was no formal trade agreement, Latvian exports to Poland remained steady and slowly increased. After the coming into force of the trade agreement, Latvian exports fell dramatically and, coupled with the effects of the Great Depression, tapered off to minimal levels. This was also due in part to large fluctuations in Polish customs tariff policies during this period.

Linoleum was an important export to Poland in the 1920s. Linoleum in Latvia was produced by the Liepāja branch of the Swedish entrepreneurial family firm of Wicander (Linoleum Aktiebolaget Forshaga), the “Liepāja Cork and Linoleum Factory”. As noted

¹¹ “Šprotes” or sprats are close relatives of anchovies, sardines and herrings. The Latvian style is to smoke and/or preserve them in oil.

Table 2. Latvia's Main Exports to Poland

Year	Fish and fish conserves (including "Šprotes")		Rags and waste cloth		Paper and paper products		Linoleum		Paints, inks and paint compounds		Seeds (flax and clover)	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1923	140	43	1146	193	57	20	34	50	0	0	10	5
1924	740	244	810	136	0	0	333	436	1	3	0	0
1925	550	159	98	7	0	0	191	290	77	74	626	319
1926	279	65	667	85	13	504	123	200	218	243	1775	503
1927	508	114	741	146	10	131	489	802	341	370	1998	562
1928	887	202	702	126	15	159	496	785	426	403	23	12
1929	967	271	364	51	11	100	578	732	566	599	41	25
1930	683	205	136	18	7	63	398	517	486	540	440	139
1931	0	0	101	15	46	24	0	0	515	521	326	61
1932	0	0	272	136	179	65	0	0	242	203	252	41
1933	0	0	105	5	1228	278	0	0	214	204	23	5
1934	58	23	155	11	712	153	0	0	134	115	40	12
1935	41	14	130	12	1784	374	0	0	95	88	0	0
1936	39	21	187	53	1979	470	0	0	74	80	3	1
1937	191	77	261	156	779	312	0	0	80	102	97	60
1938	178	103	221	104	398	165	0	0	150	157	0	0
1939*	72	35	169	69	0	0	0	0	74	88	0	0

* The data for 1939 is for eight months only – to 31 August 1939.

Sources: *Latvijas ārējā tirdzniecība un transitis – 1924–1939* [Latvian Foreign Trade and Transit. 1924–1939] Rīga: Valsts statistiskā pārvalde; and *Mēneša Bilietens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057

in Chapter Eight of this Volume, the factory completely ceased production in 1930 and linoleum disappeared from the foreign trade of Latvia and from exports to Poland.

Rags, waste cloth, and Paints, inks, and paint compounds enjoyed a small, but steady market in Poland throughout the interwar period. Fish and fish conserves (including “Šprotes”), and Seeds (flax and clover) fluctuated over the period, sometimes disappearing completely from exports to Poland. Paper and paper products were the only export product, which grew over time, particularly in the 1930s reaching its peak in 1936 at 4.7 million lats.

Latvia also exported small quantities of rubber goods, particularly rubber galoshes; superphosphate, cellulose, hides and furs.

Latvian Imports from Poland

Latvia's main imports from Poland were Industrial and agricultural machinery, Coal, coke and briquettes, Cement, Metals and metal products (iron and steel sheets, pipes, tin, etc.), Petroleum and petroleum products and, surprisingly, Timber and timber products (including round timber, logs, plywood, etc.). The amounts and value of Latvia's main imports imported from Poland in the interwar period are shown in Table 3.

There was a large increase in coal imports from 1926 due to the British coal miners' strike as mentioned previously. This continued until the onset of the Great Depression when it steadily declined. The continued fall in coal imports from Poland was mainly due to the restrictions embodied in the 1934 Commercial Agreement between the Government of Latvia and His Majesty's Government in the United Kingdom, which had fixed quotas on goods to be imported and contained stipulations relating to the import of iron, steel, coal, agricultural machinery, salt, creosote, etc. For example, Latvia had to import 70 % of her coal from Britain. Thus, Polish coal imports fell from a high of 95.7 % of all imported coal in 1931 to 4.7 % in 1935.¹²

Industrial and agricultural machinery imports from Poland were 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.

Metals and metal products (iron and steel sheets, pipes, tin, etc.) were also important imports from Poland, and reached their peak in 1934 at 1.5 million lats. Thereafter, they tapered off dramatically as Poland required these materials for herself in preparation for war.

Poland was a source of petroleum products, especially kerosene, for Latvia throughout the interwar period. The importation of cement fluctuated throughout

¹² Latvijas ārējā tirdzniecība un transits (1935), p. XXVIII.

Table 3. Latvia's Main Imports from Poland

Year	Coal, coke and briquettes		Machinery (industrial and agricultural)		Cement		Metals and metal products (iron and steel sheets, pipes, tin, etc.)		Timber and timber products (including round timber, logs, plywood, etc.)		Petroleum and Petroleum products (including kerosene, petrol, distillates, lubricants, etc.)	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1923	6876	209	1302	1115	15	1	103	29	3040	120	330	77
1924	1586	61	127	167	16	1	90	21	2526	174	175	30
1925	61 805	1443	159	102	0	0	86	32	21 722	600	424	111
1926	236 786	5518	300	200	1604	63	2401	386	19 941	538	2529	382
1927	334 729	8270	238	273	8036	322	2688	454	2340	93	957	166
1928	394 028	7687	173	104	4362	171	2425	443	6182	137	1193	185
1929	479 534	10 704	160	127	12 000	534	2470	557	3340	105	7465	874
1930	520 777	11 897	114	135	5957	258	1265	478	7359	274	4770	546
1931	447 372	8246	16	23	0	0	1146	350	6551	298	3790	341
1932	107 905	1780	90	106	0	0	140	42	212	43	1836	113
1933	82 856	1136	83	99	0	0	254	48	85	34	5742	318
1934	11 629	156	767	907	0	0	10 037	1504	6536	359	1957	126
1935	44 685	583	7	8	0	0	7861	1139	7199	424	1370	78
1936	52 356	871	0	0	0	0	0	0	12 509	783	723	71
1937	122 763	3869	4	10	1765	61	88	29	3370	332	166	14
1938	81 471	2580	1	5	1737	72	64	30	2023	114	0	0
1939*	39 699	1152	0	0	674	20	0	0	3751	188	0	0

* The data for 1939 is for eight months only – to 31 August 1939.

Sources: *Latvijas ārējā tirdzniecība un transīts – 1924–1939* [Latvian Foreign Trade and Transit. 1924–1939] Rīga: Valsts statistiskā pārvalde; and *Mēneša Bilietens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1057

the period and disappeared from imports from Poland during and after the Great Depression. Cement imports reappeared in the late 1930s.

Most surprising was the level of Timber and timber products (including round timber, logs, plywood, etc.) imports. Latvia herself was a major exporter of timber and timber products – in 1936, 37.3 % of all exports were timber and timber products.¹³ Most of the imported timber was later re-exported.

During the interwar period Latvia imported a whole range of Polish goods in small quantities including salt, books, caustic soda, hides and furs, textiles, and food products.

Polish investments in Latvia 1925–1939

Polish investments were mainly in the chemical industry sector (29 % of total Polish investments in 1931), closely followed by the food processing industry (25 %), then by ceramic industry (19 %), trade (12 %), real estate (8 %), textile industry (6 %) and some other minor investments. Figure 2 provides an overview of Polish investments in the interwar period.

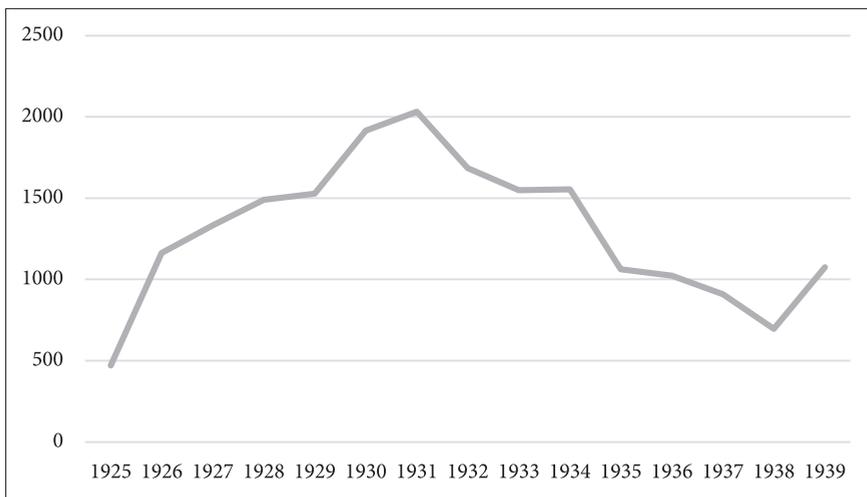


Figure 2. Polish investments in the Company Capital of Latvian Undertakings (as at 1 January). 1925–1939

Sources: *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

¹³ *The Baltic States* (1938), p. 161.

The peak year for Polish investments was 1931, when investments totalled 2 032 000 lats.

The onset of the Great Depression steadily reduced the value of Polish investments in Latvia. From the peak in 1931 Polish investments were reduced to 1 555 000 lats in 1934. The decrease accelerated after 1934, when the nationalistic Ulmanis regime began to systematically reduce the amount of the foreign investment stock. As can be seen in Figure 2, Polish investments had been reduced from the peak in 1931 to a mere 696 000 lats by 1938. The slight upturn in 1939 can probably be attributed to capital flight from Poland as the clouds of war gathered.

Polish Agricultural Guestworkers

A particular feature of Latvia's economic relations with Poland was the employment of Polish guestworkers in agriculture. The growth of industry in Latvia in the interwar period meant there was an exodus of workers from the rural areas to the cities, especially Riga. Mainly because rural wages were much lower than industry wages and the fact that farm labouring was very hard work with long hours in season. This created a chronic shortage of agricultural workers in the countryside. As Latvia was still essentially an agricultural product producing country, this impacted directly on the Latvian economy as a whole.

Foreign agricultural guestworkers in Latvia were to fill the gap.¹⁴ If in 1933 there 12 404 registered foreign agricultural guestworkers in Latvia (of which 4678 were from Poland), by 1938, there were 27 532 registered foreign agricultural guestworkers in Latvia, of which 21 267 were from Poland.¹⁵ The shortage of agricultural workers in Latvia led to the signing of an agreement in 1938 between Latvia and Poland in respect of seasonal Polish agricultural workers, as well as a number of subsidiary agreements regarding specific issues thereto.¹⁶ Most Polish agricultural workers returned home at the end of the season. When the USSR and Germany overran Poland, the guestworkers were allowed to stay in Latvia if they wished.

Conclusion

In the interwar years, Latvian and Polish economic relations was mainly confined to foreign trade and investment although other forms of economic relations such as transit and tourism were also important. Nevertheless, despite geographical proximity

¹⁴ For an overview of this problem in the 1930s, see Stranga, A. (2017).

¹⁵ *Latvju enciklopēdija* (1950), p. 132.

¹⁶ *Brīvā Zeme* (1938), p. 21.

and the advantage of shorter sea routes than to Britain or Germany, the fact of similar export products made significant inter-regional trade between Latvia and Poland unprofitable. Latvia always had a negative trade balance in relation to Poland.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Poland made up 1.38 % of total Latvian exports, and Polish imports made up 9.16 % of total Latvian imports. However, in 1937, when Latvian foreign trade reached its post-Depression peak, exports to Poland were only 0.3 % of total Latvian exports, and imports from Poland were only 2.0 % of total Latvian imports. One suspects that the figures from the point of view of Poland 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 2020, Latvian exports to Poland totalled 568.3 million EUR or 3.2 % of total Latvian exports (mainly metals and metal products, machinery, food industry products, timber and timber products). Whilst imports from Poland totalled 1638.1 million EUR or 9.3 % of total Latvian imports (mainly machinery, chemical industry products, plastics and rubber industry products, food industry products, and metals and metal products). At the end of 2020, total Polish FDI in Latvia was 152 million EUR, whilst total Latvian FDI in Poland was 36 million EUR. There were some 217 Polish companies registered in Latvia in 2020 (service, retail, manufacturing, and other industries) with a total invested equity capital of 28.9 million EUR.¹⁷

As in the interwar period, Latvia still has a negative trade balance with Poland.

Revised version of the paper published as 'Latvian-Polish Economic Relations 1918–1939', in Humanities and Social Sciences Latvia, Vol. 27, Issue 2 (Autumn–Winter 2019), pp. 32–45.

¹⁷ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/attachments/2021.03_LV_Polija_ekon_sad.pdf#overlay-context=noderigi/valstu-informacija/polija [Accessed 06.05.2021]

Portugal

Introduction

During the interwar period of Latvia's independence, Latvia's relations with Portugal were minimal. Portugal (together with Spain) were popular Latvian tourist destinations and Portugal's ports (especially Porto) were hosts to the ships of the Latvian merchant fleet. In 1936, it is estimated that some 10 Latvians lived in Portugal, mainly in Lisbon.¹

Portugal stood up for Latvia in international forums soon after Latvia's declaration of independence in 1918. When Latvia first attempted to join the League of Nations in 1920, at the plenary discussion on 16 December 1920, the Portuguese representative, João Pinheiro Chagas, said that the fact that Latvia was not recognised *de iure* was not an obstacle to admittance to the League as *de iure* recognition is an individual bilateral issue between states, which is different from the collective relations established with admission to League.² In addition, he said that Latvia is not accepted because of its large neighbour, which someday will want to take it back and the members of the League did not want to enter into a fight for Latvia's freedom.³ In the event, when the vote was taken, Portugal was one of five countries, which voted for Latvia's admission (24 states against).

When the Great Powers decided to recognise Latvia *de iure* on 26 January 1921, Portugal followed suit. On 19 February 1921, the Portuguese envoy to France (again Chagas) sent a diplomatic note to the Latvian envoy to France stating that Portugal has decided to recognise Latvia *de iure* (he also mentioned his previous support of Latvia at the League of Nations).⁴ Latvia was admitted to the League of Nations on 22 September 1921.

A Portuguese honorary consul, Dāvids Brakmanis, was appointed in Rīga in 1927, he was upgraded to a general-consul in 1930. The consulate operated until 1940. The consul was very active in popularising Portugal in Latvia.⁵ Although discussions regarding the opening of a Portuguese legation in Rīga had commenced in the 1930s⁶, it was not until 18 October 1939, that the first Portuguese envoy to Latvia, César de

¹ Krasnais, V. (1938), p. 102.

² Vīgrabs, J. (1938), p. 569.

³ Andersons, E. (1982), p. 61.

⁴ LVVA, 2570. f. 3. apr., 1148. l., 57. lp.

⁵ See for example, *Students*, No. 153 (27.09.1929), pp. 3–4 and *Latvijas Kareivis*, No. 50 (02.03.1933), p. 4.

⁶ *Latvijas Kareivis*, No. 274 (03.12.1930), p. 1.

Table 1. Selected economic indicators for Latvia and Portugal in the interwar period

	Latvia	Portugal
Population (millions)	2 (1939)	7.6 (1939)
Share of urban population (%)	34.6 (1935)	17 (1940)
GDP* per capita	4048 (1938)	1747 (1938)
Average annual growth rate (GDP per capita) 1920–1929	5.31	3.17
Average annual growth rates (GDP per capita) 1929–1938	4.1	0.91
% share in GDP of agriculture and forestry	39.2 (1938)	52.8 (1939)
% share in GDP of industry	20.5 (1938)	20.9 (1939)

* GDP measured in 1990 International Geary-Khamis dollars

Sources: Darbiņš, A. & Vītiņš, V. (1947); Broadberry, S. & O'Rourke, K. H. (2016); Portuguese historical statistics (2001)

Sousa Mendes, was accredited.⁷ The Latvian envoy to France was also appointed envoy to Portugal throughout the interwar period. In 1927, an honorary consul for Latvia in Lisbon, Diogo Joaquim de Mattos, was appointed and served until 1940. There was also a branch of the consulate in Porto.

As can be seen from Table 1, apart from the large difference in population Latvia's share of urban population was nearly twice that of Portugal, and Portugal's share of agriculture in GDP was higher (nearly 14 %) than in Latvia. GDP per capita was much higher in Latvia than in Portugal (over two times higher). However, Latvia's share of manufacturing in GDP was more or less the same as in Portugal. Interestingly, Latvia's average annual growth rates both pre- and post the Great Depression were much higher than that of Portugal. Thus, while Latvia had for all intents and purposes been an agricultural economy, Portugal was more so. However, there was a difference in natural endowments. Portugal was rich in natural resources such as gold, silver, iron, and copper. Latvia, on the other hand, had only gypsum deposits, as well as extensive deposits of peat.⁸

Latvian-Portuguese Economic Relations 1922–1939

Economic relations between Latvia and Portugal were essentially confined to trade, although Latvian tourists and Latvian shipping also contributed. Some Portuguese and Latvian trade had already been in existence in the early 1920s – imports of metals (including copper) and various amounts of cork, salt, fish conserves (including sardines) and wine. Latvian exports to Portugal consisted of small amounts of linoleum, paper

⁷ *Rīts*, No. 289 (19.10.1939), p. 5.

⁸ For a detailed study of the peat industry in Latvia in the interwar period, see Karnups, V. P. (2016).

and paper products, and liquors at this time. Regular Latvian-Portuguese trade commenced only in 1927.

Informal discussions regarding a trade agreement with Portugal were conducted during the 1920s, after the *de iure* recognition of Latvia by Portugal. However, due to Portugal's internal political problems, a Provisional Commercial and Navigation Agreement between Latvia and Portugal was signed only on 15.06.1929 and the provisions of the Agreement came into force on 27.01.1930.⁹ It was to remain in force for one year from 27.01.1930, and thereafter until three months after notice of denunciation by either government. It contained the Baltic and Russian clause (Article 6), but no reciprocal clause from the Portuguese side, although Article 1 did stipulate that goods from Portugal, her nearby islands and overseas possessions would enjoy MFN treatment in Latvia. The Provisional Agreement also contained a list of Latvian products, to which the Portuguese would apply the MFN principle. There was no such list from the Latvian side. The Provisional Agreement was expected to be followed by a final Treaty of Commerce and Navigation,¹⁰ but this never happened.

Latvian-Portuguese Trade 1922–1940

As noted above, some Latvian-Portuguese trade had occurred in early 1920s, but regular trade started from 1927. The value of Latvian imports from and exports to Portugal can be seen in the Figure 1.

As Figure 1 shows, from a low start, exports did not increase throughout the interwar period and in 1929 reach their highest value – just over 100 thousand lats. Imports, on the other hand, increased more substantially with a peak also in 1929 with a value of 1559 thousand lats. These increases seem to be partly the result of the signing of the trade agreement and partly to the general economic upsurge of 1929. Both imports and exports fell with Great Depression, but imports started to rise from 1932 and reaching their peak in 1937–1938 and exports in 1933. Generally, imports substantially exceeded exports throughout the interwar period.

Following the Latvian *coup d'état* by Kārlis Ulmanis in 1934, interest in expanding trade with Portugal revived. Portugal under António de Oliveira Salazar was praised as an ideal state by the Ulmanis regime.¹¹ Nevertheless, little came of this in terms of increased exports to Portugal. It was also pointed out that Latvian exports did not even appear in Portuguese trade statistics as most of Latvia's exports to Portugal were through other countries rather than directly from Latvia.¹² To try and remedy this

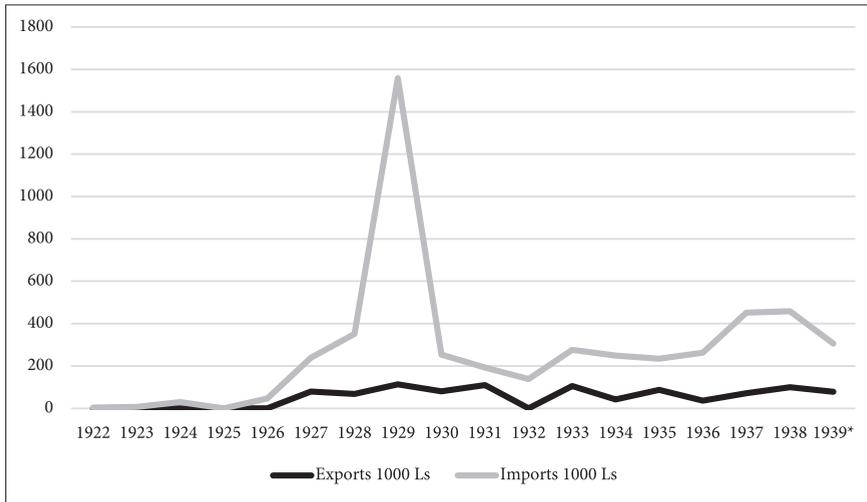
⁹ *Valdības Vēstnesis*, No. 295 (31.12.1929), p. 1.

¹⁰ *Latvijas Kareivis*, No. 150 (09.07.1929), p. 1.

¹¹ Andersons, E. (1982), p. 654.

¹² *Ekonomists*, No. 9 (15.05.1935), p. 317 and *Rīts*, No. 260 (21.09.1935), p. 2.

situation, the Portuguese honorary general-consul to Latvia, D. Brakmanis, went to Portugal to try to establish closer direct ties between Latvian and Portuguese traders and industrialists in 1937.¹³ He was mildly successful and there was a slight rise in Latvian exports in 1938 to almost the peak of 1933.



* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Figure 1. Latvia-Portugal Imports and Exports 1922–1939

Sources: Latvijas statistiskā gada grāmata [Latvian Statistical Yearbooks]. 1923–1939; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

There was also some minor trade with Portuguese colonies, particularly in Africa. For example, exports to Mozambique totalled 163 375 lats in 1937 (mainly plywood and timber products).¹⁴ In fact, Latvia traded also with Angola, Goa and other small Portuguese colonies.

Latvian Exports to Portugal

Latvia’s main exports to Portugal were Linoleum, Liquors etc., Matchsticks, Paper and paper products, Plywood and Radios. The amounts and value of Latvia’s main exports exported to Portugal in the interwar period are shown in Table 2.

¹³ *Rīts*, No. 273 (05.10.1937), p. 5.

¹⁴ *Latvijas ārējā tirdzniecība un transits* 1937, p. 206.

Table 2. Main Latvian exports to Portugal 1922–1938

Year	Linoleum		Liquors etc.		Matchsticks		Paper and paper products		Plywood	
	tonnes	Value (1000 Ls)	litres	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1922	0	0	50	Less than 1000 Ls	0	0	0	0	0	0
1923	0	0	1211	3	0	0	0	0	0	0
1924	Less than 1 tonne	Less than 1000 Ls	0	0	0	0	0	0	0	0
1925	0	0	230	Less than 1000 Ls	0	0	0	0	0	0
1926	0	0	0	0	0	0	1	Less than 1000 Ls	0	0
1927	0	0	0	0	317	79	1	Less than 1000 Ls	0	0
1928	0	0	0	0	256	67	2	1	0	0
1929	0	0	74	Less than 1000 Ls	388	105	12	7	0	0
1930	13	17	74	Less than 1000 Ls	186	61	3	2	0	0
1931	0	0	0	0	343	110	Less than 1 tonne	Less than 1000 Ls	0	0
1932	0	0	134	Less than 1000 Ls	0	0	0	0	Less than 1 tonne	Less than 1000 Ls
1933	0	0	0	0	292	75	Less than 1 tonne	Less than 1000 Ls	0	0
1934	0	0	36	Less than 1000 Ls	179	40	1	Less than 1000 Ls	3	Less than 1000 Ls
1935	Radios		144	Less than 1000 Ls	231	6	5	6	5	1
1936	0	0	0	0	31	8	3	2	7	2
1937	Less than 1 tonne	Less than 1000 Ls	144	Less than 1000 Ls	60	17	2	2	0	0
1938	Less than 1 tonne	Less than 1000 Ls	14	Less than 1000 Ls	0	0	18	6	22	8

Source: *Latvijas ārējā tirdzniecība un transits – 1923–1939*. [Latvian Foreign Trade and Transit. 1924–1939] Rīga: Valsts statistiskā pārvalde

The most important (and consistent) export product to Portugal was Matchsticks. In the late 1920s and early 1930s, it was the most valuable export although its value diminished in the late 1930s. Another small, but consistent export was Paper and paper products, which fluctuated from 1926 and reached a peak in 1938. Linoleum reached its peak in 1930, whilst plywood exports began in 1932 and reached their peak in 1938. Liquors etc. were a steady, but fluctuating export to Portugal. A new product, which began to be exported to Portugal in 1937, was Radios.

Latvia also exported various quantities of flax, butter, rubber goods (including rubber galoshes) and toys to Portugal in the interwar period. There were no exports to Portugal in 1939 and 1940.

Latvian Imports from Portugal

Latvia's main imports from Portugal were Cork, Wine, Fish conserves (including sardines), Salt and Metals (including copper). The amounts and value of Latvia's main imports imported from Portugal in the interwar period are shown in Table 3.

Table 3. Latvia's Main Imports from Portugal 1922–1939

Year	Salt		Wine		Cork		Metals (including copper)		Fish conserves (including sardines)	
	kg	Value (Ls)	litres	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)
1922	0	0	0	0	0	0	8654	2652	0	0
1923	0	0	0	0	0	0	29472	7001	0	0
1924	337676	8529	0	0	9531	3103	27277	8475	4428	9283
1925	363384	9223	0	0	0	0	0	0	0	0
1926	172373	4411	493	2190	54358	31238	0	0	4667	9321
1927	29267	1470	309	665	292182	227624	0	0	3516	7803
1928	0	0	367	1621	493983	347219	0	0	145	244
1929	0	0	343	1490	2533705	1559335	0	0	0	0
1930	0	0	1648	3759	345621	228839	0	0	3435	8046
1931	0	0	1266	3296	253414	177955	0	0	2422	4907
1932	0	0	702	1393	410988	130491	0	0	0	0
1933	0	0	706	1430	544917	270522	0	0	0	0
1934	0	0	123	250	425220	243535	0	0	0	0
1935	0	0	450	730	425207	226015	0	0	0	0
1936	0	0	4892	8514	404140	211569	0	0	0	0
1937	0	0	3914	10442	497636	422617	0	0	468	2323
1938	0	0	8472	21997	519386	431607	0	0	720	1977
1939*	0	0	0	0	373000	290000	0	0	0	0

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Source: *Latvijas ārējā tirdzniecība un transits – 1923–1939* [Latvian Foreign Trade and Transit. 1924–1939]. Rīga: Valsts statistiskā pārvalde; and *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

The most important import by far was cork. Cork imports commenced in 1924 and reached a peak in 1929, but still continued strongly to 1939. The other important import was wine, which reached its peak in 1938. Salt was a significant import in the early 1920s, as was Metals (including copper), but both disappeared in the late 1920s and 1930s as Latvia found other sources for these products. Fish conserves (including sardines) were a significant, but fluctuating import product.

During the interwar period Latvia imported a whole range of Portuguese goods in small quantities including tropical fruits (especially pineapples), (cream of) tartar, textiles, medicinal plants, and books.

Conclusion

In the interwar years, Latvian and Portuguese economic relations were exclusively confined to foreign trade. However, geographical distance, Portugal's internal and external political problems made trade between Latvia and Portugal unprofitable despite the high hopes surrounding the signing of the Provisional commercial agreement in 1929.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Portugal made up 0.04 % of total Latvian exports, and Portuguese imports made up 0.43 % of total Latvian imports. Similarly, in 1937, when Latvian foreign trade reached its post-Depression peak, exports and imports to and from Portugal barely registered and in the data are shown as 0.2 % for imports and 0.0 % for exports. One suspects that the figures from the point of view of Portugal 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 2020, Latvian exports to Portugal totalled 32.3 million EUR or 0.2 % of total Latvian exports (mainly plant products, machines, mechanisms and electrical equipment, paper products and textiles). Whilst imports from Portugal totalled 31.7 million EUR or 0.2 % of total Latvian imports (mainly machines, mechanisms and electrical equipment, food industry products, chemical industry products and plant products). As in the interwar period, Latvia still has a negative trade balance with Portugal. In 2020, Portuguese investments in Latvia totalled less than 1 million EUR, however Latvian investments in Portugal totalled 6 million EUR. There are also some minor Portuguese foreign direct investments in Latvia in terms of equity capital of companies registered in Latvia to a value of 98.8 thousand EUR in some 27 companies.¹⁵

¹⁵ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/attachments/2021.03_LV_Portugale_ekon_sad.pdf#overlay-context=noderigi/valstu-informacija/portugale [Accessed 06.05.2021]

Spain

Introduction

In the interwar period, Latvian-Spanish relations were minimal. The main point of contact was through culture – Spanish literature, art and theatre were well-known in Latvia. As a result, Spain was also a popular country for Latvian tourists. In general, in the interwar period, Latvian and Spanish economic relations were confined to foreign trade and its ports were utilised by Latvian merchant ships, both travelling to and from Spain and Portugal, and from there to and from elsewhere in the world.

Spain established formal diplomatic relations (*de iure*) with Latvia on 9 April 1921 and made clear to Latvia, and placed it on record as a type of condition antecedent to recognition, that she expected a number of guaranties with respect to property, equal treatment of nationals, and recognition of a proportional share of the Czarist debts.¹ However, the sources and literature examined did not show that Spain or any of its nationals had claimed compensation for damages or in respect of contractual obligations.

The first Spanish envoy to Latvia, *Joaquin de Ezpeleta y Montenegro* (who was also envoy to Finland and resided in Helsinki), was accredited on 12 December 1921. On 27 November 1929, Spain established a permanent legation in Riga with an accredited envoy (*Eduardo Garcia Comin*).

Latvia's envoys to Spain were based in France (although the first Latvian accredited envoy to Spain in 1922, *Mikēlis Valters*, was based in Italy, from 1924 he was based in France). In 1925, the Latvian Foreign ministry decided to establish a network of honorary consuls in cities abroad, which were of interest to Latvia² and by the middle of 1925 Latvian representatives started to actively look for candidates for consuls in Spain. The Foreign Ministry wrote to the envoy in France suggesting that consuls should be found for Cadiz, Bilbao, Huelva, Madrid, Barcelona, Valencia and elsewhere.³ On 7 April 1925, the Latvian legation in Paris asked the Spanish Ministry of Foreign Affairs to recommend candidates recognised in the commercial world for honorary consul positions for Barcelona, Valencia and Bilbao.⁴ In the event, after sifting through

¹ Sarkanais, A. (1999), p. 97.

² Lerhis, A. (2005), p. 148.

³ LVVA, 2575. f., 7. apr., 396. l., 72.–74. lp.

⁴ LVVA, 2575. f., 7. apr., 164. l., 90.–91. lp.

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

	Latvia	Spain
Population (millions)	2 (1939)	26 (1939)
Share of urban population (%)	34.6 (1935)	37.1 (1930)
Share of agriculture in the labour force (%)	67.8 (1935)	45.4 (1935)
National Income (millions Ls)	1256 (1938)	15549 (1939)*
National Income per capita (Ls)	628 (1938)	598 (1939)
Share of Agriculture in NI (%)	39.2 (1938)	26.2 (1939)
Share of Manufacturing in NI (%)	20.5 (1938)	21.9 (1939)

* Conversion of 1939 Spanish pesetas to Latvian lats

Sources: Darbiņš, A. & Vītiņš, V. (1947), Prados de la Escosura, L. (2017), National Income statistics 1938–1948 (1950), Martinez-Carrion, J., & Moreno-Lazaro, J. (2007)

various candidates for various cities, the only honorary consul to be appointed in the interwar period by Latvia in Spain was in Barcelona.

From November 1928 to August 1936, the Latvian honorary consul in Barcelona was Amadeu Colldeforns i Margalló.⁵ He was a partner in the Steamship agency “Ricardo Torrabadella” and thus had an extensive knowledge of Latvian shipping. Colldeforns i Margalló not only issued visas, extended passports and registered Latvian vessels arriving in the port of Barcelona, but also actively promoted Latvia in Spain by publishing articles on Latvia in “La Vanguardia”, “Diario de Barcelona”, “Diario de Comercio”, “La Nau” and elsewhere.⁶ He was also an ardent Catalan nationalist. In the elections to the Parliament of Catalonia in 1932 he was elected to the Parliament by the Republican Left of Catalonia. On 19 July 1936, Amadeu Colldeforns and his father died in the fighting that took place between the military coup and forces loyal to the Republic. On 21 August 1936, the Latvian Foreign ministry officially announced that Amadeu Colldeforns i Margalló had been deleted from the list of honorary consuls as of 20 July 1936.⁷ The Barcelona consulate was not closed as its work was carried on by the secretary *Juaquin Vernis y Bonet*. He was later called up to serve in the Republican army and despite efforts by the Latvian envoy in France to try and gain an exemption for him, this was refused.⁸ The consulate for all practical purposes ceased to operate by July 1938.

As can be seen from Table 1, apart from the large difference in population and national income, Latvia’s share of urban population was only slightly less than that of

⁵ Jēkabsons, Ē. & Ščerbinskis, V. (eds.) (2003), p. 388.

⁶ LVVA, 2575. f., 7. apr., 928. l., 3, 8.–13. lp.

⁷ *Valdības Vēstnesis*, 21. 08. 1936, p. 2.

⁸ LVVA, 2575. f., 7. apr., 1816. l., 4., 7., 22.–23., 32.–33., 35.–36. lp.

Spain, but the share of agriculture in the labour force in Latvia was higher (about 18 %). National Income per capita was only slightly higher in Latvia than in Spain (about 5 % higher); but the share of agriculture in NI was one third higher in Latvia than in Spain. However, Latvia's share of manufacturing in NI was more or less the same as in Spain. Thus, while Latvia had for all intents and purposes an agricultural economy, Spain was a more industrialised economy. However, there was an enormous difference in natural endowments. Spain was rich in natural resources such as kaolin, sepiolite, gypsum, fluorspar, uranium, zinc, lead, copper, tungsten, iron ore and coal. Latvia, on the other hand, had only gypsum deposits, as well as extensive deposits of peat.⁹

Latvian-Spanish Economic Relations 1923–1939

Some Spanish and Latvian trade had already been in existence in the early 1920s through a Spanish-Baltic trade association based in Danzig, where goods from Spain were delivered and then further distributed to Latvia and other Baltic states.¹⁰ Direct Latvian-Spanish trade commenced in 1923.

Latvia's foreign trade in the 1920s was based in large measure on a system of commercial and trade treaties. By 1929, Latvia had concluded commercial treaties with all important European states, excluding Spain. They provided the regulatory framework within which were stated the obligations undertaken by Latvia in its foreign trade relations with its trading partners up to 1931. Latvian trade treaties at this time provided generally for Most Favoured Nation (MFN) treatment for both parties and included the Baltic and Russian clause. The possibility of a trade agreement with Spain was first raised in 1923. In 1924, Latvia's envoy to Finland suggested that the Spanish envoy to Latvia was delaying resolving the issue because of problems with Latvia's tariff system (minimal and maximum tariffs), but that he hoped that an agreement could be reached by October 1924.¹¹ This was not to be due to political turmoil in Spain. In October 1928, Latvia submitted a draft agreement to Spain and in November Spain submitted their draft project. Hopes of a quick resolution faded and in 1930, the Latvian envoy to Spain reported that after a visit to Madrid in May it was clear that there would not be an agreement in the near future.¹² In 1931, after the proclamation of the Second Republic, the Latvian envoy to Spain suggested to the Latvian Prime Minister that an early recognition of the new government would have a good influence on the signing of a trade agreement; Latvia recognised the new government on 23 April 1931.¹³ However, no further progress on a trade agreement was made.

⁹ For a detailed study of the peat industry in Latvia in the interwar period, see Karnups, V. P. (2016).

¹⁰ *Ekonomists* (1921), pp. 377–378.

¹¹ LVVA, 2575. f., 7. apr., 164. l., 142. lp.; LVVA, 2570. f., 13. apr., 269. l., 35. lp.

¹² LVVA, 2575. f., 7. apr., 803. l., 28.–30., 43.–44. lp.

¹³ LVVA, 2575. f., 7. apr., 965. l., 279., 293. lp.

After the Ulmanis coup d'état in May 1934, the issue of a trade agreement with Spain was raised again. On 25 August 1934, the Latvian Trade and Industry Department, after a thorough review of trade with Spain, recommended to the Foreign Ministry to restart negotiations with Spain.¹⁴ On 15 January 1936, in Riga, trade talks commenced between Latvia and Spain.¹⁵ A month later (01 February), a draft trade agreement was agreed to by both sides and initialled with some minor issues to be dealt with later.¹⁶ However, by March the talks had come to a halt. Spain's internal problems and the commencement of the Civil War meant that no trade agreement could be signed with the Republican government. In 1937 and 1938, the Republican Spanish envoy, *S. Palensija i Alvaress Tubavs*, held discussions with Latvian representatives regarding the possibility of reaching an agreement on trade, but nothing came of these efforts as well.

In November 1938, the Latvian Foreign Ministry received information that Finland and Estonia had concluded agreements with the Franco regime to exchange trade agents.¹⁷ Estonia hoped that the agreement would pave the way for the return of Estonian ships seized by the Nationalist regime in January 1938. As the Franco regime had seized two Latvian merchant ships in November 1938 – the *Everards* and the *Lettonia*, Latvia informed the regime that it would be difficult to enter into discussions regarding the exchange of trade agents before the ships were returned.¹⁸ Although there were some internal discussions regarding the need to conclude a trade agreement with the Nationalist regime throughout 1939 nothing was decided. In May 1939, there were rumours that the Franco regime would be sending a trade delegation to Latvia to conclude an agreement¹⁹, which also came to nothing. On 28 July 1939, diplomatic relations were established with Nationalist Spain with the accreditation of the Spanish *charge d'affaires*, *Luis de Olivares y Bruguera*, in Riga.²⁰

Latvian-Spanish Trade 1923–1939

Latvian-Spanish trade in the interwar period fluctuated at very low levels. Latvia's trade balance with Spain throughout the interwar period was passive with imports generally exceeding exports except for 1938 and 1939. The value of Latvian imports from and exports to Spain can be seen in the Figure 1.

¹⁴ LVVA, 2574. f., 4. apr., 5765. l., 91. lp.

¹⁵ *Rīts*, 1936.15.01., p. 8.

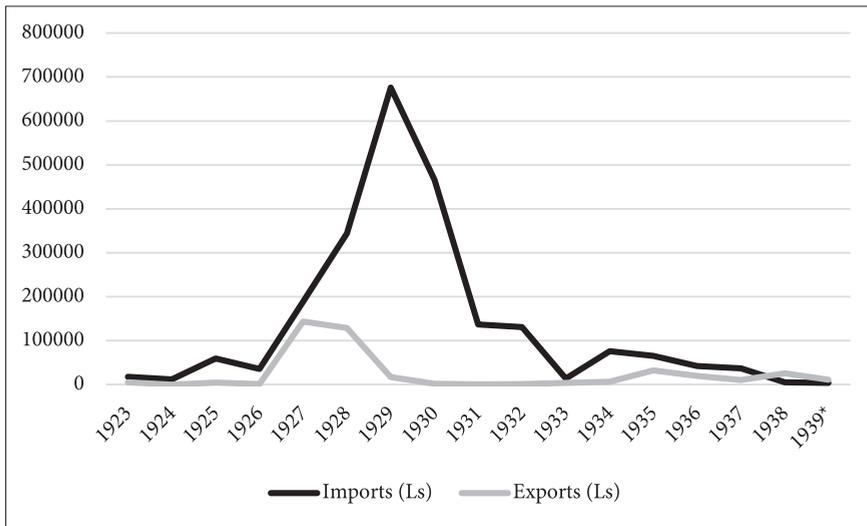
¹⁶ *Rīts*, 1936.02.02., p. 15.

¹⁷ LVVA, 2570. f., 13. apr., 763. l., 5. lp.

¹⁸ LVVA, 2570. f., 13. apr., 764. l., 24. lp.

¹⁹ *Rīts*, 1939.21.05., p. 3.

²⁰ *Brīvā Zeme*, 1939. 29. 07., p. 21.



* 11 months 1939

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

Sources: *Latvijas statistiskā gada grāmata 1920–1923* [Latvian Statistical Year Book 1920–1923] Rīga: Valsts statistiskā pārvalde; *Latvijas ārējā tirdzniecība un transits – 1923–1939* [Latvian Foreign Trade and Transit. 1924–1939]. Rīga: Valsts statistiskā pārvalde; and LVVA, 1314. f., 5. apr., 100. l., 176. lp.

Latvia’s exports to Spain were low and reached their peak in 1927 at 143 639 lats. The lack of a trade agreement and Spain’s high tariffs against states that it did not have a trade agreement with were part of the failure to stimulate Latvian exporters to the Spanish market. The onset of the Great Depression further reduced Latvia’s exports to Spain. Hopeful discussions regarding a trade agreement in 1935 saw a slight increase in exports, but these hopes were dashed by the commencement of the Spanish Civil War in 1936. The recognition of Nationalist Spain from 1938 slightly stimulated exports until the beginning of WWII. Latvia’s imports from Spain, on the other hand, were much higher and reached their peak in 1929 at 675 925 lats. Thereafter, they dropped to low levels (with a slight rise in 1934), which continued until the beginning of WWII.

Latvian Exports to Spain

Latvia’s main exports to Spain were Cellulose, Liquors, Paper and paper products, Hides and furs, Flax, and Rags and waste cloth. (See Table 2).

On examination of Table 2, it would seem that as there was no formal trade agreement, Latvian exports to Spain fluctuated greatly. The late 1920s was the period of most

Table 2. Latvia's Main Exports to Spain

Year	Cellulose		Liquors etc.		Paper and paper products		Hides, furs etc.		Flax		Rags, waste cloth	
	kg	Value (Ls)	litres	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	tonnes	Value (Ls)	tonnes	Value (Ls)
1923	0	0	0	0	0	0	0	0	0	0	0	0
1924	0	0	0	0	0	0	0	0	0	0	0	0
1925	0	0	0	0	0	0	0	0	0	0	0	0
1926	0	0	7	29	7	457	0	0	0	0	0	0
1927	446000	126371	242	1008	38630	16260	0	0	0	0	0	0
1928	426600	121472	735	2829	13534	4487	0	0	0	0	0	0
1929	50800	12971	130	808	64	2183	0	0	0	0	0	0
1930	5000	694	64	1172	51	263	0	0	0	0	0	0
1931	0	0	0	0	54	400	0	0	0	0	0	0
1932	0	0	0	0	2415	508	349	762	0	0	0	0
1933	0	0	0	0	3055	896	4	224	0	0	0	0
1934	0	0	187	934	0	0	1583	5842	0	0	0	0
1935	38600	4075	7	24	3993	382	0	0	30480	26942	5960	1094
1936	0	0	24	80	0	0	0	0	10160	7878	40397	11937
1937	0	0	0	0	0	0	0	0	4826	9962	0	0
1938	0	0	0	0	20097	9478	0	0	9144	16009	0	0

Sources: *Latvijas ārējā tirdzniecība un transits – 1923–1939* [Latvian Foreign Trade and Transit. 1923–1939]. Rīga: Valsts statistiskā pārvalde

intensive exports to Spain from Latvia. At this time exports of cellulose, liquors and paper and paper products were at their highest. After 1930, due in part to the Great depression, cellulose and liquors disappeared from Latvia's exports to Spain to reappear sporadically in the late 1930s. Paper and paper products, on the other hand, were a steady export product throughout most of the interwar period. Hides and furs appeared briefly in the early 1930s and then disappeared. Flax appeared as an important export product from 1935, whilst rags and waste cloth also appeared briefly in 1935–1936.

Latvia also exported small quantities of fish and fish conserves (including “šprotes”²¹), books, and match sticks.

²¹ “šprotes” or sprats are close relatives of anchovies, sardines and herrings. The Latvian style is to smoke and/or preserve them in oil.

Latvian Imports from Spain

Imports from Spain, unlike Latvia's exports to Spain, fluctuated less and were in greater quantities and value. Latvia's main imports from Spain were Oranges, mandarins, and other fruit, Wine, Cork, Rosin (colophony)²², Pomerance (bitter orange) peels²³, Sulphuric chalcedony (pyrite) and Carding thistles (Fuller's teal)²⁴ (See Table 3).

As can be seen from Table 3, imports from Spain to Latvia fluctuated, but much less than exports to Spain. Imports of oranges and other fruits were most intensive in the late 1920s, but after a decline during the Great Depression picked up again in the late 1930s. Nevertheless, the steep decline in the volume of these imports was due to the fact that importers had turned elsewhere for these imports (mainly Italy and Palestine).²⁵ Wine was a small, but steady import throughout the interwar period. Cork was a significant import during the interwar period with only minor fluctuations despite the fact that manufacturers had expressed the opinion that Spanish cork was of low quality (too soft) and had turned to other sources, mainly Portugal.²⁶ Rosin, pomerance and carding thistles were small, but important imports, reaching their peaks at different times in the interwar period (rosin as late as 1937, pomerance as early as 1926, and carding thistles in 1932). Sulphuric chalcedony (pyrite) was imported in large quantities in the late 1920s, but this was discontinued and the product was imported from Norway with which Latvia had a trade agreement.²⁷

During the interwar period Latvia imported a whole range of Spanish goods in small quantities including raisins, sardines, tomatoes, onions, spices, olive oil, books, toys, buttons, and textiles.

Latvia and the Spanish Civil War

On 17 July 1936, the Spanish Civil War began. This was the defining event in Spain in the interwar period. The majority of the Latvian people sympathised with the Republican cause. The government tried to prevent the illegal collection of funds for Spain, nevertheless voluntary donations were collected, although the total amount to 1939 was not very large – some 8325 lats.²⁸ The authoritarian Latvian regime had

²² Rosin is an ingredient in printing inks, photocopying and laser printing paper, varnishes, adhesives (glues), soap, paper sizing, soda, soldering fluxes, and sealing wax.

²³ Bitter oranges are used for their essential oil, and are found in perfume, used as a flavouring or as a solvent. The Seville orange variety is used in the production of marmalade.

²⁴ Carding thistles (Fuller's teal) – used to tease out wool and other fibres before spinning.

²⁵ *Ekonomists* (1935), p. 249.

²⁶ LVVA, 2574. f., 4. apr., 5765. l., 89. lp.

²⁷ *Ekonomists* (1935), p. 249.

²⁸ Andersons, E. (1982), p. 656.

Table 3. Latvia's Main Imports from Spain

Year	Oranges, mandarins, and other fruit (lemons, grapes etc.)		Wine		Cork		Rosin (colophony)		Pomerance (bitter orange) peels		Sulphuric chalcodony (pyrite)		Carding thistles (Fuller's teasel)	
	kg	Value (Ls)	litres	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)	kg	Value (Ls)
1923	9281	16767	0	0	0	0	0	0	0	0	0	0	0	0
1924	964	188	633	1036	0	0	3816	1278	3020	4742	0	0	120	964
1925	731	264	215	506	203459	39757	0	0	3122	4951	0	0	216	972
1926	721	892	100	341	39260	23719	2248	1729	3747	5071	0	0	195	767
1927	300	456	291	623	2459	1384	2104	1554	689	1552	6200620	177542	729	2802
1928	47081	46902	0	0	181002	107437	0	0	2273	4084	5103430	161685	183	1046
1929	580663	362177	338	620	5751	4610	0	0	398	1239	8927340	290326	0	0
1930	548513	285663	260	631	2370	1517	1301	774	617	1556	5984120	154759	802	5035
1931	138950	86938	105	389	23430	18928	0	0	144	130	0	0	240	814
1932	3131	2644	344	781	867	2661	1310	519	162	114	0	0	205773	122505
1933	2042	3066	0	0	0	0	1003	363	240	358	0	0	449	2217
1934	0	0	0	0	90492	59839	661	170	15	10	0	0	0	0
1935	93097	50747	0	0	25942	12289	300	92	0	0	0	0	0	0
1936	34204	25596	271	523	40088	12229	640	183	39	83	0	0	180	530
1937	2889	5806	325	1137	17135	15396	15581	7703	848	1712	0	0	0	0
1938	0	0	859	2615	1665	2087	303	216	5	30	0	0	0	0

Sources: *Latvijas ārējā tirdzniecība un transitis – 1923–1939* [Latvian Foreign Trade and Transit: 1923–1939]. Rīga: Valsts statistiskā pārvalde

declared its neutrality in the conflict, but this did not preclude the secret sale of old and outdated Latvian army weapons and military equipment to the Republican government in October 1936.²⁹ This was despite an instruction from the Ministry of Finance on 10 September 1936, which banned the export of weapons, ammunition, war materials, aeroplanes and naval ships to Spain and Spanish colonies.³⁰ The aim of these sales was to obtain funds for the purchase of modern military equipment.

During the Spanish Civil War, Latvia as a result of its neutrality policy, followed the principle of non-intervention (which was meant to avoid any potential escalation and possible expansion of the Civil war to other nations). As a result Latvia signed the Non-Intervention Agreement in August 1936 and joined the setting up of the Non-Intervention Committee, which first met in September 1936.³¹ Some 12 Latvian army officers were eventually provided to the Committee as observers and posted to Spanish ports and borders.³² When on 16 February 1937, the Non-Intervention Committee banned the participation of foreigners in the Civil war, the Latvian government followed suit and on 23 February 1937 issued a decree, which banned the participation of Latvian citizens in Spain and threatened punishment if anyone returned from there.³³

Nevertheless, Latvians did participate in the Civil War. Some 120 Latvian citizens and some 25 Latvians from the USSR took part.³⁴ Most of these participated on the Republican side with only one known participant on the Nationalist side.³⁵ The last of the surviving Latvian volunteers left Spain together with half a million Spanish refugees in February 1939, when the Francoist troops broke the front of Catalonia.³⁶ After crossing the border into France they were interned by the French. They were mostly released from the internment camps between 1940 and 1941. Interestingly, trade between Latvia and Spain continued throughout the Civil war (see above).

Conclusion

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

²⁹ Andersons, E. (1983), pp. 587–588.

³⁰ LVVA, 295. f., 1. apr., 256. l., 86. lp.

³¹ The irony of which was that Communist USSR (which materially supported Republican Spain) and Nazi Germany and Facist Italy (which materially supported Franco) also signed the Agreement and joined the Committee.

³² Bērziņa, G. I. (2016), pp. 71–73.

³³ *Latvijas Kareivis*, 1937.24.02, p. 1.

³⁴ Andersons, E. (1982), p. 656. There is some disagreement regarding the actual numbers of Latvians participating with estimates ranging from a total of 200 plus (De la Torre, I. (2016), p. 54) to 100 plus (Bērziņa, G. I. (2016), p. 81).

³⁵ Bērziņa, G. I. (2016), p. 74.

³⁶ De la Torre, I. (2016), p. 69.

important. Nevertheless, geographical distance, Spain's internal political problems and Spain's high tariffs against states, which did not have a trade treaty with it coupled with the absence of a trade treaty made trade between Latvia and Spain unprofitable. Latvia mainly had a negative trade balance in relation to Spain, the exception being in 1938–1939.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to the Spain made up 0.01 % of total Latvian exports, and Spanish imports made up 0.19 % of total Latvian imports. However, in 1937, when Latvian foreign trade reached its post-Depression peak, exports and imports to and from Spain barely registered and in the data are shown as 0.0 %. One suspects that the figures from the point of view of Spain 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 2020, Latvian exports to Spain totalled 214.5 million EUR or 1.2 % of total Latvian exports (mainly plant products, timber and timber products, machines, mechanisms and electrical equipment, and vehicles). Whilst imports from Spain totalled 246.7 million EUR or 1.4 % of total Latvian imports (mainly food industry products, plant products, machines, mechanisms and electrical equipment, and textiles). As in the interwar period, Latvia still has a negative trade balance with Spain. Unlike the interwar period when there no investments from Spain, Spanish foreign direct investments in Latvia in 2020 totalled 22 million EUR, whilst Latvian foreign direct investment in Spain totalled 11 million EUR. Spanish investments in the equity capital of companies registered in Latvia in 2020 totalled 12.6 million EUR in some 88 companies.³⁷

Revised version of a paper presented at the international conference: European Historical Economics Society 2019 Congress, Paris, France, 29–31 August 2019.

³⁷ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/attachments/2021.03_LV_Spanija_ekon_sad.pdf#overlay-context=noderigi/valstu-informacija/spanija [Accessed 09.05.2021]

Yugoslavia

Introduction

The Kingdom of Serbs, Croats and Slovenes was established on 01 December 1918, some two weeks after the establishment of the Republic of Latvia on 18 November 1918. The preliminary kingdom was formed by the merger of the provisional State of Slovenes, Croats and Serbs (itself formed from territories of the former Austro-Hungarian Empire) with the formerly independent Kingdom of Serbia. The Kingdom of Montenegro had united with Serbia five days previously. The official name of the state was changed to “Kingdom of Yugoslavia” by King Alexander I on 03 October 1929. In Latvian historiography, the state has always been referred to as Yugoslavia and this designation will be used in this chapter.

Latvia’s first contacts with the new state were in relation to Latvia’s and the other Baltic State’s attempts to join the League of Nations. The first attempt on 16 December 1920 was rejected by the Assembly of the League of Nations, mainly because it was felt by many states including the Britain and the Scandinavian states, that Russia could any time retake the Baltic States and they did not want to be involved in their defence. Yugoslavia in particular was vehemently against Latvia and the other Baltic States joining the League. This was because they had a great sympathy towards Tsarist Russia, which had come to their aid during WWI, as well as the fact that Yugoslavia had become the main Russian monarchist centre outside of Russia.¹

When the Great Powers decided to recognise Latvia *de iure* on 26 January 1921, Yugoslavia did not follow suit. Latvia was admitted to the League of Nations on 22 September 1921. Yugoslavia again opposed the admission of Latvia for the same reasons as noted above and did not take part in the voting.² As result, *de iure* recognition of Latvia by Yugoslavia was delayed for a number of years. However, the foreign minister of Yugoslavia (and leader of the Yugoslavian delegation to the League), Momčilo Ninčić, wished to be elected President of the forthcoming (commencing 06.09.1926) VII session of the General Assembly. When he asked the delegates of the Baltic States to support his bid, they pointed out that Yugoslavia had still not recognised them *de iure*. Ninčić was able to organise the recognition and was duly elected President of the General Assembly with the support of the Baltic States.³

¹ Andersons, E. (1982), p. 64.

² *Valdības Vēstnesis*, No. 217 (26.09.1921), p. 3.

³ Andersons, E. (1982), p. 69.

Table 1. Selected economic indicators for Latvia and Yugoslavia in the interwar period

	Latvia	Yugoslavia
Population (millions)	2 (1939)	15.6 (1939)
Share of urban population (%)	34.6 (1935)	16.2 (1948)
GDP* per capita	4048 (1938)	1356 (1938)
Average annual growth rate (GDP per capita) 1920–1929	5.31	3.11
Average annual growth rates (GDP per capita) 1929–1938	4.1	-0.06
% share in GDP of agriculture and forestry	39.2 (1938)	52.2 (1938)
% share in GDP of industry	20.5 (1938)	20.6 (1938)

* GDP measured in 1990 International Geary-Khamis dollars

Sources: Darbiņš, A. & Vītiņš, V. (1947); Broadberry, S. & O'Rourke, K. H. (2016); Lethbridge, E. (1985); Mitchell, B. R. (1978)

Latvia was the first of the Baltic States to establish diplomatic relations with Yugoslavia.⁴ On 17 August 1926, the Yugoslavian envoy to Switzerland in Berne presented a note to the Latvian envoy that Yugoslavia was ready to commence talks regarding mutual *de iure* recognition and establishing diplomatic relations between the two countries.⁵ On 07 September 1926, Ninčić presented a note to the Latvian representative at the League of Nations clarifying the previous note from the Yugoslavian envoy to Switzerland and confirming Yugoslavia's *de iure* recognition of Latvia.⁶ The first Yugoslavian envoy (non-residing) to Latvia, Nečić, was appointed in February 1927.⁷ From 1931 to 1940 a Yugoslavian honorary consul in Riga was also appointed – Henry Feitelberg. Latvia's first envoy to Yugoslavia (non-residing), Kārlis Ducmanis, was appointed in 03 February 1928. Latvia had two honorary consulates in Yugoslavia. In Belgrade from 1927 to 1934 as honorary consul – Dragiša Matejić, who was one of the richest men in Yugoslavia at the time; however, he went bankrupt in 1934. From 1937 to 1940 as honorary general-consul – Tihomir Panić, an industrialist and trader was appointed. The second consulate was in Zagreb from 1927 to 1928 as honorary consul – Ljubomir Kosijer, who was a prominent economist and writer. From 1931 to 1940 as honorary consul – Franc Brnčić, who was a lawyer. Yugoslavia established a permanent legation in Riga in 1929 (responsible also for the other Baltic States and Finland).

As can be seen from Table 1, apart from the large difference in population Latvia's share of urban population was nearly twice that of Yugoslavia, and Yugoslavia's share of

⁴ *Latvijas Kareivis*, No. 292 (22.12.1928), p. 3.

⁵ *Latvijas Kareivis*, No. 187 (24.08.1926), p. 1.

⁶ LVVA, 2570. f., 3. apr., 1148. l., 183. lp.

⁷ *Valdības Vēstnesis*, No. 27 (04.02.1927), p. 3.

agriculture in GDP was higher (about 12 %) than in Latvia. GDP per capita was much higher in Latvia than in Yugoslavia (nearly three times higher). However, Latvia's share of manufacturing in GDP was more or less the same as in Yugoslavia. Interestingly, Latvia's average annual growth rates both pre- and post the Great Depression were much higher than that of Yugoslavia, with Yugoslavia experiencing negative growth in the post-depression years. Thus, while Latvia had for all intents and purposes an agricultural economy, Yugoslavia was more so. However, there was an enormous difference in natural endowments. Yugoslavia was rich in natural resources such as coal, antimony, copper, lead, zinc, nickel, gold, pyrite, and chrome. Latvia, on the other hand, had only gypsum deposits, as well as extensive deposits of peat.⁸

Latvian-Yugoslavian Economic Relations 1923–1939

Economic relations between Latvia and Yugoslavia were exclusively confined to trade. Some Yugoslavian and Latvian trade had already been in existence in the early 1920s – imports of small amounts of tobacco and plums. Regular Latvian-Yugoslavian trade commenced only in 1925.

Discussions regarding a trade agreement with Yugoslavia was first raised in 1927⁹, after the *de iure* recognition of Latvia by Yugoslavia. A Treaty of Commerce and Navigation Between Latvia and the Kingdom of the Serbs, Croats and Slovenes was signed on 18.10.1928 and according to the Protocol of Signature to the Treaty, pending the exchange of ratifications, the provisions of the Treaty came into force on 01.11.1928.¹⁰ The exchange of ratifications took place on 30.10.1929 and the Treaty officially came into force. It was to remain in force for one year from 30.10.1929, and thereafter until three months after notice of denunciation by either government. It contained the Baltic and Russian clause, but no reciprocal clause from the Yugoslavian side.

Latvian-Yugoslavian Trade 1925–1940

As noted previously, some Latvian-Yugoslavian trade had occurred in early 1920s, but regular trade from 1925. The value of Latvian imports from and exports to Yugoslavia can be seen in the Figure 1.

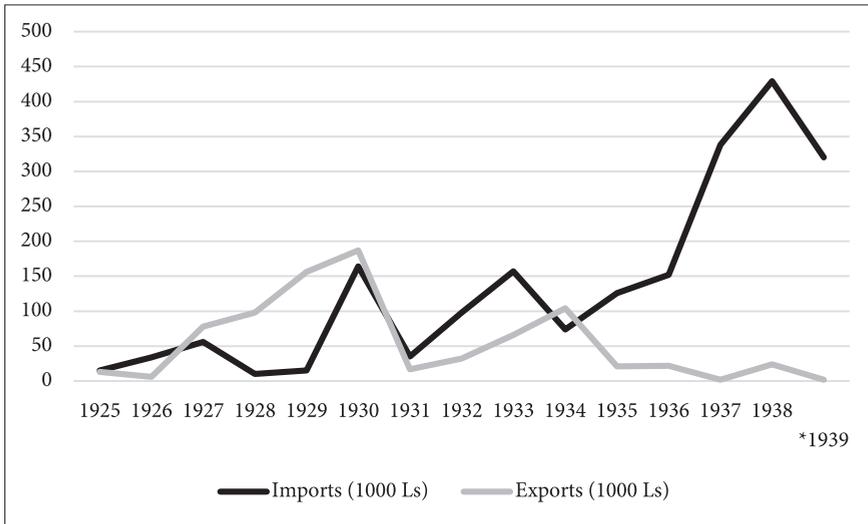
As Figure 1 shows, from a low start exports increased substantially after recognition *de iure* and in 1930 reach their highest value – just under 200 thousand lats. Imports, on the other hand, increased more slowly with a peak also in 1930 with a value

⁸ For a detailed study of the peat industry in Latvia in the interwar period, see Karnups, V. P. (2016).

⁹ *Latvijas Kareivis*, No. 117 (26.05.1927), p. 1.

¹⁰ <https://treaties.un.org/doc/Publication/UNTS/LON/Volume%2096/v96.pdf> [Accessed 14.03.2020], p. 237.

of 164 thousand lats. These increases seem to be result of the trade treaty signed in 1928. Both imports and exports fell with Great Depression, but started to rise from 1931 with imports reaching their peak in 1938 and exports in 1934. Generally, exports exceeded imports in the late 1920s, but imports exceeded exports substantially in the 1930s.



* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Figure 1. Latvia-Yugoslavia Imports and Exports 1925–1939

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks]. 1925–1939; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Latvian Exports to Yugoslavia

Latvia’s main exports to Yugoslavia were Fish and Fish conserves (including “Šprotes”¹¹) and Rubber goods (including rubber galoshes). The amounts and value of Latvia’s main exports exported to Yugoslavia in the interwar period are shown in Table 2.

The most important (and consistent) export product to Yugoslavia was Rubber goods (including rubber galoshes). In the late 1920s and early 1930s, it was the most valuable export although its value diminished in the late 1930s. Another consistent export was Canned Fish including “Šprotes”, which steadily increased from 1928

¹¹ 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.

Table 2. Main Latvian exports to Yugoslavia 1925–1939

Year	Fish and Fish conserves (including "Šprotes")		Rubber goods (including rubber galoshes)	
	tonnes	Value (1000 Ls)	tonnes	Value (1000Ls)
1925	Less than 1 tonne	1	0	0
1926	Less than 1 tonne	Less than 1000 Ls	0	0
1927	1	3	6	73
1928	Less than 1 tonne	2	9	91
1929	3	5	12	146
1930	3	4	15	174
1931	3	4	1	11
1932	1	2	3	28
1933	Less than 1 tonne	Less than 1000 Ls	11	64
1934	Less than 1 tonne	Less than 1000 Ls	19	103
1935	Less than 1 tonne	Less than 1000 Ls	4	21
1936	Less than 1 tonne	Less than 1000 Ls	4	21
1937	Less than 1 tonne	Less than 1000 Ls	0	0
1938	Less than 1 tonne	2	3	18
1939*	0	0	Less than 1 tonne	Less than 1000 Ls

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Source: *Latvijas ārējā tirdzniecība un transits – 1925–1939* [Latvian Foreign Trade and Transit. 1924–1939]. Rīga: Valsts statistiskā pārvalde; and *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

after the signing of the 1928 trade agreement. However, this diminished as a result of the Depression and only continued in small amounts for the remainder of the 1930s.

Latvia also exported small quantities of paper and paper products, linoleum, books and plywood to Yugoslavia in the interwar period.

Latvian Imports from Yugoslavia

Latvia's main imports from Yugoslavia were Hops, Tanning extracts, Hemp, Tobacco and tobacco products, and surprisingly Timber and timber products. The amounts and value of Latvia's main imports imported from Yugoslavia in the interwar period are shown in Table 3.

Table 3. Latvia's Main Imports from Yugoslavia

Year	Hops		Tanning extracts		Hemp		Tobacco and tobacco products	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000Ls)	tonnes	Value (1000Ls)
1925	0	0	0	0	0	0	2	7
1926	0	0	0	0	0	0	6	31
1927	0	0	0	0	10	16	4	36
1928	Less than 1 tonne	Less than 1000 Ls	10	7	0	0	0	0
1929	Less than 1 tonne	Less than 1000 Ls	14	10	0	0	Timber and timber products	
1930	1	2	67	42	0	0	0	0
1931	Less than 1 tonne	Less than 1000 Ls	25	16	17	14	0	0
1932	5	8	12	5	108	82	Less than 1 tonne	Less than 1000 Ls
1933	6	7	73	21	157	124	Less than 1 tonne	Less than 1000 Ls
1934	34	36	7	3	40	33	Less than 1 tonne	Less than 1000 Ls
1935	29	35	0	0	86	82	2	Less than 1000 Ls
1936	0	0	Less than 1 tonne	Less than 1000 Ls	50	49	0	0
1937	0	0	Less than 1 tonne	Less than 1000 Ls	50	63	698	274
1938	0	0	0	0	90	100	759	328
1939*	0	0	0	0	0	0	284	143

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Source: *Latvijas ārējā tirdzniecība un transits – 1925–1939* [Latvian Foreign Trade and Transit. 1924–1939]. Rīga: Valsts statistiskā pārvalde; and *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Tobacco and tobacco products, as well as plums were imports, which were seen to have a large potential for Latvia.¹² Nevertheless, neither product really took off. As can be seen in Table 3, Tobacco and tobacco products were imported in quantity up to 1928 and then practically disappeared from the imports list as Latvia found alternative (and cheaper) sources in Turkey and Bulgaria. The importation of plums in large quantities never really commenced.

¹² *Valdības Vēstnesis*, No. 27 (04.02.1927), p. 3.

A more or less consistent import was hops from 1928 through to 1935, when Latvia started to produce its own hops as part of an import-substitution drive. Tanning extracts were a steady, but small part of imports from 1928. An important import throughout the interwar period was Hemp reaching a peak in 1933. Surprisingly, Timber and timber products went from being an occasional import to an important import from 1937 with a peak in 1938. Surprising because Latvia itself was a major exporter of timber and timber products.

During the interwar period Latvia imported a whole range of Yugoslavian goods in small quantities including plums, tobacco, textiles, wheat, spices, and books.

Conclusion

In the interwar years, Latvian and Yugoslavian economic relations were exclusively confined to foreign trade. Nevertheless, geographical distance, Yugoslavia's internal and external political problems made trade between Latvia and Yugoslavia unprofitable despite the high hopes surrounding the signing of the trade treaty in 1928.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Yugoslavia made up 0.06 % of total Latvian exports, and Yugoslavian imports made up 0.01 % of total Latvian imports. Similarly, in 1937, when Latvian foreign trade reached its post-Depression peak, exports, and imports to and from Yugoslavia barely registered and in the data are shown as 0.1 % for imports and 0.0 % for exports. One suspects that the figures from the point of view of Yugoslavia would be significantly less. In other words, trade and thus economic relations were of marginal significance to both countries in the interwar period.

With the breakup of Yugoslavia in 1991, Latvia now trades directly and separately with each of the successor states – Croatia, Slovenia, Montenegro, Serbia, Bosnia and Herzegovina, North Macedonia, and Kosovo.

China

Introduction

For Latvians, China came into close focus during the Japanese-Russian War of 1905, in which many Latvian officers and men fought in the Tsarist Russian army against Japan in Manchuria. Most Latvians arrived in China as refugees as a consequence of WWI and the Russian Civil war and they settled in Harbin, Shanghai, and other cities in China.¹ In 1920 there were some 2500 Latvians in Manchuria, which had been reduced to 351 by 1935 and most of whom lived in Harbin.² The other main city of settlement for Latvians was Shanghai, where in 1936 some 400 Latvians lived.³

An honorary consul was first appointed in Harbin in 1920 (Eduards Zilgalvis), and from 1922 to 1940, Pēteris Mežaks.⁴ After the Japanese occupation in 1931 and conversion of Manchuria into the puppet state of Manchukuo, many Latvians left for Latvia or other parts of China. Nevertheless, those remaining were very active with a Latvian club and choir, and had even established a Latvian Chamber of Commerce which actively sought to interest Latvian manufacturers in exporting to Manchukuo.⁵ Although very small lots of *Šprotes* (sprats)⁶ and other fish conserves and rubber galoshes were exported (presumably via the railway link), Latvian exports to Manchukuo were insignificant. Interestingly, the only recorded import from Manchukuo was 2091 tons of Soya beans worth 47 700 lats in 1939, which came by Japanese shipping to Hamburg and then on to Latvia.⁷

The other honorary consulate established by Latvia in China was in Shanghai from 1919 to 1932. The honorary consuls were Roberts Valdmanis, Eduards Zilgalvis, Karl Gustaf Wähämäki and career consul Pēteris Rušens. From 1934 to 1939 Latvian interests were represented by the Finnish general-consul Ville Niskanen. Shanghai also had a Latvian club.

¹ Krasnais, V. (1938), pp. 358, 368.

² *Ibid.*, pp. 358–359.

³ *Ibid.*, p. 368.

⁴ Jēkabsons, Ē. & Ščerbinskis, V. (eds) (2003), p. 376.

⁵ See *Dzimtenes Atskaņas*, No. 1, 01.01.1939, pp. 41–42.

⁶ Sprats are close relatives of anchovies, sardines and herrings. The Latvian style is to smoke and/or preserve them in oil.

⁷ *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939], p. 1063.

Table 1. Selected economic indicators for Latvia and China in the interwar period

	Latvia	China
Population (millions)	2 (1939)	516 (1939)
Share of urban population (%)	34.6 (1935)	10.4 (1949)
Share of agriculture in the labour force (%)	67.8 (1935)	73 (1933)
GDP* per capita	4048 (1938)	562 (1938)
% share in GDP of agriculture and forestry	39.2 (1938)	64 (1933)
% share in GDP of industry	20.5 (1938)	10 (1933)

* GDP measured in 1990 International Geary-Khamis dollars

Sources: Darbiņš, A. & Vītiņš, V. (1947); Broadberry, S. & O'Rourke, K. H. (2016); Madison, A. (2003); Liu, Dazhong, K. C. Yeh, and Chong Twanmo (1963)

China recognised Latvia *de iure* on 16.08.1923 with an exchange of notes between the Chinese Legation and Latvian Legation in London.⁸ Discussions were delayed regarding the signing of a friendship treaty between the two countries mainly due to intrigues from Russia.⁹ Nevertheless, on 25.06.1936, Latvia and China signed a Treaty of Amity in which Article VI stipulated that a Treaty of Commerce and Navigation should be concluded as soon as possible.¹⁰ This however, was never concluded. Formal Legations were never established in either country.

In China's ongoing war with Japan, most Latvians sympathised with China.¹¹ When China was attacked by Japan in 1937, the issue came before the League of Nations Commission on Far East Affairs, which was chaired by the Latvian Foreign Minister Vilhems Munters. The Commission prepared a resolution, which denounced Japan's actions. The resolution was adopted unanimously. Although the resolution did not give anything concrete to China, the Chinese representative at the League of Nations, Wellington Koo, thanked Munters for his leadership.¹²

As can be seen from Table 1¹³, with a very much larger population, China was proportionately much less urbanised than Latvia in the interwar period. Latvia had a similar % share in GDP of agriculture and forestry as China. However, Latvia had a larger % share in GDP of industry at nearly twice that of China. Latvia also had a GDP per capita that was some eight times that of China (probably mainly due to the enormous

⁸ LVVA, 2570. f., 3. apr., 1148. l., 176. lp.

⁹ Andersons, E. (1982), p. 662.

¹⁰ League of Nations, Treaty Series, Vol. CLXXVI, 1937. pp. 275–285.

¹¹ Andersons, E. (1982), p. 662.

¹² *Jaunākās Ziņas*, 06.10.1937, p. 1.

¹³ Although the statistical years for China are not a direct equivalence with Latvia's statistics (mainly because 1933 seems to be the base year for interwar studies of China), they do indicate the overall trend.

difference in population). Nevertheless, Latvia was classified by the League of Nations as a “less industrialised” country, whilst China was seen as a country “lagging in industrial development”.¹⁴

Latvia-China Economic Relations 1920–1939

In the interwar years, Latvia and China’s economic relations was exclusively confined to foreign trade. As early as 1920, Latvians in China were writing to Latvia regarding the opportunities for trade.¹⁵

Latvia’s foreign trade in relation to China was never formalised by a trade treaty. As noted above, the 1936 Treaty of Amity included the idea of a trade treaty, but this was never concluded. Nevertheless, Latvians in China and in Latvia continued to press for formal trade relations with China throughout the interwar period and as late as 1939 (although this was mainly in relation to Manchuria (Manchukuo)).¹⁶

Latvia-China Trade 1920-1939

The value of Latvian imports from and exports to China can be seen in the Figure 1.

As Figure 1 shows trade with China fluctuated greatly, with exports to China reaching a pre-Depression high in 1928 of some 630 thousand lats. Exports fell dramatically with Great Depression, although the recovery also fluctuated at a low level in the 1930s, reaching a post-Depression high of some 482 thousand lats in 1937. Imports, on the other hand, remained very low in the 1920s, but increased rapidly with a post-Depression peak in 1933 and a value of 701 thousand lats. Imports fell soon after, although they recovered fairly quickly, starting to rise from 1936 and reaching their peak in 1938 and a value of 662 thousand lats. It seems possible that the 1936 Treaty of Amity stimulated imports from China, but had a smaller effect on exports. Exports substantially exceeded imports in the 1920s, whilst imports generally exceeded exports in the 1930s.

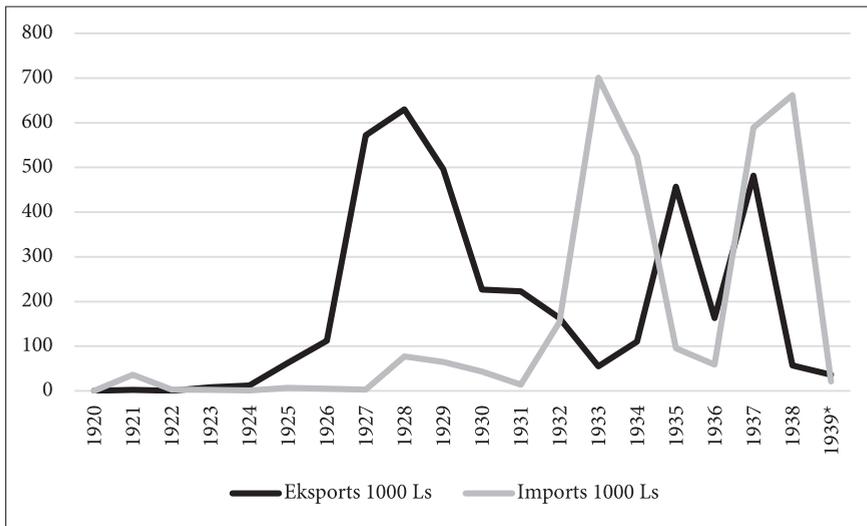
Latvian Exports to China

Latvia’s main exports to China were Fish and Fish conserves (including “Šprotes”), Plywood and plywood products, Paper and paper products, Rubber products (including rubber galoshes), and Linoleum (See Table 2).

¹⁴ Industrialisation and Foreign Trade (1945), pp. 26–27.

¹⁵ *Valdības Vēstnesis*, No. 55, (07.03.1920), p. 2.

¹⁶ See *Ekonomists*, No. 4 (15.02.1929), pp. 160–162 and *Dzimtenes Atskaņas*, No. 4, 01.10.1939, pp. 21–24.



* The data for 1939 is for eight months only – to 31 August 1939.

Figure 1. Latvia-China Imports and Exports 1920–1939

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbook], 1921–1939; *Latvijas ārējā tirdzniecība un transīts – 1922–1939* [Latvian Foreign Trade and Transit. 1922–1939]; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

The most important Latvian export was fish and fish conserves (including “šprotes”¹⁷). It was a small, but consistent export, with a pre-Depression peak in 1927 and a post-Depression peak in 1937. Plywood and plywood products exports began in 1928, but had more or less disappeared after 1930, only to reappear briefly in 1937. A significant Latvian export to China in the interwar period both in terms of volume and value was paper and paper products. Paper and paper products exports reached a peak in 1931. The post-Depression peak in terms of volume and value was in 1937.

Linoleum was an important export to China in the 1920s. Linoleum in Latvia was produced by the Liepāja branch of the Swedish entrepreneurial family firm of Wicander (Linoleum Aktiebolaget Forshaga), the “Liepāja Cork and Linoleum Factory”. As noted in Chapter Eight in this Volume, the factory completely ceased production in 1930 and linoleum disappeared from the foreign trade of Latvia and from exports to China.

Rubber products (including rubber galoshes) exports were also an important, but a small and consistent part of exports throughout the interwar period. Rubber products (including rubber galoshes) exports reached a peak in 1928, but thereafter tapered off to small amounts both in terms of volume and value.

¹⁷ “šprotes” or sprats are close relatives of anchovies, sardines and herrings. The Latvian style is to smoke and/or preserve them in oil.

Table 2. Latvia's Main Exports to China (1923–1939)

Year	Fish and fish conserves (including "Šprotes")		Plywood and plywood products		Paper and paper products		Linoleum		Rubber products (including rubber galoshes)	
	tonnes	Value (1000Ls)	tonnes	Value (1000Ls)	tonnes	Value (1000Ls)	tonnes	Value (1000Ls)	tonnes	Value (1000Ls)
1923	6	8	0	0	0	0	0	0	0	0
1924	7	10	0	0	0	0	0	0	0	0
1925	19	31	0	0	23	9	3	4	0	0
1926	25	52	0	0	1	4	26	35	0	0
1927	54	106	0	0	122	69	17	29	45	369
1928	59	98	1	1	73	113	13	18	48	389
1929	34	55	14	8	177	105	20	22	43	302
1930	63	95	4	5	205	90	9	10	2	17
1931	19	27	0	0	413	189	0	0	Less than 1 tonne	4
1932	11	17	Less than 1 tonne	Less than 1000 Ls	397	117	0	0	Less than 1 tonne	Less than 1000 Ls
1933	13	15	0	0	99	25	0	0	2	13
1934	18	17	0	0	379	78	0	0	3	15
1935	17	14	0	0	329	60	0	0	4	18
1936	11	15	0	0	468	113	0	0	2	5
1937	14	24	14	44	1091	391	0	0	5	15
1938	5	10	0	0	52	17	0	0	Less than 1 tonne	9
1939*	1	2	0	0	0	0	0	0	0	0

* January-August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbooks]. 1921–1939; *Latvijas ārējā tirdzniecība un transits – 1922–1939* [Latvian Foreign Trade and Transit. 1922–1939]; *Mēneša Bijetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Latvia also exported to China small quantities of hides, confectionery, liquors, chocolates, pig bristles, records (discs) and furs.

Latvian Imports from China

Latvia's main imports from China were Cinnamon, Tea, Soya beans, Vegetable (plant) oils, Tobacco, and Antimony compounds. The amounts and value of Latvia's main imports imported from China in the interwar period are shown in Table 3.

Table 3. Latvia's Main Imports from China 1922–1939

Year	Cinnamon		Tea		Soya beans		Vegetable (plant) oils		Antimony compounds		Tobacco	
	kg	Value (1000 Ls)	litres	Value (1000 Ls)	kg	Value (1000 Ls)	kg	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1922	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	0	0	0	0	Less than 1 tonne	2
1923	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	0	0	0	0	0	0
1924	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	0	0	0	0	0	0
1925	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	0	0	0	0	0	0
1926	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	0	0	0	0	0	0
1927	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	0	0	0	0	0	0
1928	6	5	2	12	0	0	2	Less than 1 tonne	Less than 1000 Ls	4	11	
1929	7	6	3	14	50	15	Less than 1 tonne	1	5	5	5	16
1930	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	1	Less than 1 tonne	Less than 1000 Ls	4	6	0	0	5	14
1931	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	Less than 1000 Ls	0	0	1	1	0	0	3	8
1932	Less than 1 tonne	Less than 1000 Ls	2	8	1046	138	5	5	Less than 1 tonne	Less than 1000 Ls	3	6
1933	Less than 1 tonne	Less than 1000 Ls	3	12	4636	600	10	8	Less than 1 tonne	Less than 1000 Ls	8	14
1934	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	1	4476	454	13	10	5	2	13	23
1935	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	Less than 1000 Ls	235	27	21	19	3	2	12	22
1936	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	2	0	0	9	14	5	5	5	11
1937	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	3	2003	508	14	25	2	3	5	12
1938	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	2	2556	609	7	12	Less than 1 tonne	Less than 1000 Ls	7	17
1939*	0	0	0	0	2091	477	0	0	0	0	0	0

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics). The import of soya beans is from Manchuria (Manchukuo) as noted above.

Sources: *Latvijas statistiskā gada grāmata* [Latvian Statistical Yearbook]. 1921–1939; *Latvijas ārējā tirdzniecība un transitis – 1922–1939* [Latvian Foreign Trade and Transit. 1922–1939]; *Mēneša Bijetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

As can be seen in Table 3, meaningful imports from China only commenced from 1928. Latvia's main import from China both in terms of volume and value was soya beans, which commenced in 1929, reaching a peak in terms of volume in 1933 and in value in 1938. Imports of cinnamon, tea, vegetable (plant) oils, antimony compounds and tobacco also became somewhat meaningful from 1928. However, throughout the remainder of the interwar period, these were small (albeit consistent) both in terms of volume and value imports.

Latvia also imported from China small quantities of bamboo, medicinal plants, textile products, books, and jute sacks.

Conclusion

In the interwar years, Latvia and China economic relations were exclusively confined to foreign trade. In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to China made up 0.18 % of total Latvian exports, and imports from China made up 0.02 % of total Latvian imports. Similarly, in 1937, when Latvian foreign trade reached its post-Depression peak, Latvian imports from China made up 0.3 % of total Latvian imports and Latvian exports to China were 0.02 % of total Latvian exports. One suspects that the figures from the point of view of China would be significantly less. In other words, trade and thus economic relations were of marginal significance to both countries in the interwar period.

After restoring its independence in 1991, Latvia pursued an ambiguous policy towards the issue of China (at one point in 1991 and 1992 briefly having established diplomatic relations with both Taiwan and the People's Republic of China). By the mid-1990s however, Latvia had only officially established diplomatic relations with the People's Republic of China.

It is interesting to note that in 2020, Latvian exports to China totalled 193.1 million EUR or 1.1 % of total exports (mainly timber and timber products, mineral products, and machines, mechanisms, and electrical equipment). Whilst imports from China totalled 728.1 million EUR or 4.1 % of total imports (mainly machines, mechanisms, and electrical equipment, miscellaneous industrial goods, and articles of plastics and rubber). Latvia has a negative trade balance with China. Unlike the interwar period there are foreign direct investments from China in Latvia to a value of 22 million EUR in 2020. There were some 167 companies from China registered in Latvia in 2020 with a total invested equity capital of 9.7 million EUR.¹⁸

¹⁸ Data from LIAA [Latvian Investment and Development Agency], http://eksports.liaa.gov.lv/files/liaa_export/dynamic_content_files/2021.03_LV_Kina_ekon_sad.pdf [Accessed 06.05.2021]

Other Countries

Introduction

This Chapter will briefly examine Latvia's economic relations with two countries, which can be termed "exotic" in the context of Latvia in the World Economy. These are Trinidad and Tobago, and the Mandated Territory of New Guinea. As regards the former, the island of Tobago has a particular place in the historical memory of Latvia, whereas New Guinea was not only "exotic" in general terms, but was also very far from Latvia in terms of both time and space.

Trinidad and Tobago

As Latvia was a small nation that became an independent nation-state only in 1918, Latvian historians worked hard to reinterpret the Baltic German-dominated Duchy of Courland (in Latvian – Kurzeme) as a positive period of Latvian national history and sought to emphasise ethnic Latvian involvement in the Duchy's colonial endeavours, especially on the island of Tobago. Tobago is the smaller, north-eastern island of the Caribbean nation of Trinidad and Tobago in the Lesser Antilles.

The Duchy of Courland was located in present-day Latvia, and had a population of only 200,000, mostly of Latvian and Baltic German ancestry, and was itself a vassal of the Polish-Lithuanian Commonwealth at that time. Under Duke Jacob Kettler (ruled 1642–1682), a Baltic German, it established one of the largest merchant fleets in Europe. On 20 May 1654, the ship *Das Wappen der Herzogin von Kurland* ("The Arms of the Duchess of Courland") arrived carrying 45 cannon, 25 officers, 124 Couronian soldiers and 80 families of colonists to occupy Tobago. Captain Willem Mollens declared the island "New Courland" (Neu-Kurland).¹ The main export goods from the colony included sugar, tobacco, coffee and spices. The colony on the island of Tobago lasted from 1654 to 1659 (when it was overrun by the Dutch), and intermittently from 1660 to 1689 (when Duke Jacob and his successors tried to re-establish the colony).

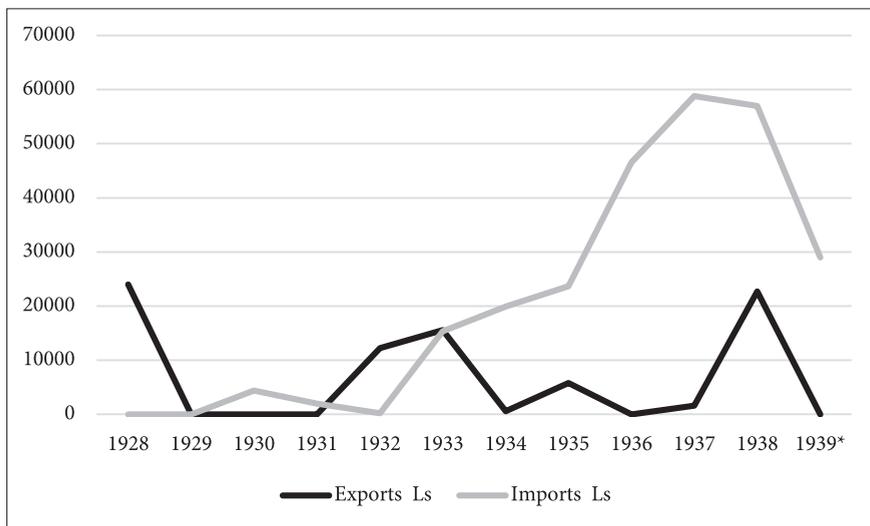
Ultimately, the island of Tobago changed hands among Spanish, British, French, Dutch and Courlander colonisers more times than any other island in the Caribbean.

¹ Andersons, E. (1970), pp. 109–111.

Trinidad and Tobago were ceded to Britain in 1802 under the Treaty of Amiens as separate states and unified in 1889. Trinidad and Tobago obtained independence from the British Empire in 1962, becoming a republic in 1976. On 11 March 2003, diplomatic relations were established between the Republic of Latvia and the Republic of Trinidad and Tobago.

Economic Relations between Latvia and Trinidad and Tobago

In the interwar period, economic relations between the two countries were exclusively confined to trade. As Trinidad and Tobago was a British crown colony, its foreign trade with Latvia more or less regulated by Latvia's 1923 treaty with Great Britain. The value of Latvian imports from and exports to Trinidad and Tobago can be seen in the Figure 1.



* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Figure 1. Latvia-Trinidad and Tobago Imports and Exports 1928–1939

Sources: *Latvijas ārējā tirdzniecība un transits – 1928–1939* [Latvian Foreign Trade and Transit. 1928–1939]; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

According to Latvian statistics the first recorded trade was the export of paper and paper products to Trinidad and Tobago in 1928 – 62 tonnes at a value of 23 979 lats (no imports were recorded in that year). Trade resumed in 1930 and continued until 1939.

Exports fluctuated the most with some years of no exports (1929–1931, 1936 and 1939). Imports on the other hand, were consistent from 1930 with the lowest value in

1932. They continued to rise throughout the remainder of the 1930s, reaching a peak in 1937.

Trade between Latvia and Trinidad and Tobago in general was very low key and imports greatly exceed exports in the interwar period.

Latvian exports to Trinidad and Tobago

Latvia's main exports to Trinidad and Tobago were Paper and paper products and Match sticks (See Table 2).

Table 2. Latvia's Main Exports to Trinidad and Tobago (1928–1939)

Year	Paper and paper products		Match sticks	
	kg	Value (Ls)	kg	Value (Ls)
1928	61988	23979	0	0
1929	0	0	0	0
1930	0	0	0	0
1931	0	0	0	0
1932	0	0	42510	12202
1933	2081	354	49868	15201
1934	3483	588	0	0
1935	9495	1522	15520	4217
1936	0	0	0	0
1937	3876	1576	0	0
1938	83386	22707		
1939*	0	0	0	0

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas ārējā tirdzniecība un transits – 1928–1939* [Latvian Foreign Trade and Transit. 1928–1939]; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Apart from a large shipment of paper and paper products in 1928, exports of this product continued intermittently at a low level from 1933, culminating in another large shipment in 1938. Match stick exports appeared in 1933, but had ceased by 1936. A small amount of butter (51 kg with a value of 45 lats) was exported 1935 as a trial shipment, but nothing further came of it.

Latvian imports from Trinidad and Tobago

Latvia's main imports from Trinidad and Tobago were Cocoa beans and Asphalt stone (See Table 3).

Table 3. Latvia's Main Imports from Trinidad and Tobago (1930–1939)

Year	Cocoa beans		Asphalt stone	
	kg	Value (Ls)	kg	Value (Ls)
1930	1728	2659	10400	1704
1931	1795	1941	0	0
1932	175	184	0	0
1933	20447	15327	0	0
1934	22798	18897	9700	1029
1935	20086	17541	59313	6120
1936	6090	2517	104852	12364
1937	23889	40852	97103	16036
1938	29871	43501	73562	13388
1939*	27000	29000	0	0

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: *Latvijas ārējā tirdzniecība un transits – 1928–1939* [Latvian Foreign Trade and Transit. 1928–1939]; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]

Imports of cocoa beans commenced in 1930. Although the amount fluctuated somewhat in terms of volume and value, cocoa beans proved to be the most important and consistent import product from Trinidad and Tobago, reaching a peak in terms of volume and value in 1938.

Asphalt stone was the other main import from Trinidad and Tobago. The first shipment was in 1930, followed by a break until 1934. From then on it was a consistent import product until 1938, reaching a peak in terms of volume in 1936 and a peak in terms of value in 1937.

Latvia also imported various quantities of other products from time to time – coconuts (1936, 1937), various types of valuable wood (1936), and jute sacks (1938).

Mandated Territory of New Guinea

New Guinea is the world's second-largest island. Located in Melanesia in the southwestern Pacific Ocean, it is separated by the shallow and 150-kilometre wide Torres Strait from the Australian continent and is neighboured by a large number of

smaller islands to the west and east. The western half forms a part of Indonesia, whilst the eastern half of the island is the major land mass of the independent state of Papua New Guinea.²

In 1884, Germany formally took possession of the northeast quarter of New Guinea and it became known as German New Guinea. In the same year, the British government proclaimed a protectorate over the south-eastern quarter of New Guinea. The protectorate, called British New Guinea, was annexed by Britain outright on 4 September 1888. The territory was transferred to the newly federated Commonwealth of Australia on 18 March 1902, and British New Guinea became the Territory of Papua, with Australian administration beginning in 1906. In May 1921, the League of Nations gave Australia a mandate to govern the former German colony of New Guinea, which Australia had occupied in 1914 at the outbreak of World War One. The Mandated territory was separately administered by Australia from the Australian territory of Papua up to WWII. After WWII, both territories were administered together as a single unit known as The Territory of Papua and New Guinea. Papua New Guinea became self-governing on 1 December 1973 and achieved independence on 16 September 1975. On 09 May 2018, diplomatic relations were established between the Republic of Latvia and the Independent State of Papua New Guinea.

Economic Relations between Latvia and the Mandated Territory of New Guinea

In the interwar period, economic relations between the two countries were exclusively confined to trade. As the Mandated Territory of New Guinea was administered by Australia, its foreign trade with Latvia more or less regulated by Latvia's 1923 treaty with Great Britain insofar as Australia adhered to its stipulations.³ This trade was insignificant both in terms of volume and value.

According to Latvian statistics, the first recorded trade was the importation of a very small amount of Nutmeg and nutmeg flowers in 1930. Nutmeg and nutmeg flowers were imported in 1930 (5 kg with a value of 38 lats), in 1931 (5 kg with a value of 38 lats), 1936 (15 kg with a value of 40 lats), and 1937 (10 kg with a value of 66 lats). Similarly, Latvia imported Resins and balsams from the Mandated Territory of New Guinea. The first importation was in 1935 (46 kg with a value of 90 lats) with another importation in 1936 (10 kg with a value of 22 lats). In 1937, there was an importation of Cocoa beans (1014 kg with a value of 1479 lats), but this was not continued.⁴

² For an overview of the history of Papua New Guinea, see Biskup, P. et al. (1968) – particularly pp. 94–107 regarding the Mandated territory.

³ See Chapter 2 of this Volume.

⁴ Data from *Latvijas ārējā tirdzniecība un tranzīts 1930–1938*.

Interestingly, the main exports of the Mandated Territory of New Guinea in the interwar period were copra and gold: “In 1921 copra made up about 95 % of all New Guinea exports; by 1938 its share was only about one-third. During that time gold had replaced copra as the most important industry in the territory,”⁵

During the interwar period, there were no exports of Latvian goods to the Mandated Territory of New Guinea.

Conclusion

Although trade and thus economic relations with Trinidad and Tobago in the interwar period was very much larger than for the Mandated Territory of New Guinea, both were insignificant in terms of Latvia’s total trade with the world. Nevertheless, due to the legacy of the Duchy of Courland’s overseas colony of Tobago, Trinidad and Tobago has an important place as a component of present-day Latvian national identity. The Mandated Territory of New Guinea (now Papua New Guinea) was and still remains an “exotic” land far, far away.

In 2015 (latest data for Trinidad and Tobago available from the Central Statistical Bureau of Latvia), Latvia exported to Trinidad and Tobago 33 635 EUR worth of goods – undenatured ethanol, peat, games and lamps. No imports were recorded (in fact no imports were recorded for the previous six years). In 2019, Latvian exports to Papua New Guinea totalled some 0.02 million EUR, which consisted of food industry products (88 %) and vegetable products (11 %). Imports from Papua New Guinea totalled some 0.07 million EUR, which consisted of food industry products (100 %).⁶

⁵ Biskup, P. et al. (1968), p. 98.

⁶ Data from the Central Statistical Bureau of Latvia.

Latvia as an Entrepôt prior to WW1

Introduction

The term “entrepôt” is usually defined as a place where goods are stored or deposited and from which they are distributed and/or a trading or market centre. Certainly, 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 economy of the Russian Empire in the early twentieth century was a complicated hybrid of traditional peasant agriculture and modern industry. The empire’s rapidly growing population (129.1 million in 1897 to 178.3 million by 1914)¹ was overwhelmingly rural. Small islands of modern industrial capitalism, brought into being by state policy, coexisted with the primitive rural economy. Spurts of rapid industrialisation in the 1890s and in the years before World War I created high rates of economic growth and increased national wealth in some parts of the Russian Empire. Industrialisation accelerated in the 1890s, pushed forward by extensive state intervention under the guidance of Finance Minister Sergei Witte, particularly in the expansion of railways. He used subsidies and direct investment to stimulate expansion of heavy industry, imposed high taxes and tariffs, and put Russia on the gold standard in order to win large-scale foreign investment. Although the process was slowed by the 1900–1903 economic crises, the Japanese-Russian War and the 1905 revolution, it soon picked up again and was very strong from 1908 to the outbreak of the war. The rate of growth in terms of Net National Product grew from 1.8 % per annum in the period 1883–1887 to 3.3 % in the period 1909–1913.²

Prior to WWI Latvia had been an integral part of the Tsarist Russian Empire for nearly 200 years. The territory of Latvia was divided between the Livland (*Vidzeme*) and Kurland (*Kurzeme*) provinces and the western part of Vitebsk province (*Latgale*). The Livland province also included the southern half of Estonia. From the end of

¹ Spulber (2003), p. 6.

² Gregory & Stuart (1990), p. 37.

the 19th century, industrialisation in the territory of Latvia, apart from the turbulences mentioned above, was also characterised by rapid growth. The main areas of industrial growth were the city of Rīga in Livland province, the cities of Liepāja (*Libau*) and Jelgava (*Mitau*) in Kurland province and the city of Daugavpils (*Dvinsk*) in Vitebsk province. Rīga, together with Ventspils (*Windau*) and Liepāja in Kurland province were also the main ports for the territory of Latvia.

Industrialisation in Latvia

Industrialisation in the three Latvian provinces – Livland, Kurland and Western Vitebsk – began in the first half of the 19th century, particularly in Rīga. The first factory in Rīga was a sugar refinery built in 1784, and by 1840 there were 46 factories with 1945 workers in Rīga, 8 factories in Daugavpils with 200 workers and 1 factory in Liepāja with 25 workers.³ In general, however, manufactures based upon craftsmen was the dominant form of industry in the first half of the 19th century. In the larger cities craft guilds still had a greater role in industry than factories. For this reason the first factories in Rīga were established outside the then city limits. Other limitations on the expansion of industry at this time were the lack of capital and free labour.

Although the serfs had been emancipated in Livland in 1819 and Kurland in 1817, this emancipation had little effect on the course of industrialisation.⁴ Even the general emancipation of serfs in 1861 “saw no great upheaval in the process of industrialisation, which continued slow until 1887.”⁵

The significant development in the course of industrialisation in Latvia was the connection of Rīga and other Latvian cities to the Russian market by railroads (see Figure 1). The construction of railway tracks in Latvia was closely tied in with the policies of the Russian Empire in the second half of the 19th century. The first railways in Latvia were arterial sections in the east-west direction with ports as the terminals for the lines. In 1860 Daugavpils was connected with the main St. Petersburg-Warsaw railway line and by 1901 the main seaports of Rīga, Ventspils and Liepāja were connected by railway line to St. Petersburg, Moscow, and other parts of the Russian Empire.⁶ The main task of the railways was to ensure the flow of goods between the inner regions of Russia and the Latvian seaports.

The geographical position of the Latvian Baltic Sea ports was an important factor in the industrialisation of Latvia, especially Rīga. Rīga imported initially most of its

³ Skujenieks (1927), p. 620.

⁴ The serfs were free, but the land belonged to the gentry, this freedom was called with justified irony “the freedom of the bird” (*Vogelfreiheit*).” – Spekke (1951), p. 290.

⁵ Portal (1965), p. 810.

⁶ Skujenieks (1927), p. 711.

iron and coal from abroad, chiefly from Great Britain.⁷ The number of factories in Riga increased from 90 to 141 in the period 1864–1874 and the number of workers from 5772 to 11 798, whilst the value of production from 5 390 600 roubles to 16 295 700 roubles.⁸

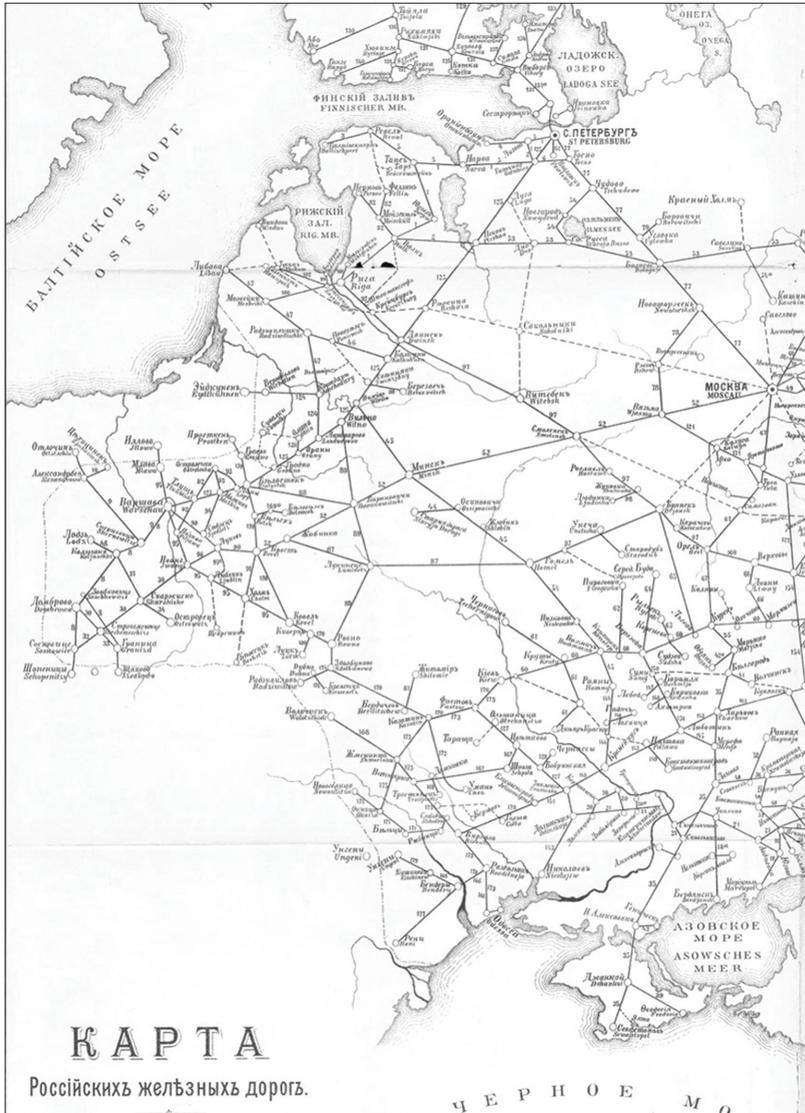


Figure 1. Railway network in European Tsarist Russia prior to WWI

Source: Latvian Railways: <https://www.ldz.lv/lv/node/334> [Accessed 21.07.2020]

⁷ *The Latvian Economist* (1920), p. 75.

⁸ *Ibid.*, p. 74.

Industrial development in Rīga accelerated during the 1880s and 1890s. By 1910, despite the economic crises, war and revolution mentioned above, the number of factories and workers had increased dramatically (see Table 1).⁹

Table 1. Number of Factories and Workers in Rīga in 1910

Main Industries	No. of Factories	% of total Factories	No. of Workers	% of total Workers
Textiles	31	7.8	10105	15.1
Paper	47	11.9	3906	5.8
Wood	55	14.0	8647	12.9
Metals and Machinery	82	20.8	19494	29.1
Construction materials	44	11.2	6453	9.6
Animal Products	24	6.1	1200	1.8
Food	63	16.0	5127	7.7
Chemicals	28	7.1	9742	14.5
Other	20	5.1	2345	3.5
Total	394	100	67019	100

Source: Skujenieks (1927), p. 632

As can be seen from Table 1, heavy industry was the dominant form of industry in Rīga, followed by food processing, wood processing, paper products and construction materials. In terms of the number of workers employed however, although heavy industry also dominated, it was followed by textiles, chemicals, and wood processing.

In respect of the other main centres of industrial growth, in 1910, Liepāja had 61 factories with 8216 workers, Jelgava with 84 factories and 7009 workers and Daugavpils with 43 factories and 4752 workers.¹⁰ The largest number of workers in Liepāja was in the metals and machinery, and chemical industries; in Daugavpils also they were in the metals and machinery, and chemical industries, but in Jelgava – construction materials, textiles and food processing.¹¹

The expansion of industry in Latvia was facilitated as noted previously by the actions of the Imperial government, notably the Finance Minister Sergei Witte. The basis of Witte's policies was the strengthening of protective tariffs to safeguard

⁹ For a detailed study of Latvian workers in this period see Bērziņš (1997).

¹⁰ Skujenieks (1927), p. 632.

¹¹ Ibid.

Russia's young industries against the destructive competition of stronger European economies and the encouragement of foreign investment. The high protective tariffs¹² forced foreign companies, which wished to enter the huge Russian market, to move from exporting to Russia to investing in companies or establishing new companies in Russia. Latvia and especially Rīga were attractive for such investment because of its geographical location, the higher levels of production and financial organisation than in many parts of Russia, the more qualified workforce (high levels of literacy¹³), the fact that some industrial development had already taken place and the access to inland Russia via the railway network.

By the end of the 19th and beginning of the 20th century, Rīga was not only the third largest industrial centre in the Tsarist Empire,¹⁴ but also had a greater rate of industrial growth than the other two main industrial centres in the Empire as can be seen in Figure 2.

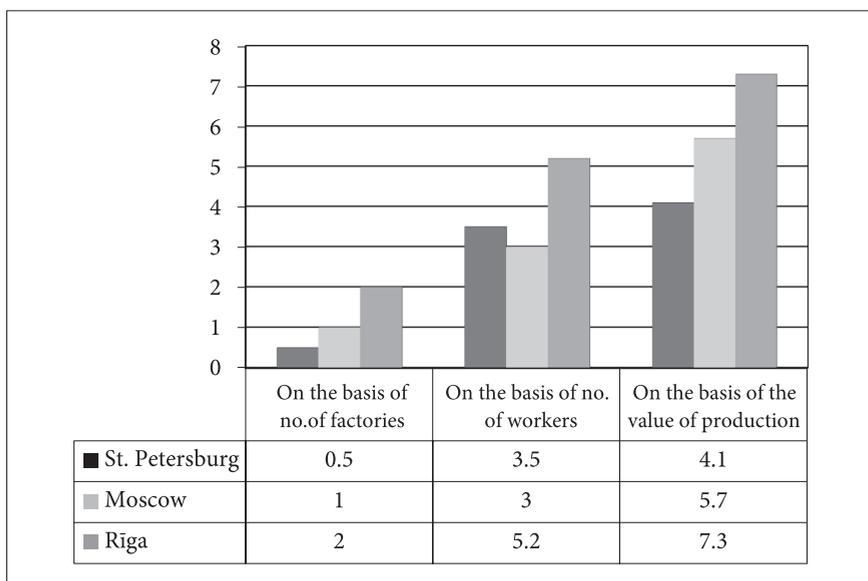


Figure 2. Average Annual Rate of Industrial Growth Main Russian Industrial Centres 1879–1914 (%)

Source: Latvija PSR Zinātņu akadēmija. Vēstures institūts (1978), p. 51

¹² In accordance with the 1891 Tariff Law imported goods were taxed at the rate of from 33 % to 100 % of their value.

¹³ In 1897, the Baltic region – Estland, Livland and Kurland – had literacy rates of 78 %, 78 % and 71 % respectively, compared to 42 % for Lithuania and as low as 19 % in the Central industrial region – Gatrell (1986), p. 36.

¹⁴ Latvija PSR Zinātņu akadēmija. Vēstures institūts (1978), p. 51.

Rīga's industry was very concentrated – in 1910, there were 151 factories with 51 to 200 workers, but 77 with over 200 workers.¹⁵ In Latvia as whole, in 1910, 17.7 % of all workers worked in factories with 501 to 1000 workers and 22.8 % worked in factories of 1001 and more workers.¹⁶

It has been estimated that in 1913, of the total value of production of all of Latvia's industry, 63 % was realised in Inland Russia, 26 % remained in Latvia for local needs and 11 % was exported abroad.¹⁷ Thus, nearly $\frac{3}{4}$ of what was produced in Latvia was not for local consumption.

Foreign Trade

One of the most important reasons for the rapid industrialisation of Latvia and particularly of the three main Baltic Sea ports of Rīga, Liepāja and Ventspils was the enormous increase in trade brought about by the policies of Witte and the expansion of the railway network to these ports.

The expansion of the Latvian seaports began in the second half of the 19th century after the completion of the *Rīga–Orel* railway link (1000 km) in the 1860s joining Rīga to Central Russia, Northern Ukraine and the Volga Basin, as well there were other lines linking Rīga to Russia: the *Moscow–Rīga* line (925 km) and the *Rīga–Pskov–Rybinsk* line (1020 km) serving the upper part of the Volga basin; and by the turn of the century Liepāja had been linked to Inland Russia and the Ukraine by the *Liepāja–Hemel* (875 km) railway link and Ventspils by the *Moscow–Ventspils* railway link (1096 km).¹⁸ The newly opened lines gave an impulse for the development of the cities and seaports. New factories and warehouses were built next to railway lines. Large elevators, refrigerators and access roads were built in the ports.¹⁹

All three ports became entrepôts for the rest of Russia. The advantages of the Latvian seaports were many including their geographical position in relation to the rest of Europe and the fact that both Ventspils and Liepāja were ice-free ports. Moreover, although Rīga was not completely ice-free during winter, the interruption to navigation was of much shorter duration than in the Gulf of Finland. In addition, transportation to European markets was much cheaper by sea than by rail through to Germany and beyond. The ports were continually being upgraded to increase throughput.

¹⁵ Skujenieks (1927), p. 640.

¹⁶ *Ibid.*, p. 641.

¹⁷ Buševics (1930), p. 43.

¹⁸ *The Latvian Economist* (1921), p. 174.

¹⁹ For detailed summary of the infrastructure of the Latvian seaports in this period, see Štrauhmanis (2000).

The most important port was Rīga, partly because Rīga itself was an important industrial centre and partly because it had a long history of trading with the rest of Europe.

As can be seen from Table 2, in the second half of the 19th century Rīga's imports increased from 14.42 million roubles to 53.22 million roubles, but exports from 31.03 million roubles to 70.15 million roubles. Rīga's proportion of total Russian foreign trade in this period increased from 9.2 % to 11.1 %, which made it the third largest port in the Russian Empire.²⁰ By 1901–1905 Rīga had forged ahead of St. Petersburg (15.2 % compared to St. Petersburg's 13.5 %) to become the second largest seaport after Odessa.²¹

Table 2. Imports and Exports through Rīga 1866–1913

Average per year	Imports	Exports
	Million roubles	Million roubles
1866–1870	14.42	31.03
1871–1875	22.54	37.54
1876–1880	32.61	55.07
1881–1885	27.44	56.69
1886–1890	21.14	53.21
1891–1895	25.95	51.23
1896–1900	53.22	70.15
1901–1905	85.09	110.72
1906–1910	113.95	157.53
1911	147.29	186.82
1912	145.87	224.84
1913	178.64	226.25

Source: Skujenieks (1927), p. 663

The main exports passing through Rīga were agricultural products and timber. The most important products exported, which made up 4/5 of the total exports from Rīga in 1913, were flax, grain, butter, timber, eggs, and hides.²² The amounts exported made up a significant percentage of total Russian exports of the particular product. For example, in the period 1866–1870 41.6 % of all flax was exported through Rīga,²³ but

²⁰ Latvija PSR Zinātņu akadēmija. Vēstures institūts (1978), p. 64.

²¹ LU Latvijas vēstures institūts (2000), p. 255.

²² Skujenieks (1927), p. 664.

²³ Latvija PSR Zinātņu akadēmija. Vēstures institūts (1978), p. 65.

by 1906–1910 – 48.5 % and in 1913 – 50.5 %.²⁴ In terms of grain exports only a small percentage went through Rīga – in 1913, 9.1 % of which 67 % was wheat transported by rail from the Ural and Samara regions of Western Russia and Siberia.²⁵ Although timber and timber products made up a large percentage of exports from Rīga (18 % in 1913)²⁶, in terms of percentage of all Russian exports only 11.2 % was exported through Rīga.²⁷ A large part the timber reaching Rīga was rafted down the Daugava River from the provinces of White Russia and Smolensk to sawmills around Rīga. One of the main exports from the port of Liepāja was also timber (in 1913 – 16.6 % of all exports through Liepāja).²⁸ Butter was an important export at the beginning of the 20th century – in 1906 some 59.5 % of all exported Russian butter was exported through Rīga. Hides were transported to Rīga and Liepāja by rail from Inland Russia and these two ports exported nearly 40 % of all Russian exports of hides.²⁹ The export of eggs through Rīga started to rapidly increase in 1880s and by the end of 19th century some 25 % of all Russian egg exports were exported through Rīga making it the largest exporter of eggs in the Empire.³⁰

Imports through Rīga were primarily dependent upon the economic needs of the Russian Empire as a whole, including especially the needs of the Baltic region. Imports were dominated by four groups of goods – raw materials for industry (coal, metals, rubber, tobacco, cotton, cork, dyes, and various chemicals), industrial equipment (machines and instruments), chemical fertilisers and consumer goods (herrings, salt, coffee, tea, cocoa, spices, and fruits).

In the second half of the 1870s and in the first half of the 1880s metals (pig iron, iron, steel and lead) were an important part of the import structure.³¹ However, in order to strengthen and protect the Russian metallurgical industry, the Russian government applied the maximum import duty (100 %) to the import of metals³² and thus the importation of metals was relatively small in later years (7.9 % of total imports through Rīga in 1913)³³ and Rīga relied on metals from Inland Russia.

On the other hand, Rīga's industry relied on the importation of coal from overseas – mainly from Great Britain as noted earlier. This was cheaper than coal railed in from Inland Russia. The imported coal was almost exclusively for industries in Latvia as Inland Russia relied on Russian and Polish coal transported by rail. Other

²⁴ Skujenieks (1927), p. 666.

²⁵ *Ibid.*, p. 669.

²⁶ *Ibid.*, p. 664.

²⁷ LU Latvijas vēstures institūts (2000), p. 257.

²⁸ Skujenieks (1927), p. 664.

²⁹ *Ibid.*, p. 667.

³⁰ Latvijas PSR Zinātņu akadēmija. Vēstures institūts (1978), p. 67.

³¹ *Ibid.*

³² Skujenieks (1927), p. 672.

³³ *Ibid.*, p. 670.

raw materials such as rubber, tobacco, cotton, and cork were important items in Rīga's import structure. Rubber was a particularly important import as it was the raw material for one of Rīga's largest undertakings – the Russian-French joint venture “Provodņik” established in 1888³⁴, which manufactured rubber boots, galoshes, linoleum and other rubber products.³⁵ In terms of production it was the world's fourth largest rubber factory, with 13 500 workers and a total value of production of 55 million roubles, some 95 % of which was exported to Inland Russia and overseas.³⁶

In terms of industrial equipment the main import was machinery and machine parts, most of which was transported by railway to various parts of the Russian Empire.³⁷

Both industrial and agricultural machinery was imported. In 1913, Rīga imported some 32.6 million roubles of machinery, most which came from Great Britain, although some 40 to 50 per cent of the machinery imported into Russia as a whole was from Germany by railways.³⁸ Some 25 % of Russia's total imports of chemical fertilisers came through Rīga making it the most important port in the Empire for the import of this product.³⁹

The most important consumer goods imported were herrings. In the Russian herring trade, Liepāja took first place, but all the Latvian ports together imported 2/3 of all the herrings that Russia imported through the Baltic seaports. Altogether in 1913, the Russian Baltic seaports imported 1 220 276 barrels of herrings, of which 845 609 were imported through Rīga, Liepāja and Ventspils, to the value of 12.2 million Russian roubles.⁴⁰ Most of the herrings imported through Rīga were sent on by rail to the western regions of Russia. However, most of the other consumer goods imported through Rīga and the other Latvia ports were for local consumption.

The other two Latvian seaports – Liepāja and Ventspils – were primarily export ports (Table 3), although as noted above for some goods they were also leading importers. The growth of Ventspils in particular can be seen in Table 3. From a small port of local importance it grew into an important export port for the whole Empire after its linking by railway to Inland Russia. Of the three ports, in terms of imports in 1913, for Rīga 45.1 % of total trade turnover was imports, Liepāja was next with 36 %, but for Ventspils only 20.2 % of total trade turnover was imports.⁴¹ Thus, Ventspils was almost exclusively an export port, which can be explained by the comparative lack of industry, whilst Rīga and Liepāja imported large amounts of raw materials for their industries. For example, coal was also an important import for Liepāja (in 1913 – 9.3 %

³⁴ French capital 60 % – Latvija PSR Zinātņu akadēmija. Vēstures institūts (1978), p. 59.

³⁵ It was one of the first factories in Europe to produce car tyres.

³⁶ LU Latvijas vēstures institūts (2000), pp. 444–445.

³⁷ Latvijas PSR Zinātņu akadēmija. Vēstures institūts (1978), p. 68.

³⁸ Skujenieks (1927), p. 671.

³⁹ Latvija PSR Zinātņu akadēmija. Vēstures institūts (1978), p. 68.

⁴⁰ Skujenieks (1927), pp. 669–670.

⁴¹ *Ibid.*, p. 665.

of total imports).⁴² Nevertheless, a large proportion machinery for Inland Russia was imported through Ventspils. Between 1906 and 1910 the average amount of machinery (in poods)⁴³ imported through the Baltic seaports for Inland Russia through Ventspils was 40.9 % (mostly agricultural machinery) compared to St. Petersburg – 19.1%, Rīga – 17 % (mostly industrial machinery), Liepāja – 13.8 % (both industrial and agricultural machinery) and Revel (Tallinn) – 9.2 %.⁴⁴

In terms of exports, nearly 2/3 of exports in 1913 through Ventspils were butter, which mainly came by rail from Siberia.⁴⁵ Other main exports in 1913 from Ventspils included flax (some 12.3 % of total Russian flax exports),⁴⁶ and oats. In fact, through Ventspils and Liepāja in 1913 some 41.9 % of all oats exported from Russia was exported, and it was higher still in 1912 – 52.6 %.⁴⁷

Table 3. Imports and Exports through Liepāja and Ventspils 1901–1913

Year	Liepāja		Ventspils	
	Imports	Exports	Imports	Exports
	Million roubles		Million roubles	
1901-1905	17.4	44.9	5.4	16.1
1906	20.1	34.0	6.3	19.2
1907	21.8	31.9	9.0	33.5
1908	26.0	23.6	15.7	32.1
1909	22.1	49.1	26.1	50.7
1910	24.4	52,5	14.1	69.9
1911	31.9	61.4	24.4	82.2
1912	32.2	72.0	28.1	94.6
1913	33.6	48.6	18.8	74.6

Source: Skujenieks (1927), pp. 663, 665

The importance of the three Latvian seaports to 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,

⁴² Skujenieks (1927), p. 670.

⁴³ Russian unit of mass equal to approximately 16.38 kilograms.

⁴⁴ Skujenieks (1927), p. 671.

⁴⁵ *Ibid.*, p. 667.

⁴⁶ *Ibid.*, p. 666.

⁴⁷ *Ibid.*, p. 669.

of which 585 million roubles – 56.9 % went through the three Latvian ports.⁴⁸ If one looks at total Russian foreign trade, then in 1913 28.2 % of total exports and 20.6 % of total imports went through the three Latvian ports.⁴⁹

Foreign trade through the ports was mainly with Great Britain, Germany, Belgium, France, USA, the Netherlands, Sweden, and Denmark, the two major trading partners being Great Britain and Germany (Table 4). In 1913, 35.5 % of exports (mainly flax, butter, eggs, grain and hides) and 40.7 % of imports (mainly coal, machinery, metals, cotton, rubber and other raw materials, as well as consumer goods – herrings, tea, cocoa etc.) were with Great Britain, but 21.4 % of exports (mainly timber, butter, eggs, grain and hides) and 30.7 % of imports (mainly machinery, coke, metals, tobacco, chemical fertiliser and other raw materials, as well as consumer goods – coffee, wine etc.) were with Germany.⁵⁰

Table 4. 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), p. 674

As can be seen in Table 4, for Rīga the important trading partners in terms of both exports and imports were Great Britain and Germany, whilst for exports also Belgium, USA, France, and the Netherlands and for imports also the Netherlands and Denmark. For Ventspils the important export trading partners were Great Britain, Germany, and Denmark, but for imports – USA, Denmark, and Great Britain. For Liepāja the important export trading partners were USA, Great Britain, and Germany, but for imports – Great Britain, Germany, and USA.

⁴⁸ Skujenieks (1927), p. 676.

⁴⁹ Ibid., p. 677.

⁵⁰ Latvijas PSR Zinātņu akadēmija. Vēstures institūts (1978), p. 69 and Skujenieks (1927), p. 673.

Conclusion

In the second half of the 19th and the beginning of the 20th century Tsarist Russia was undergoing vast economic changes and although there some disputes among economic historians as to the implications of these changes for modern economic growth in Tsarist Russia,⁵¹the effect of the process of capitalist development in the Latvian provinces is clear.

The growth of trade and the development of cities in Latvia in the second half of the 19th and the beginning of the 20th century was stimulated by the construction of railways, which turned the Baltic seaports of Rīga, Ventspils and Liepāja into significant transit ports and industrial centres in the Russian Empire. The rapid industrial development of Rīga and to a lesser extent Liepāja stimulated a demand for raw materials and machinery for their own industrial expansion, as well as being entrepôts for the rest of Russia.

Rīga as the third largest industrial centre in the Russian Empire had annual growth rates in terms of number of factories, number of workers and value of production, which far exceeded those of St. Petersburg and Moscow.

But it was the fact of the three Latvian Baltic seaports as entrepôts for the Tsarist Russian Empire that defined their role in the economic growth of Russia. If one looks at total Russian foreign trade, then in 1913 28.2 % of total exports and 20.6 % of total imports went through the three Latvian ports. Although a certain amount of the foreign trade passing through the Latvian ports was stimulated by their own industrial growth, their main role was as transit ports for Inland Russia. The products of the vast Russian hinterland were funnelled to the ports by the railway network, which also carried not only the products produced by Rīga and Liepāja, but also the goods imported through them back to the Russian heartland.

In 1913, of the total value of production of all of Latvia's industry, 63 % was realised in Inland Russia, 26 % remained in Latvia for local needs and 11 % was exported abroad (timber and timber products, rubber goods, oil cakes).⁵² Similarly, important imports such as industrial and agricultural machinery, chemical fertiliser and consumer goods were channelled through the three Baltic seaports to Inland Russia.

Revised version of the paper published as 'Latvia as an Entrepot Prior to WWI: Effects of Trade and Industrialisation', in Humanities and Social Sciences Latvia, Vol. 21, Issue 1 (Spring–Summer 2013), pp. 18–30.

⁵¹ For a discussion and summary of the various views see Allen (2003), pp. 21–46.

⁵² Krastiņš, E. (2018), p. 72.

A Fragment from the Beginnings of Latvian-Norwegian Economic Relations

Introduction

Until 1920 relations in general between Latvia and Norway was minimal, partly because up until 1917 Latvia was part of Tsarist Russia and partly because it was only at the end of 1919 that the National government had stabilised. The Latvian Republic was still not recognised *de iure* by any European state with the exception of Soviet Russia which itself was not recognised by any other state.¹

Latvia's economic situation at the end of 1919 and the beginning of 1920 was unenviable. Industry had collapsed, with buildings empty of machinery and other assets that had been evacuated to Russia in 1915.² The land was ruined and the population scattered. "Independence was proclaimed ... with ruined industries, empty coffers and plundered rural economies."³ The main source of government income was the "money printing press"⁴, in order to cover the costs of the War of Independence, the maintenance of the civil service and the minimal requirements of the economy. Of the State revenues for the period between 18 November 1918⁵ and 1 April 1920 paper money to the value of 37.9 million Lats was emitted (58.5 % of the total revenue).⁶

In 1919, some Scandinavian trading houses established branches in Rīga, Liepāja and Ventspils and a lively trade was maintained through the establishment of steamship lines between Scandinavia and Latvia.⁷ In the last six months of 1919 Latvia's total trade (exports + imports) with the Scandinavian countries amounted to 50.2 million Latvian roubles (37.1 % of Latvia's total trade) – 4.9 % of exports (19.6 million Latvian roubles) and 31.9 % of imports (30.6 million Latvian roubles).⁸

¹ Latvia was recognised *de iure* by Western Europe on 26 January 1921.

² Latvian Industry since the War. *The Latvian Economist*, No. 7/8, July/August 1923, p. 159.

³ Hiden, J. & Salmon, P. (1991), p. 77.

⁴ Aizsilnieks, A. (1968), p. 117.

⁵ The date of the declaration of the independence of the Republic of Latvia.

⁶ Aizsilnieks, A., op. cit., p. 111

⁷ *Economists*, 1920. No. 1, p. 13.

⁸ *Economists*, 1920. No. 4, p. 106.

In 1920, the total value of Latvia's foreign trade was 3136.6 million Latvian roubles – imports being 2061.1 million Latvian roubles and exports 1075.5 million Latvian roubles.⁹ Of this, total imports from Scandinavia amounted to 801.9 million Latvian roubles and export to Scandinavia amounted to 60.1 million roubles. This was to be the high water mark of Latvia's foreign trade with Scandinavia. In 1920, the total volume of trade between Latvia and the Scandinavian countries reached 27.5 % of Latvia's total trade (imports + exports). Of this Denmark's total trade with Latvia was 15.1 %, Norway – 3.8 % and Sweden – 8.6 % of Latvia's total trade in 1920.¹⁰

Table 1. Latvian Exports to and Imports from Scandinavia 1920

State	Imports (million roubles)	% of total imports	Exports (million roubles)	% of total exports	Total trade (million roubles)	% of total trade
Denmark	442.17	21.5	31.06	2.9	473.23	15.1
Sweden	239.37	11.6	28.81	2.7	268.18	8.6
Norway	120.33	5.8	0.21	0.02	120.54	3.8
Total	801.87	38.9	60.08	5.62	861.95	27.5

Source: *Latvijas statistiskā gada grāmata 1920* [Latvian Statistical Yearbook 1920] (1921)

On the other hand, Norway had been an independent, sovereign state since 1905. Since the very earliest times the fjord and sea fisheries of Norway, next to agriculture, constituted the leading pursuit of the Norwegian people, certainly up to WWII. The total annual catch of fish along the coasts of Norway averaged from 500 000 to 600 000 tons.¹¹ The herring fisheries ranked second to cod in terms of importance in the Norwegian fishing industry. In the 1920s, there were three distinct herring fisheries, i.e. Spring herring, Large herring, and Fat herring. Spring herring fishing occurred in the months of January-April. Large herring fishing occurred during November-February, while Fat herring fishing was carried on throughout the last six months of the year. By far the greater part of the herring catch was salted in barrels and exported as pickled herring.

Prior to 1914, of the foodstuffs imported into Tsarist Russia through Latvian ports herrings took the first and most important place. In the Russian herring trade, Liepāja took the first place, but all the Latvian ports together imported 2/3 of all the herrings that Russia imported through the Baltic sea ports. Altogether in 1913, the Russian

⁹ *Latvijas statistiskā gada grāmata 1920* [Latvian Statistical Yearbook 1920] (1921), p. 119.

¹⁰ *Ibid.*

¹¹ Herring Fisheries. *Norwegian Trade Review*, No. 3, 1923, Trade Intelligence Bureau of Norway, pp. 36–38. Continued in *Norwegian Trade Review*, No. 4, 1923, Trade Intelligence Bureau of Norway, pp. 61–63. The following description of the Norwegian herring industry is based in large part upon this article.

Baltic seaports imported 1 220 276 barrels of herrings, of which 845 609 were imported through Rīga, Liepāja and Ventspils, to the value of 12.3 million Russian roubles.¹² The Latvian ports with their herrings supplied wide regions of Western Russia.

Norway, like the other Scandinavian neutrals Sweden and Denmark, had profited from World War One. Norwegian fisheries had enjoyed a booming market during the war years, operating with state guaranteed minimum prices.¹³ With ample capital and government support¹⁴ investments in boats and equipment increased enormously. With this investment in new boats and technology, as well as new income expectations came chronic over production. Total landings in 1918 were 611 400 tons and in 1919 – 656 709 tons, of which herrings made up 70 % and 74 % respectively.¹⁵ After the war fish products faced declining prices. Nevertheless, the Norwegian government had purchased large holdings of fish (especially herrings) during the war years, which it had practically all cleared by 1921.¹⁶ A part of this stock was sold to the Latvian government in 1920.

Given Latvia's weak position economically, in place of long-term money credits, Latvia had to be content with credits in the form of goods. Norway was the first European nation to offer Latvia long-term credits for the purchase of foodstuffs and became one of Latvia's first major trading partners. As noted above trade with Norway in 1920 consisted of imports 120 329 118 Latvian roubles (5.84 % of total imports) and exports 206 051 Latvian roubles.¹⁷ The value of Norwegian imports into Latvia in 1920 was only exceeded by Denmark (21.46 %), Great Britain (20.66 %), Germany (18.55 %) and Sweden (11.62 %). Imports of salted herrings accounted for 77.41 % of all the Norwegian imports for 1920. These salted herrings were to cause a storm in Latvia, and became the subject of a parliamentary inquiry and debate.

Why Herring Credits?

During 1920 the Norwegian prohibitions imposed during the war on the export of herrings and other fish products had been gradually removed during the course of the year. However, the financial difficulties of Eastern and Central Europe hampered sales of herrings from government stocks. The risk of a complete breakdown of the economies of these countries led to a number of countries, led by the United States and Great Britain to set up a relief credit programme. The idea was to grant long-term credits in

¹² Skujenieks, M. (1927), pp. 669–670.

¹³ Hodne, F. (1975), pp. 410–413.

¹⁴ In 1919 a government bank, *Den norske stats fiskeribank* [The Norwegian State Fisheries Bank] was established to assist fishermen to buy their own vessels.

¹⁵ *Historisk Statistikk 1968* [Historical Statistics 1968], Table 120, pp. 174–177.

¹⁶ *Norway in 1921*, p. 18.

¹⁷ *Latvijas statistiskā gada grāmata 1920* [Latvian Statistical Yearbook 1920] (1921), p. 119.

the form of commodities, that is, until 1 January 1925 with an interest rate of 6 % per annum.¹⁸ The credits were subject also to further regulations from the International Committee for Relief Credit sitting in Paris, which had overall responsibility for the relief programme.¹⁹ Norway participated in the programme by offering to supply herring and other fish products, as well as technical whale oil from government stocks to a total amount of 17 million kroner.²⁰ The herring was sold by the Norwegian government (*Statens Fiskecentral* [State Fish Central]), which during the war years, in order to assist fishermen, had purchased unsold herrings and stored them in special cold stores. In 1920, as a result of the purchase of very considerable quantities of herrings during the latter stages of the war and 1919, the Norwegian government held “on stock” some 200 000 barrels of large herring and some 200 000 barrels of spring herring of the 1919 catch.²¹

Herring for Sale on Credit

At the beginning of 1920 the Latvian government gave an order to the Latvian General Consul in Norway, Arturs Vanags, to negotiate a purchase on credit for the Department of Supply of 50 000 barrels of Norwegian herrings. Soon after the amount to be purchased was raised to 100 000 barrels.²² It turned out that at the same time the Latvian authorities were beginning negotiations with Soviet Russia to sell them a part of the proposed purchase of herrings, because at the time there was famine in Soviet Russia. The Soviet Russians showed an interest in respect of the offered herrings, which evidently was the basis for doubling the original purchase order.²³ In addition to herring purchases, the Latvian government purchased the remaining stocks of technical whale oil held by the Norwegian State Whaling Office, some 2950 casks Nos. 3 and 4, on the same international relief credit terms.²⁴

A contract was entered into by the Latvian envoy to Scandinavia, Frīdrichs Grosvalds, on 17 March 1920 for 35 000 barrels of large herrings (*storsild*), which were from the 1918/1919 catch, and 65 000 barrels of spring herrings (*vaarsild*) which were from the 1919 catch. The price was 65 Norwegian kroner per barrel of large herrings and 55 Norwegian kroner per barrel of spring herrings, if the herrings were of first

¹⁸ *Norway in 1920*, p. 18.

¹⁹ For a discussion of Sweden and Denmark and the International Relief Credit Programme see Nordlund, S. (1994), pp. 219–220.

²⁰ *Norway in 1920*, op cit., p. 18.

²¹ Government Aid to Herring Fisheries. *Norwegian Trade Review*, No. 1, 1921, Trade Intelligence Bureau of Norway, p. 10.

²² *Norway in 1920*, op cit., p. 18.

²³ Stranga, A. (2000), p. 180.

²⁴ *Norway in 1920*, op cit., p. 18.

quality.²⁵ For second quality herrings a 25 % discount from the price was provided for, and third quality herrings cost only 10 Norwegian kroner per barrel irrespective of whether they were large herrings or spring herrings. No consignment could contain more than 5 % third quality herrings. The prices were FOB Norwegian ports and Latvia herself was responsible for the transportation of the herrings to Latvia. In accordance with the contract, Latvia had the right to send its own fish sorters; however, Latvia did not have any. Therefore, Norwegian sworn herring sorters controlled the quality of the herrings at transfer.²⁶ The herring purchase created a large fuss in Latvia and the government received many criticisms.

Parliamentary Criticism of the Herring Purchase

On 9 November 1920, the Parliamentary Petitions and Complaints Commission of the Latvian Constitutional Assembly that had set up a special commission to investigate all the purchases and contracts made by the Ministry of Supply for the period from 1919 to 1920 also reported on “very salty matter – the herring matter”.²⁷ Voldemārs Zāmuēls, for the Commission, reported that from 23 April to 6 July 1920 in 13 Norwegian ships, 104 464 barrels of herring for Norwegian kroner 5 997 883.75 were brought to Latvia and for their transportation was paid Norwegian kroner 808 476.76.²⁸ Together with transportation the herrings cost Norwegian kroner 6 806 360.51.²⁹

After unloading, of the 104 464 barrels there were found to be 350 barrels less. The Commission calculated that with a price for one barrel of average quality, e.g. 48 Norwegian kroner per barrel, then to the herring account had to be added this shortfall valued at Norwegian kroner 16 800, making up a total of Norwegian kroner 6 823 160.51 or 170 579 000 Latvian roubles. Storage and carriage on the basis of the Ministry’s calculations added another 1 000 000 Latvian roubles, giving a grand total cost of 171 587 000 Latvian roubles for the herrings.³⁰ The Commission also asserted that half of what was sent was third quality herrings. The rest were 80% first and below 20 % second.³¹ The Commission further reported that the Ministry of Supply sold the best herrings for 900 Latvian roubles per barrel, but the second quality for 750 Latvian roubles, with an average price per barrel of 778 Latvian roubles for

²⁵ “Sildesalg for over 71/4 mill. kr.” as reported in *Dagbladet*, No. 66, 18 March 1920, p. 2.

²⁶ Based mainly upon the account given in Aizsilnieks, A., op. cit., pp. 205–207.

²⁷ Transcripts of the Constitutional Assembly 1920, Sitting of 9 November 1920, p. 1301.

²⁸ The Ministry of Supply figures were 21 750 000 Latvian roubles for transportation, as well as 500 000 Latvian roubles customs duty – LVVA, 1302. f., 1. apr., 4621. l., 45. lp. Later the transport costs were adjusted to 16 639 263.65 Latvian roubles – LVVA, 1302. f., 1. apr., 4621. l., 151. lp.

²⁹ Leits, A. (1957), p. 76 reports that the total cost of the purchases of herring and whale oil together with interest was, at 1 January 1924, 6 959 562 Norwegian kroner.

³⁰ Transcripts 9/11/20, op cit., p. 1301.

³¹ *Ibid.*, p. 1302.

the whole herring consignment.³² The Commission concluded that at the prices specified by Cabinet the State will lose, after all the herring have been sold, at the current rate of exchange, 80 696 000 Latvian roubles.³³

The government was criticised that the price paid was too high. However, it turned out that in November 1919, the Polish government had purchased in Norway the same types of herring paying 74 and 64 Norwegian kroner respectively per barrel, moreover with payments due in 1920 and 1921. Poland later requested and Norway accepted a change in the terms of credit for the 200 000 barrels sold so as to bring them into line with the conditions applying to the international relief credit system.³⁴ Germany, which bought the same sort of large and spring herrings in April 1920, did pay only 55 and 45 Norwegian kroner respectively, but it purchased at the time 1 250 000 barrels and to secure the purchase deposited gold to the value of 20 million Norwegian kroner in the Bank of Norway.³⁵ Austria purchased 25 000 barrels at the same time as Latvia for a similar average price of 60 Norwegian kroner per barrel on the same terms.³⁶

The government was accused that the herrings were transported on expensive Norwegian ships at a time when Latvian ships in foreign ports were standing without work and could have shipped for a much lower cost.³⁷

The herrings had arrived in Latvia mainly during the summer of 1920. Another criticism was that the Norwegians had “palmed off” rotten herrings, because in Rīga the whole of the Daugava quayside had stunk where the herrings had been unloaded. It turned out that the ships found to transport the herrings were not really suited for the task and the barrels were therefore stacked 3 barrels and more one on top of the other, which is not done when transporting herrings. The ships were tightly stacked because due to mines in the Baltic Sea, ships did not willingly sail to Latvia.³⁸ As a result, some of the bottom barrels were squashed and the brine from these barrels had leaked out. In the herring trade, such accidents happen and the herring traders at the acceptance of a consignment of herrings immediately check every barrel, so that those, which during the journey have lost their brine, can be repaired. However, this time in Rīga, civil servants from the Ministry of Supply and not herring traders accepted the barrels of herrings, and the received herrings were not checked. Moreover, the barrels of herrings had stood on the quay for several days before they were placed in warehouses, because of a shortage warehouse space.³⁹ As the herrings had arrived during the summer, then

³² The Ministry of Supply had estimated that the 100 000 barrels of herrings would be sold to the population for an average price of 800 Latvian roubles per barrel for an estimated income of 80 000 000 Latvian roubles – LVVA, 1302. f., 1. apr., 4621. l., 46., 100. lp.

³³ Transcripts 9/11/20, op cit., p. 1302.

³⁴ *Norway in 1920*, op cit., p. 18.

³⁵ Transcripts of the Constitutional Assembly 1920, Sitting of 23 November 1920, p. 1345.

³⁶ *Dagbladet*, op cit., p. 2.

³⁷ Bastjānis, V. (1966), p. 110.

³⁸ *Ibid.*, p. 111.

³⁹ *Ibid.*

it is not surprising that with a number of barrels left standing on the quay, some herring was spoiled. The civil servants hastened to blame the seller for the spoilage.⁴⁰

The Government Reply to Criticisms

The Prime Minister, Kārlis Ulmanis, in his reply to the parliamentary report on 23 November 1920 stated that the herrings were purchased because there was a great need for them. They were purchased from the Norwegian government for an acceptable price on 5–6 year repayment terms. He further stated that, “we, the same as other countries, as everybody knows, have more first and second quality herrings. Of third quality, we have received 750 barrels. Here we are talking about that the herrings have a strong smell, but I can say: regardless of which herrings one goes to, they all smell.”⁴¹ Against the accusation that the government was selling the herrings cheaper than they had paid for them, and that, in addition, this price was not calculated on the basis of the exchange rate as it was when they were purchased, but on the basis of the exchange rate as it was a few weeks ago, the Prime Minister replied, that “if the report had come out today then probably the figures would have been different as the exchange rate has increased by 20 %; if this 20 % was calculated away from those 350 000 000 [i.e. total losses which the government was accused of, including the herrings], then already there is left over only 280 000 000. But all right, we can calculate also on the basis of the exchange rate how it was 2 weeks ago. To this I must answer that the price of the herrings is calculated so that they cover those costs.”⁴² He pointed out that the Ministry of Supply could not adjust prices to every fluctuation of the exchange rate as this what speculators do, moreover, the credit did not have to be repaid until six years after the signing of the contract. “If the government has purchased goods on 6 years credit, then they have to pay the money only after 6 years, if we every time look at the exchange rate, amend the prices, then what will be the difference between us and speculators.”⁴³ As Ulmanis remarked: “...regardless of which herrings one goes to, they all smell.”

Zāmuēls in his final statement to the Constitutional Assembly on 30 November 1920 stated that he had never said in his report that the contract in itself had been concluded disadvantageously, for high prices, or that the Norwegian government which had concluded the contract with the Latvian government, had given shoddy goods. “The losses were calculated on a different basis and they can be seen from our conclusions... The conclusions are: “The government has purchased herrings, firstly in such quantities that exceed the consumption requirements of the State and, secondly, such

⁴⁰ Aizsilnieks, A., op. cit., p. 206, also Stranga, A., op. cit., p. 180,

⁴¹ Transcripts 23/11/20, op. cit., p. 1346,

⁴² Ibid.

⁴³ Ibid.

types, which are unfamiliar to the inhabitants. The purchased herrings were shipped by unnecessary hurried procedures and no thought was given to their care and through this, they in large measure were damaged. The herrings were transported by foreign ships while Latvian ships were idle.”

The matter has been given to the public prosecutor.”⁴⁴

Despite somewhat heated debates regarding this and other issues, on 2 December 1920, the Constitutional Assembly voted 74 for and 64 against to accept the Prime Minister’s statement as sufficient and the herring affair had ended.⁴⁵ No one was ever prosecuted regarding the herring affair.

Soviet Russia and the Latvian Herrings

As noted earlier the reason for increasing the amount of herring purchased from Norway was the expectation that the excess could be sold for a profit to Soviet Russia, which because of the Entente blockade and civil war, was experiencing food shortages. Latvia believed that its main economic role vis-à-vis Soviet Russia was that of an intermediary, the classic ‘bridge between West and East’. Trading on the border had begun even prior to the signing of the armistice on 30 January 1920. Firstly as contraband and then as semi-legal “speculative” exchanges. On 16 February 1920, the government took a decision to combat these semi-legal “speculative” exchanges and began to issue six-month border zone concessions for trade and exchange with Soviet Russia.⁴⁶

After the purchase of the herrings from Norway, it was ascertained that Soviet Russia had shown interest in buying herrings from Latvia only with a view to discovering from where Latvia had obtained the herrings. Once they found out and with the raising of the Entente blockade, Russia itself commenced negotiations with Norway and purchased an even larger amount direct from them.⁴⁷ The Norwegian *Statens Fiskecentral* had purchased 3725 tonnes of salted fish prepared especially for the Soviet Russian market.⁴⁸ This was a huge blow to Latvia, which was unable to consume the large amount of herrings it had purchased itself. Especially as among them were also spoiled fish, and also because the food supply situation in Latvia had improved to such an extent that the inhabitants of Rīga longed for the herrings they were used to – Scottish herrings.⁴⁹

However, the herring purchase was saved from large losses by the trade and exchange concessions, established on the Soviet Russian border by the Ministry

⁴⁴ Transcripts of the Constitutional Assembly 1920, Sitting of 30 November 1920, p. 1438.

⁴⁵ Bastjānis, V., op cit., p. 123.

⁴⁶ Stranga, A., op cit., p. 180.

⁴⁷ Ibid., p. 180.

⁴⁸ *Norway in 1920*, op cit., p. 19.

⁴⁹ Aizsilnieks, A., op. cit., p. 206.

of Supply.⁵⁰ Although officially some 326 360 Latvian roubles worth of herring was exported in 1920,⁵¹ most of the herrings flowed out to these concessions receiving in return flax, horses, precious metals and other goods from Soviet Russia.⁵²

Conclusion

Norway was the first country to offer long-term credits to the infant Latvian State at a time when it had not been recognised *de iure*, and when its financial resources were particularly low.

The gesture of good will by the Norwegian government was based of course also on sound economic reasons. The Norwegian government was under pressure to clear its stocks of herrings purchased during and immediately subsequent to the First World War. Without large order sales in the near future, *Statens Fiskecentral*, in order to save on further upkeep and storage costs, would be forced to liquidate its old herring stocks by using them as feeding stuffs or handing them over to oil and fertiliser manufacturers.⁵³ This was why Norway so willingly embraced the international relief credit programme as a means of clearing government stocks.

From the Latvian government's point of view the commodity credits were a godsend, especially when they were long-term and could be secured with Treasury Bills instead of hard currency that was in short supply. However, the lure of quick profits turned an essentially bona fide commercial transaction into an object of a parliamentary inquiry and harsh criticism of the government. The expectation of selling excess barrels of herrings to Soviet Russia for a profit led to over-ordering, haste, and waste for which, in the end, Latvia paid for dearly. Only the continuing needs of Soviet Russia allowed the Ministry of Supply to limit its losses and barter the herrings to Soviet Russia through the trade and exchange concessions on the Latvian-Soviet Russian border.

Nevertheless, despite the internal storm raised by the purchase it did not affect Latvian-Norwegian relations. Already in 1921, Latvia commenced negotiations for a Trade Agreement with Norway.⁵⁴ In the context of the negotiations for the trade treaty, an echo of the Herring Affair arose in 1923, when his Norwegian colleague gave the Latvian envoy to Finland and Scandinavia, Kārlis Zariņš, a copy of a letter signed by Grosvalds and dated 24 March 1920.⁵⁵ The letter notified the Norwegian Ministry of Foreign Affairs that while the 17 March 1920 herring purchase contract was in force, Latvia grants Norway most favoured nation status. The Norwegian envoy to Finland

⁵⁰ Bastjānis, V., op cit., p. 111.

⁵¹ *Latvijas statistiskā gada grāmata 1920*, op cit., Table 103, p. 135.

⁵² Aizsilnieks A., op. cit., p. 207.

⁵³ *Norway in 1920*, op cit., p. 19.

⁵⁴ LVVA, 2570. f., 13. apr., 131. l., 3. lp.

⁵⁵ LVVA, 2570. f., 13. apr., 130. l., 10. lp.

pointed out that on the basis of this letter, there was no need to hasten the negotiations for the trade treaty as Norway already had for a certain time most favoured nation status.⁵⁶ Zariņš was not certain that the Latvian Ministry of Foreign Affairs was aware of the existence of the letter.⁵⁷ The Commerce and Navigation Treaty between Latvia and Norway granting mutual most favoured nation status was nevertheless concluded on 14 August 1924.⁵⁸

Revised version of the paper published as 'Latvian and Norwegian Economic Relations – The Herring Affair 1920' in Škapars, R. et al. (red.). Eiropas Savienības paplašināšanās Baltijas jūras reģionā: Sociālekonomiskie izaicinājumi un iespējas [Enlargement of the European Union in the Baltic Sea Region: Social and Economic Challenges and Opportunities], Rīga: University of Latvia, pp. 222–228, 2004.

⁵⁶ LVVA, 2570. f., 13. apr., 130. l., 9. lp.

⁵⁷ *Ibid.*, p. 9.

⁵⁸ *The Treaties of Norway 1661–1966. Vol. I 1661–1944.* Oslo: Grøndahl & Søn Boktrykkeri, 1967, pp. 549–554.

Latvia and Hitler's Germany 1933–1940

Introduction

Latvia's relations with Hitler's Germany were turbulent from the very beginning and encompassed many aspects including economic relations. The nazification of Latvia's Baltic Germans created not only social problems, but also political and economic problems as well. Nevertheless, the Latvian government sought to maintain a neutral position in respect of the Baltic Germans and, indeed in all its relations with Hitler's Germany throughout the 1930s. It did not always succeed.

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

Germany was one of the two main trading partners for Latvia (the other one was Great Britain). The first basis for Latvian trade with Germany was the 15 July 1920 treaty, which restored peaceful relations with Germany and included a resumption of trade relations. The delay in concluding a formal commercial treaty with Germany, (a treaty with Great Britain was concluded in 1923), was due mainly to unsettled claims which Latvia lodged against Germany for damages sustained during the German occupation of Latvia during and after WWI. To which Germany responded with a counter claim for structures of various kinds erected and left in Latvia. Treaty negotiations dragged on from 1921 to 1926 and it was not until both sides agreed to give up their mutual claims was it possible to sign the treaty in 1926. The treaty, which came into effect on 1 December 1926, was based upon the most favoured nation (MFN) principle and contained the Baltic and Russian clause.

By 1932, Germany was still Latvia's main import partner despite the effects of the Great Depression. There were a number of reasons for this, including the fact that a large number of Latvian traders were Baltic Germans, which meant that contact with Germany was much easier for them. Moreover, a large amount of German capital, as will be shown later, was invested in Latvia's industry, commerce, and banks, as well as in credits for the importation of goods from Germany. In certain sectors, such as the pharmaceutical and electrical equipment, Germany had a monopoly status in Latvian imports. Together with a growth of imports, exports also had increased up to 1929, but although there was an overall decline in trade due to the Great Depression,

exports to Germany in 1932, (26.2 % of total exports), were still much less than the value of imports (35.6 % of total imports).¹

In early 1932, Latvia signed a so-called bilateral “clearing” agreement with Germany. The basic idea behind bilateral clearing agreements was to even out or “balance” trade between two countries, while at the same time conserving scarce foreign currency and gold reserves. The “agreement” was an exchange of letters between the Bank of Latvia and the Reichsbank. Under this arrangement Latvian export to Germany and import from Germany generally increased. During the life of the arrangement, Latvia often had large sums outstanding in Germany in the form of clearing account surplus. For Latvia, it was often problem to find useful and adequate imports from Germany to make use of the frozen millions of lats.²

Latvia’s main export to Germany was butter, which could be transported more quickly and cheaper to Germany than to Britain. In 1929, the advantages of exporting butter to Germany diminished as Germany increased the tariff on butter in the summer of that year and continued to diminish as Germany increased its tariffs year by year until in January, 1932 the tariff on butter was increased to 1 mark per kilogram.³ It was in relation to butter exports that Latvia’s economic relations with Hitler’s Germany first came into conflict.

Butter and the “Butter War”

As noted above, butter an important export product for Latvia to Germany. In the three years prior to 1933, Germany imported in 1930 81.07 % of all Latvian butter exported, in 1931 – 75.36 % and in 1932 – 54.02 %.⁴ Although the percentage was falling, Germany was nevertheless still a very important market for Latvian butter. One of the reasons, for the somewhat sharp drop in 1932 was the fact of the Clearing Agreement with Germany as butter exporters were trying expand sales to hard currency markets especially Great Britain.

When Germany’s new regime proclaimed a boycott of Jewish businesses on 1 April 1933, social democrats and the Jewish community in Latvia proclaimed a boycott of German goods in Latvia in June 1933 in protest. Germany’s reaction was an announcement that from 12 June 1933 its borders would be closed to imports of Latvian butter. As noted above, Germany for a long time had been Latvia’s largest butter export partner. In the first four months of 1933, Germany had bought more than 56 % of Latvia’s butter export. Therefore, this was a very unexpected move by Germany and on 13 June 1933,

¹ See Table 1, in Karnups (2010), p. 7.

² Ēķis, L., (1943), p. 99.

³ Stranga (2015), p. 221.

⁴ *Ekonomists*, No. 8, 1933, p. 313.

the Latvian government declared that on 12 June the government had issued an order that “no German goods were to be cleared by customs and let into the country... We shall not buy and we may not buy a single kilo of goods from such a country, which behaves in that way with us”.⁵ This mutual boycott lasted only a few days. The Prime Minister, A. Bļodnieks, announced to the Saeima [the Parliament] on 30 June 1933, that after the Latvian government had given assurances that the government would take all legal steps against the proclamation of the boycott of German goods, the German government had revoked the ban on Latvian butter on 17 June⁶. In real terms, the “Butter War” had little direct effect on the trade balance between the two countries.⁷ It nevertheless hastened the displacement of Germany as Latvia’s main trading partner by Britain (for example, butter exports to Britain rose from 2.7 thousand tons in 1930 to 7.8 thousand tons in 1933). This decline in exports of butter to Germany is illustrated in Table 2 – from 53.7 % of total butter exports in 1933 to 28.2 % in 1938.

Trade with Hitler’s Germany 1933–1939

German trade policy with Latvia (and Eastern Europe in general) was driven in large part by the German rearmament priority, as well a drive for German agricultural self-sufficiency. By 1936, it was clear that German agriculture had failed to provide for domestic needs and this led to an enormous increase in the importation of foodstuffs (mainly from Central and South-Eastern Europe) and other products necessary for rearmament.⁸

On 4 December 1935, another agreement was concluded between Latvia and Germany regarding the interchange of goods and services and the Veterinary Convention. Economic delegations of Latvia and Germany met regularly to draw up lists of commodities to be exchanged and to find ways to hold in balance the exports with the useful imports to be obtained in Germany. The new agreement was concluded for one year – to 31 December 1936.⁹ Trade accounts with Germany were further adjusted on the basis of a new clearing agreement concluded on 31 October 1937. This agreement superseded the Clearing Convention of 1932 between the Bank of Latvia and the Reichsbank.¹⁰ The overall picture of Latvian-German trade in the period 1933–1939 is illustrated in Figure 1.

⁵ Aizsilnieks (1968), p. 549.

⁶ Saeima transcript, 30 June 1933, p. 1062.

⁷ For a detailed examination of the “Butter war” see Cerūzis (2004), pp. 144–158.

⁸ For a detailed examination see Kaiser (1980), pp. 130–169, as well as pp. 263–283.

⁹ *Ekonomists*, No. 23, 1935, p. 875.

¹⁰ *Latvian Economic Review*. No. 1, 1938, p. 35.

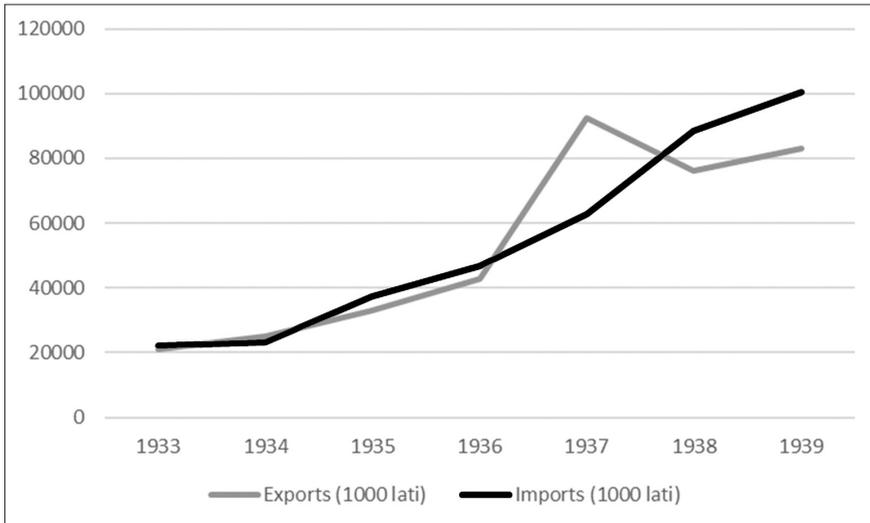


Figure 1. Latvian trade with Germany 1933–1939

Source: *Latvijas statistiskā gada grāmata. 1933–1939* [Latvian Statistical Yearbooks 1933–1939]. Rīga: Valsts statistiskā pārvalde, and *Strukturbericht über das Ostland. Teil I: Ostland in Zahlen*. Rīga: Reichskommissar für das Ostland, 1942, pp. 57–58

Latvia had a number of problems with trade with Germany. The first arose from the fact of the Clearing arrangements themselves. Latvia as noted above often had large sums outstanding in Germany in the form of clearing account surplus. This was partly due to the difficulty in finding suitable German products to import. This in turn was partly due to Latvia's industrial development, which meant that many manufactured goods formerly imported from Germany were now being manufactured in Latvia, and partly because the items that Latvia needed – iron, steel, coal – were needed by Germany for its rearmament programmes.¹¹

The second reason was due to the devaluation of the Latvian lat by 40 % in 1936, when it left the Gold Standard and became a member of the Stirling bloc. Germany had not devalued and this meant that German goods were now even dearer than were previously. There was nearly a two-fold increase in the value of the mark relative to the lat. From 123.65 lats for 100 marks prior to devaluation to 201.50 lats for 100 marks after devaluation.¹² Theoretically, this should have worked to Latvia's advantage, however, because of the Clearing arrangements if Latvia wanted to export to Germany it had to

¹¹ *Ekonomists*, No. 9, 1939, p. 646.

¹² Stranga, A. (2015), p. 238.

import the now dearer German goods, which could be obtained cheaper elsewhere (up to 30 % cheaper).¹³

As can be seen in Figure 1, in 1937 the clearing account surplus was in Latvia's favour due the abnormally large sale of timber and timber products that year overall and to Germany in particular. Thereafter, the surplus was in Germany's favour, which meant that exporters had to suffer inordinate delays in receiving their payments.¹⁴ The pattern of Latvia's main exports to Germany can be seen in the following Table 1.

Table 1. Latvia's Main Exports to Germany 1933–1939

Year	Butter		Plywood		Flax		Timber (including lumber, sleepers, pulpwood, pit props and planks)	
	t	Value (1000 Ls)	t	Value (1000 Ls)	t	Value (1000 Ls)	t	Value (1000 Ls)
1933	6214	11316	10679	11316	590	449	142019	2897
1934	6018	7320	12593	2970	1932	1577	178445	5832
1935	4849	6516	10101	2837	1734	2087	220795	10155
1936	5271	7682	10611	3844	1564	1978	228999	15348
1937	6818	17570	15917	6884	1208	2706	498745	40568
1938	6009	15294	17045	6882	1016	1460	273780	25196
1939*	4517	10956	4227	1558	1504	2730	66020	9711

* For first 8 months of 1939

Source: *Latvijas ārējā tirdzniecība un transits – 1937–1938* [Latvian Foreign Trade and Transit. 1937–1938]. Rīga: Valsts statistiskā pārvalde; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]; author's own calculations

As can be seen in Table 1, 1937 was the peak year for Latvian exports to Germany. Butter exports, which had previously been declining increased as did plywood and timber. Timber and timber products (including plywood) became the main export goods to Germany. Nevertheless, Latvia resisted becoming an economic satellite of Germany and expended a great deal of effort to send its exports to hard currency countries such as Great Britain. This can be seen in percentage of total exports of the main export goods that went to Germany (Table 2).

As Table 2 shows, although there was a decline in the percentage of butter exports (most of which then went to Great Britain), a little over an average of a third of timber exports (including plywood) was consistently exported to Germany.

¹³ Stranga, A. (2015), p. 240.

¹⁴ Leits (1958), pp. 148–151.

Table 2. Percentage of Latvia's Total Exports exported to Germany 1933–1939

	Butter	Plywood	Flax	Timber (including lumber, sleepers, pulpwood, pit props and planks)
Year	% of total butter exports	% of total plywood exports	% of total flax exports	% of total timber exports
1933	53.7	33.4	13.8	11.3
1934	50.9	35.9	34.5	20.8
1935	35.2	29.4	24.1	43.6
1936	30.3	29.6	11.8	45.2
1937	38.7	30.8	21.2	37.7
1938	28.2	33.9	8.7	39.9
1939*	28.4	10.8	12.3	26.1

* For first 8 months of 1939

Source: *Latvijas ārējā tirdzniecība un transīts – 1937–1938* [Latvian Foreign Trade and Transit. 1937–1938]. Rīga: Valsts statistiskā pārvalde; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]; author's own calculations

Latvia's imports from Germany were conditioned in large measure by the strictures of the Clearing agreement and Germany's drive to rearmament. While Latvian exports to Germany were agricultural and forestry products, Latvian imports from Germany consisted of all kinds of manufactured goods. The chief items were industrial machinery and motors, yarns, dyes and dyestuffs, pig iron and other metal products, coal and coke, chemicals, artificial silk and other textiles, and pipes for industrial purposes. As Germany geared up for war, the types of manufactured goods that Latvia wanted became less and less available and Latvia had to settle for a range of manufactured goods that it did not really want or need to clear the Clearing surplus held by Germany (for example, large quantities of German children's toys). Moreover, Germany often violated the terms of its agreements and failed to deliver or sell to Latvia what Latvia had already paid for with its butter and timber deliveries to Germany. By 1939, Germany was 20 million lats in debt in its deliveries of goods.¹⁵

The pattern of Latvia's main imports from Germany can be seen in the following Table 3.

As Table 3 shows, the main imports from Germany were manufactured goods and raw materials. Germany's share of the total main imports was very large. For example, 79 % of total imports of pipes for industrial purposes, 73 % of agricultural and industrial machinery and 66.5 % of metal products (iron and steel).¹⁶

¹⁵ Latvia. *Toward 100 Years* (2014), p. 206.

¹⁶ Stranga (2015), p. 239.

Table 3. Latvia's Main Imports from Germany 1933–1939

Year	Pipes for industrial purposes		Coal and coke		Machinery (industrial & agricultural)		Metal products (iron & steel)	
	t	Value (1000 Ls)	t	Value (1000 Ls)	t	Value (1000 Ls)	t	Value (1000 Ls)
1933	614	252	37964	629	1483	2533	2717	436
1934	945	362	92929	1523	1921	3388	2977	564
1935	2716	804	124651	2029	2382	4336	11458	1666
1936	2596	778	182771	3236	3469	6600	14122	2468
1937	2306	1589	146336	4815	3051	8129	6337	2627
1938	3067	1919	146821	5309	5695	14861	21626	6659
1939*	2573	1429	90565	2778	5465	12282	14207	5030

* For first 8 months of 1939

Source: *Latvijas ārējā tirdzniecība un transits – 1937–1938* [Latvian Foreign Trade and Transit. 1937–1938]. Rīga: Valsts statistiskā pārvalde; *Mēneša Biļetens* Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939]; author's own calculations

The shortage by the second half of the 1930s of manufactured goods for export by Germany was reduced by the encouragement of large-scale, long-term exports of arms.¹⁷ Up to 1938, Latvia resisted making large purchases of arms from Germany, as it did not want to become dependent on Germany for arms. However, the need to reduce the Clearing surpluses forced Latvia to make large purchases of arms,¹⁸ which from the beginning of 1939 totalled over 10 million lats of which some 5 million was on the Clearing accounts and the remainder in hard currency.¹⁹ Needless to say, between January 1939 and October 1939, Latvia received only a small fraction of the arms it had ordered from Germany.²⁰ The Molotov-Ribbentrop pact of 23 August 1939 put an end to receiving any more of the paid-for armaments from Germany.

German investments in Latvia 1933–1939

German capital returned to Latvia gradually after WWI. It was only after the stabilisation of the mark in 1923 that German capital began to invest in a substantial way in Latvian undertakings, especially banks. German investors were familiar with the circumstances and market in Latvia and were ready to invest across the whole

¹⁷ Kaiser (1980), p. 131.

¹⁸ The purchase of arms does not appear in the import statistics of Latvia.

¹⁹ Leits (1958), p. 150.

²⁰ Stranga (2015), p. 245 and Footnote No. 566.

spectrum of the economy. In 1927, German capital was mainly invested in the textile industry, chemical industry, metallurgy, timber and paper industry, and commerce, in particular, banking.

On 15 May 1934 under the leadership of the then Prime Minister, Kārlis Ulmanis, the Minister for War Jānis Balodis, the home guard and the army carried out a coup d'état. The regime tried to implement an economic programme aimed at reducing the role of foreign capital in industry and trade, and instead strengthen the State-owned enterprises, as well as increase the role of State monopolies and joint-stock companies. On 9 April 1935, a new commercial bank – the Credit Bank of Latvia – was established with the task of reorganising credit institutions. The bank was in fact a State-owned enterprise with an equity capital of 40 million lats.²¹ By 1938, it had taken over eight private banks for liquidation. 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 %.²²

German capital in 1939 was mainly invested in the textile industry, chemical industry, paper industry and trade as can be seen in Table 4.

Table 4. Foreign Investment Stock of Germany in the Company Capital of Latvian Undertakings (as at 1 January). 1934–1939

Year	Textile industry (1000 lats)	Chemical industry (1000 lats)	Trade (1000 lats)	Paper industry (1000 lats)	Other (1000 lats)	Total (1000 lats)
1934	3631	3167	1332	1959	9588	19677
1935	3721	3032	1193	1959	9118	19023
1936	3729	3032	1484	203	8616	17064
1937	3064	2339	1409	1167	3790	11769
1938	2892	2520	1466	500	2478	9856
1939	2837	2308	1696	834	2015	9690

Source: *Finanču un kredīta statistika* (1939), p. 173

As Table 4 indicates, the reduction in German capital was gradual in most sectors, except banking, where investment fell from a high of 4 826 000 lats in 1930 to 2 862 000 lats in 1939 – a reduction of some 40 %.²³

²¹ Aizsilnieks (1968), p. 637.

²² *Finanču un kredīta statistika* (1939), p. 172.

²³ *Latvijas statistiskā gada grāmata*. 1930, p. 290 and *Statistikas tabulas* (1940), p. 170.

Repatriation of Baltic Germans

One of the main conditions posed by Hitler to Stalin in August 1939 (in relation to the infamous Molotov-Ribbentrop pact) was the prior transfer of all ethnic Germans living in Estonia and Latvia to areas under German military control. In a speech to Reichstag on 6 October 1939, which was broadcast live on radio, Hitler announced that German minorities should be resettled in the Reich.

An agreement for the repatriation of Baltic Germans – Latvian citizens (and German nationals) was signed on 30 October 1939.²⁴ According to the agreement Baltic Germans had a choice of taking up Hitler's offer and thereby renouncing their Latvian citizenship or staying in Latvia. A report by the State Statistical Administration to Ulmanis dated 24.04.1940 states that some 46 954 persons had been released from their Latvian citizenship to repatriate to Germany.²⁵

According to the agreement, emigrants were allowed to take with them some personal property, but not currency, securities, art objects, weapons, pedigree cows, or motorised means of transport. Real property was taken over by a specially established joint-stock company – *Umsiedlungs-Treuhand Aktiengesellschaft* (UTAG), which worked on the basis of Latvian law, but was completely in the hands of the German government. UTAG gradually sold private property (parcels of land, companies, etc.), but the funds acquired via the Latvian Credit Bank were transferred to Germany through Latvian export goods. By the summer of 1940, UTAG liquidated real property to the value of 183.3 million lats.²⁶ Nevertheless, according to UTAG figures, in June 1940 Latvia still owed Germany a total of 75.6 million lats.²⁷

Latvia-Germany and World War 2

After September 1939, foreign trade became Latvia's weakest point. A great deal of what happened in foreign trade was beyond the control of Latvia and was a consequence of the war. Nevertheless, Latvia could have been better prepared in the case of the collapse of foreign trade. The commencement of the war effectively closed the Baltic Sea region to British and allied shipping as it was clear that the Royal Navy would not enter the Baltic Sea to offer protection against German warships.

Despite various attempts to maintain trade with Britain in the early part of the war, Latvia's trade was now mainly limited to Germany, the USSR and Sweden. Latvia had to meet whatever demands Germany made, and Berlin was able to fulfil most of its goals

²⁴ Feldmanis (2016), pp. 167–172.

²⁵ LVVA, 5969. f., 1. apr., 389. l., 2. lp.

²⁶ Feldmanis (2012), p. 56.

²⁷ *Ibid.*, p. 60.

in its economic relations with Latvia. These were firstly to sever Latvia's trade with the West, especially Great Britain. Here the Latvian government managed to reject this demand²⁸ and tried to maintain trade links with Great Britain via Scandinavia.²⁹ Secondly, to force Latvia to direct its exports – except those desired by the USSR – to Germany. It was in this spirit that Latvia signed a wartime trade agreement with Germany on 15 December 1939. Latvia's trade with Germany increased rapidly as can be seen Table 5.

Table 5. Latvian-German trade for the period 01/09/1939–31/12/1939 and 01/01/1940–31/03/1940

	Imports		Exports		Balance of trade
	Million Ls	% of total imports in the period	Million Ls	% of total exports in the period	
01/09/1939–31/12/1939	32.23	52.50	35.19	56.50	2.96
01/01/1940–31/03/1940	14.65	42.60	13.20	38.40	-1.45

Sources: Calculated with figures are taken from *Strukturbericht über das Ostland. Teil I: Ostland in Zahlen*. Rīga: Reichskommissar für das Ostland, 1942, pp. 57–58, *Mēneša Biļetens* Nr. 10 [Monthly Bulletin No. 10]. Rīga: Valsts statistiskā pārvalde, October 1939, pp. 1058–1059, 1083–1087 and LVVA, 1314. f., 5. apr., 100. l., 39.–40. lp.

As can be seen from Table 5, in the four months to the end of 1939 over 50 % of Latvia's imports and exports went to Germany giving in fact a positive trade balance for Latvia. In the first part of 1940, this trade balance was negative. This was partly due to the diversion of trade to the USSR as result of the "Agreement on Trade Turnover between the Latvian Republic and the Soviet Union" signed on 18 October 1939. The main exports to Germany as a whole during this period were live pigs, bacon, butter, timber, and timber products (including plywood), flax and linseed. The main imports were coal, coke, metals, petroleum products, raw cotton and wool, and mineral oils.

Thirdly, Germany attempted to subordinate Latvian shipping and mobilise it for the German war economy. This was done through a combination of intimidation and use of force. The Latvian Chamber of Commerce and Industry reported that:

"The number of Latvian vessels detained in Germany has grown from 8 ships on November 18, 1939, to 24 in the middle of December, which represented nearly one-third of the Latvian merchant fleet."³⁰

²⁸ Zunda (1998), p. 212.

²⁹ For a detailed examination see Chapter 23 in this Volume.

³⁰ *Latvian Economic Review*, No. 1(17), January 1940, p. 28.

By early June 1940, the Germans were suffering an acute shortage of shipping in the Baltic Sea and as Lulea port in Sweden was open for iron ore shipments they started to put pressure on Latvia and the other neutral states around the Baltic Sea (Sweden, Finland etc.) to mobilise all free tonnage in the Baltic for the carrying of iron ore.³¹ This issue was resolved on 17 June 1940 when Latvia was occupied by the Soviet Union.

Conclusion

In the interwar years, Germany was one of the two main trading partners for Latvia (the other one was Great Britain). By 1937, some 70 % of all trade was with these two nations. Latvia's economic relations with Hitler's Germany got off to a turbulent start with a boycott of German goods in 1933 (the so-called "Butter war"). After the coup d'état by Kārlis Ulmanis in 1934 economic relations continued to be strained. Particularly in relation to his policy of "Latvianising" the financial system, this affected particularly German investments in Latvian banking. The 1932 Clearing Agreement to smooth out trading arrangements between the two countries was taken over by the Nazis and became the chief instrument of National Socialist foreign trade policy. However, Germany never dominated the trade of Latvia as effectively they did that of the Balkans. Latvia resisted becoming an economic satellite of Germany and expended a great deal of effort to send its exports to hard currency countries such as Great Britain. Latvia's imports from and exports to Germany were conditioned in large measure by the strictures of the Clearing agreement and Germany's drive to rearmament. During the life of the arrangement, Latvia often had large sums outstanding in Germany in the form of clearing account surplus. For Latvia, it was often a problem to find useful and adequate imports from Germany to make use of the frozen millions of lats. With the commencement of WWII and Germany's closing of access to the Baltic Sea, Germany's dominance of Latvian trade increased geometrically despite the exodus of Baltic Germans in late 1939 and early 1940. Up until the Soviet occupation of Latvia in June 1940, Latvia had signed a number of trade agreements with Germany. The absorption of Latvia (and the other Baltic States) by the Soviet Union has been seen as one of the triggers for "Operation Barbarossa".

Revised version of the paper published as 'Latvia and Hitler's Germany: Economic Relations 1933-1940', in Humanities and Social Sciences Latvia, Vol. 26, Issue 2 (Autumn-Winter 2018), pp. 31-45.

³¹ Confidential memo from A. Kampe (Director of the Legal Dept. in the Ministry of Foreign Affairs) to the Foreign Minister. LVVA, 1314. f., 5. apr., 100. l., 8.-13. lp.

The 1936 Devaluation of the Lat and Latvian Foreign Trade

Introduction

The international economy in the interwar period was dominated by developments in the UK, Germany, France, and the USA. The Great Depression of the 1930s was the most serious economic event in this period and its effects were felt by all countries integrated into the world economy. Although today it is generally agreed that there was no single cause for the Great Depression, it is clear that monetary factors – specifically the role of the international gold exchange standard – were of particular significance.¹ This chapter examines a small, open economy on the periphery of Europe in this turbulent time. The chapter will examine the history of the introduction of the lat and its subsequent devaluation in 1936. The chapter also examines how Latvia's trade balance reacted to the devaluation of the lat in 1936 and whether or not the *J*-curve effect could be observed.

Theoretical aspects

In the literature there are three approaches to the relationship between devaluation and trade: the elasticities approach, the absorption approach, and the monetary approach.

Under the absorption approach,² it is assumed that there is the existence of the Keynesian short-run world and the nominal and real effects of devaluation can be stated as follows. Devaluation reduces the relative prices of domestic goods in domestic currency and produces two effects. Firstly, there is a substitution effect that causes a shift in the composition from foreign goods towards domestic goods; that is, the exchange rate change causes an expenditure-substituting effect, and with the usual Keynesian assumption of unemployment, domestic production increases. Secondly, there is an income effect, which would increase absorption, and then reduce the trade balance. The income effect is related to both the increase in domestic output (income), which acts through the “marginal propensity to absorb” (consume) and “marginal propensity to invest,” and the change in the terms of trade. In general, this approach

¹ See for example, the classic study by Barry Eichengreen – “Golden Fetters”.

² The following discussion is based upon Straughn, R. (2003), p. 70–75.

argues that a country's devaluation causes deterioration in its terms of trade, and thus deterioration in its national income. The presumption is that devaluation will result in a decrease in the price of exports measured in foreign currency.

What makes the monetary approach different from the elasticities and absorption approaches is that the role of the exchange rate is reduced to its temporary effect on the money supply. The reason being, that the monetary approach assumes "a change in the exchange rate will not systematically alter relative prices of domestic and foreign goods and it will have only a transitory effect on the balance of payments".³

The elasticities approach is based upon the model, commonly known as the *BRM* (Bickerdike, 1920; Robinson, 1947; Metzler, 1948) *model*, which has been recognised in the literature as providing a sufficient condition (the *BRM condition*) for a trade balance improvement when exchange rates devalue. The hypothesis that devaluation can improve the trade balance has been also based upon a particular solution of the *BRM condition*, known as the *Marshall-Lerner condition* (Marshall, 1923; Lerner, 1944). This condition states that for a positive effect of devaluation on the trade balance, and implicitly for a stable exchange market, the absolute values of the sum of the demand elasticities for exports and imports must exceed unity. Accordingly, if the *Marshall-Lerner condition* holds, there is excess supply for foreign exchange when the exchange rate is above the equilibrium level and excess demand when it is below.

In a recent review of the approaches Rincon and Nelson (2001) noted that the elasticities approach incorporating the BRM model and the Marshall-Lerner conditions have "become the underlying framework for those who support devaluation as a means to stabilise the foreign exchange market and/or to improve the trade balance".⁴ They further note that the empirical evidence in support of the elasticities approach have been inconsistent and at least two theoretical explanations have been proposed for the mixed results of the approach – the *J-curve* effect and, more recently, the *S-curve*. The main explanation for the *J-curve* has been that, while exchange rates adjust instantaneously, there is lag in the time consumers and producers take to adjust to changes in relative prices (Junz and Rhomberg, 1973; Magee, 1973; Meade, 1988). In terms of elasticities, domestically, there is large export supply elasticity and low short-run import demand elasticity. Moreover, the most recent literature on similar settings, which has used dynamic-general equilibrium models, has found that the trade balance is negatively correlated with current and future movements in the terms of trade (which are measured by the real exchange rate), but positively correlated with past movements (Backus et al., 1994). This has been called the *S-curve* because of the asymmetric shape of the cross-correlation function for the trade balance and the real exchange rate.

In this chapter I will concentrate on elasticities approach and the resultant *J-curve* effect in examining the effects of the 1936 devaluation on foreign trade in Latvia.

³ Whitman, M. V. (1975), p. 494.

⁴ Rincon, H., Nelson, G. C. (2001), p. 3.

Introduction of the Lat

One of the main problems for most European countries after WWI was to bring under control their internal finances – to control inflation and the often violent fluctuations in the value of their currencies. On 18 November 1918 when Latvia declared independence there was no Latvian currency. At this time a number of currencies (or currency equivalents) were in use, including Tsarist roubles, Ost-roubles, Duma roubles, Kerensky roubles and promissory notes issued by various Latvian city governments, as well as Reich marks, Polish marks, and others. On 11 December 1918 the Latvian provisional government promulgated a decree regarding the issue of Latvian independence bonds and fixing the exchange rates for the three main currencies in use: 1 Tsarist rouble = 0.8 Ost-roubles = 1.25 Duma roubles.⁵ On 27 March 1919, Latvia proclaimed the issue of Latvian roubles and fixed the exchange rate at 1 Latvian rouble = 1 Ost-rouble = 2 Reich marks = 1.5 Tsarist roubles.⁶ Latvian roubles were issued by the Treasury as there was no central bank at the time. The new Bolshevik government in Russia continued to issue Tsarist roubles and Duma roubles at a rapid rate, substantial amounts of which also found their way into Latvia. This raised the possibility of an externally generated hyperinflation through the resulting increase in the money supply. On 16 February 1919, the Latvian government restricted the amount of Tsarist roubles a person could bring across the border and on 18 March 1920 decreed that the Latvian rouble was the sole legal tender in Latvia.⁷ To hasten the withdrawal of Tsarist roubles from circulation, the Government decreed on 30 March 1920, that holders of Tsarist roubles must exchange their holdings by 20 April at the fixed exchange rate of 0.5 Latvian roubles = 1 Tsarist rouble.⁸ Nevertheless, inflation continued, as the Government, lacking other sources of revenue continued to emit Latvian roubles in ever increasing amounts to cover the expenses of government, particularly the costs associated with pursuing the War of Independence. By March 1921 when the Constitutional Assembly gave its last authorisation for the Government to emit Latvian roubles, some 2520 million Latvian roubles had been emitted.⁹ Effective measures to combat inflation and stabilise the currency began to be taken with the appointment of Ringolds Kalnings as Minister for Finance on 21 March 1921.

Soon after the Latvian rouble was declared as sole legal tender, the Government established a State Gold Fund to provide backing for the Treasury notes. By 25 April 1921 the value of the State Gold Fund was nearly 100 % of the value Treasury banknotes in circulation. In May 1921, the Government introduced the “accounting lat” or “ideal gold frank” as the unit for the assessment of all taxes and the concluding of contracts.

⁵ Aizilnieks (1968), p. 112.

⁶ *Ibid.*, p. 114.

⁷ *Ibid.*, p. 165.

⁸ *Ibid.*, p. 166.

⁹ *Ibid.*, p. 169.

As this unit was tied to a currency fixed in terms of gold (e.g. gold francs), all taxes were in effect given in terms of hard currency. This enabled Latvia, without foreign aid, to halt inflation and in 1922 to introduce its own national currency, the Lat. The rate of exchange was fixed at 50 Latvian roubles = 1 gold-convertible lat. The value of the lat was fixed to the Swiss gold frank or 0.2903226 pure gold to one lat. Apart from some minor fluctuations in the balance of payments; Latvia had no problems holding this exchange rate through to 1931.

On 1 November 1922 the Bank of Latvia was established as the sole bank of issue of banknotes. The cover of issue was stipulated as follows: for an issue of less than 100 million lats, not less than 50 % must be covered by gold or a stable foreign currency and the remainder by safe short-term bills; between 100 and 150 million Lats, for the sum over 100 million must be covered to the extent of 75 % by gold or a stable foreign currency and 25 % by safe short-term bills; and for the amount exceeding 150 million, 100 % must be covered by gold and a stable foreign currency. Nevertheless, the Bank of Latvia pursued a policy of that 100 % of all issued banknotes shall be covered by gold or a stable foreign currency. However, the Bank of Latvia was never a “central bank” as is commonly accepted. It was neither a lender of last resort, nor could it engage in open market operations. In fact it operated also as a commercial bank. Many of the “normal” central bank functions were in fact performed by the Treasury. The only central bank function the Bank of Latvia had, was the emission of banknotes. However, at the same time, the Treasury was given the right to continue to issue Treasury banknotes now converted to denominations of lats. Thus, Latvia was firmly enmeshed within the gold exchange standard of the interwar period.

When in 1931, Latvia’s biggest export partner – Great Britain, abandoned the gold exchange standard and devalued by about 40 %, it was quickly followed by the Scandinavian countries and Finland, who pegged their national currencies to the Pound Sterling. Latvia was faced with the choice of abandoning the gold exchange standard or introducing exchange controls to curb the outflow of capital. The Latvian government did not abandon the gold exchange standard at this time, but on 8 October 1931 suspended the free exchange of the lat for gold while at the same time maintaining its gold parity exchange value.¹⁰ All transactions in foreign currencies were made the prerogative of the Bank of Latvia. A Currency Board at the Ministry of Finance was established to “manage” the currency and to distribute the proceeds from the export of goods and services. At the same time an Import Regulation Commission was established, which issued import licences. Thus, an importer had to firstly obtain an import licence from the Import Regulation Commission and then turn to the Currency Board to obtain the necessary foreign currency to make the transaction. With the availability of foreign currency being restricted and only at the official exchange rate, of course a black market developed with up to a 35 % premium on foreign currency. In 1932, Latvia signed the so-called bilateral

¹⁰ *Ekonomists*, 1931, No. 20, p. 727.

“clearing” agreements with Germany and France. The bilateral clearing system was an arrangement between the central banking institutions of two countries for carrying out trade transactions between them, including the balancing of credits and debits on a national level. The basic idea behind bilateral clearing agreements was to even out or “balance” trade between two countries, while at the same time conserving scarce foreign currency and gold reserves. By 1937, Latvia had signed clearing agreements with seven European countries – Germany, France, Sweden, Estonia, Lithuania, Italy, and the USSR.

The Government used two arguments for managing the currency at the gold parity exchange value. First, an actual devaluation would not help matters and would only lead to inflation. That is, exchange controls were seen as preferable to devaluation, as the latter was associated with hyperinflation. Memories of the inflation and currency crises post-war were still powerful. Second, devaluation would be a breach of trust and faith in the lat. Although Latvia was not officially a member of the “gold bloc” group of countries, by maintaining the gold exchange parity as the official exchange rate it felt that it could look to this group of countries, especially France for leadership in terms of currency stabilisation.

Similarly to other central banks in Eastern Europe, the Bank of Latvia held most of its reserves in foreign currency (averaging 80 % during the period 1925–1931).¹¹ In 1928, with banknote issue running at about 40–45 million lats, Bank of Latvia reserves reached some 95 million lats in gold and foreign currency, thus covering the currency issue by some 200 %.¹² On 20 December 1930, the Bank of Latvia took a decision to restrict credit in an attempt to halt the outflow of foreign exchange reserves due principally to an increased negative balance of trade. However, the sudden devaluation of sterling in 1931 caused a capital loss of some 2.1 million lats in respect of its sterling reserves and the Bank of Latvia started to sell its foreign currency and buy gold.¹³ By 1934, the proportion of foreign currency holdings in the Bank’s reserves had fallen to 10.5 %. During the same time period there was a decrease in the money supply – the amount of banknotes in circulation fell by 26 %.¹⁴ The wholesale price index fell by 37 points from 120 in 1929 (1913 = 100) to 83 in 1934.¹⁵ This meant that the real value of the lat had in fact depreciated during the period by some 31 %. At the same time the export price index fell by 89 points from 168 in 1929 (1913 = 100) to 79 in 1934.¹⁶ This meant that exporters received only 47 % of the value in lats that they would have received in 1929 for the same amount of exported goods. The high official value of the lat meant that Latvia’s exports were dearer and could not compete with those of her neighbours, which had devalued earlier (Norway, Sweden, Denmark, and Finland in

¹¹ *Ekonomists*, 1931, No. 20, pp. 292, 459.

¹² *Ibid.*, p. 725.

¹³ *Ibid.*, p. 459.

¹⁴ *Ibid.* p. 460.

¹⁵ *Ekonomists*, 1937, No. 4, p. 139.

¹⁶ *Ibid.*

1931, Estonia in 1933). Unemployment in Latvia peaked in 1932 at 31 027 from 14 580 in 1930 and had declined to 10 789 by 1934.¹⁷

After the *coup d'état* of 15 May 1934, the new authoritarian regime promised to maintain the gold parity exchange rate and passed laws which in theory tightened up the distribution of foreign currency for imports. They abolished the Import Regulation Commission and transferred its functions to the Currency Board, as well as providing for the possibility of paying for the imports from a particular country with Latvia's exports to that country – the so-called export clause. On the basis of the export clause, which was applied extensively by the Currency Board, a quasi-legal black market in foreign currency flourished as importers purchased foreign currency direct from exporters by paying a premium on the foreign currency so purchased. By 1936, the premium had reached some 40 % of the amount purchased (that is, a real depreciation in the market value of the lat by 40 %). Nurske called this the 'gradual extension the free market': "The extension of free-market transactions [i.e. payment of premiums] as a method of exchange adjustment has the advantage of allowing the "correct" rate to be gauged as a result of the free operation of demand and supply."¹⁸ Nevertheless, difficulties in obtaining sufficient foreign currency to purchase necessary imports due to the high official value of the lat continued. The Government even took a decision to temporarily ban the creation of new industrial sectors and the extension of existing industries in order to dampen demand for foreign currency for imported raw materials and energy resources. The new regime also encouraged autarky by restricting imports and subsidising import-replacement, as well as creating commodity boards to make the control of the administration of trade easier.

Thus, the reasons behind the refusal of devaluation and the insistence on official gold parity were first of all fear of inflation and adherence to the principles of the politics of stabilisation. The cost of the decision was the introduction of foreign exchange restrictions, and the sacrifice of the convertibility of the currency. The artificial maintenance of the fictitious exchange rate was a serious disadvantage for the export sector and rendered the surmounting of the crisis difficult. The Latvian government and the leaders of the Bank of Latvia, however, continued opposing the devaluation of the lat.¹⁹

Devaluation of the Lat

By 1936 the Latvian economy found itself in paradoxical position. On the one hand it was obvious that the currency was overvalued, that exports were extremely depressed, and that the price level was under strong pressure as a result of low prices

¹⁷ *Latvijas statistiskā gada grāmata* 1939, Rīga: Valsts statistiskā pārvalde, 1939, p. 295.

¹⁸ Nurske (1944), p. 169.

¹⁹ In fact, in the radio broadcast announcing the devaluation on 28 September, the Finance Minister asserted that "the government had sufficient reserves to hold the lat at any level".

on the world market. The real economy stagnated. On the other hand, from a strictly monetarist point of view, the situation was basically sound: gold reserves were ample, interest rates low, and despite a trade balance deficit for most previous years (except 1932) the balance of payments was now moving towards a surplus. The Government believed that this low-level equilibrium could have persisted for a number of years after 1936, had not the “gold bloc” collapsed in that year.²⁰

When France devalued on 26 September 1936, thus effectively liquidating the “gold bloc”, Latvia decided to follow. In a radio broadcast on 28 September²¹, the Finance Minister, Ludvigs Ēķis, emphasised several times that Latvia could not remain isolated and disengage the economic and financial relations of Latvia from the rest of the world.

Thus, on 28 September 1936 Latvia devalued the lat by some 40 % and aligned it with sterling.²² The exchange rate was fixed at £1 = Ls 25.22. This was the gold parity rate to sterling which had obtained up to September 1931 when Britain left the gold standard.²³ Thus, Latvia had in fact devalued to the level that had been established in the ‘free market’ of the export clause. The devaluation and the pegging to sterling was justified in economic terms (Britain was the main export trading partner, neighbouring countries were also in the “sterling bloc”, etc.) and in the hope that the Tripartite Agreement between the USA, Britain and France held out the prospect of a new stable exchange rate system in which further competitive devaluations would be avoided.²⁴

In 1936, the Government also changed the rules regarding the issue of banknotes by the Bank of Latvia. The cover of issue was now stipulated as follows: for an issue of less than 100 million lats, not less than 30 % must be covered by gold or a stable foreign currency and the remainder by safe short-term bills, but if the amount of issue exceeds 100 million lats, the cover by gold or a stable foreign currency must be at least 50 %.²⁵ The money supply as a result of the devaluation the gold and foreign currency holdings of the Bank of Latvia was re-valued in terms of lats and showed a huge increase in nominal terms (from 56.8 million lats on 1 September 1936 to 103.1 million lats on 1 January 1937).²⁶ However, recalculating the increase taking into account the devaluation, the gold and foreign currency holdings increase is only 61.9 million lats – an increase of some 8 %. The wholesale price index rose by 28 points from 89 in September 1936 (1913 = 100) to 117 in September 1937.²⁷ Thus, taking into account the devaluation of 40 % the lat had appreciated some 24%.

²⁰ *Ekonomists*, 1936, No. 19, p. 658.

²¹ Reported in the newspaper “Valdības Vēstnesis” [official Gazette of the Government of Latvia], 29 September 1936, pp. 1–2.

²² *Ekonomists*, 1937, No. 6, p. 201.

²³ *Finanču un kredīta statistika* 1937, V izdev. Rīga: Valsts statistiskā pārvalde, 1937., p. 224.

²⁴ *Ekonomists*, 1936, No. 19, p. 658.

²⁵ *Finanču un kredīta statistika* 1937, V izdev., Rīga: Valsts statistiskā pārvalde, 1937., p. 223.

²⁶ *Ekonomists*, 1937, No. 6, p. 201.

²⁷ *Ekonomists*, 1937, No. 23, p. 961.

Concurrently with the devaluation, the Government took a number of steps to stabilise internal prices. Firstly, the volume of lats in circulation was not increased to avoid inflation. The price of most imports did not increase very much because it was already high due to the operation of the ‘export clause’ noted above. With the devaluation all premiums on foreign currency were abolished. The possibility of a rise in the price of imports was further reduced by the liberalisation of the import regime in relation to a large range of consumer goods. The currency regime was also liberalised to a degree, allowing importers greater access to both import licences and foreign currency. Finally, price controls, which had been in place previously were tightened up and provided for harsh penalties for those who wished to increase prices without the permission of the price control authority. As a result, whereas the consumer price index for 1936 was 73 (1930 = 100), in 1937 it had risen only by 6 points to 79 – an increase of some 8 %.

The devaluation of the lat also signalled the end of attempts by the regime to implement economic autarky *à la* Germany and Italy. However, in order to reduce the wind-fall profits of timber exporters, especially those who had bought stocks cheaply (i.e. for “dear” lats), the Government introduced an export surcharge, which amounted to some 44 % of the value of the timber FOB Latvian ports. From 1936 the Latvian balance of trade and the current account was in surplus.

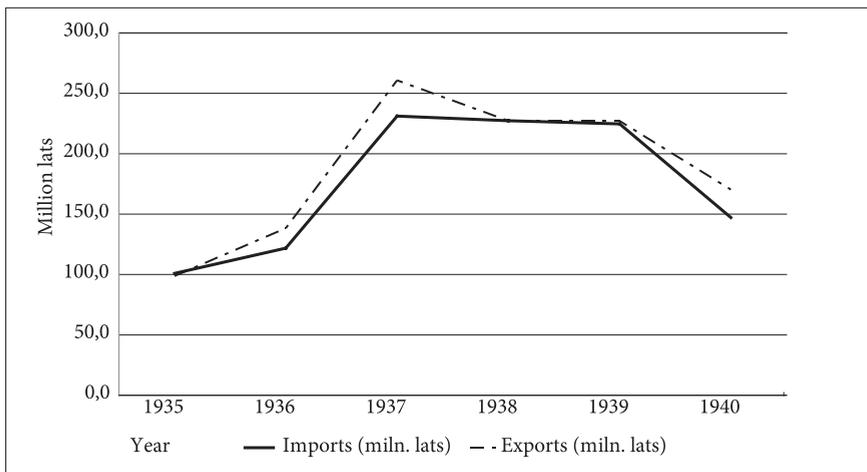


Figure 1. Latvian Foreign Trade 1935–1940

Source: Author’s calculations

As can be seen in Figure 1, overall, the immediate effect was a sharp rise in both exports and imports especially in 1937, with a slight decline in the following years (the figures for 1940 are for the first eight months).

J-curve Effect

In terms of the elasticities approach, an interesting relationship exists between the exchange rate for a nation's currency and its balance of trade. In principle, the drop in a nation's exchange rate, or price of currency, makes the currency less expensive to “buy”. With “cheaper” currency the price of domestic production is less and the price of foreign stuff is more, causing an increase in exports to other countries and drop in imports coming in from foreign producers. The economy thus moves in the direction away from a trade deficit and toward a trade surplus. However, the first few months after a drop in the exchange rate the balance of trade goes in the other direction, with any existing trade deficit increasing or any trade surplus shrinking. This occurs because the quantities imported and exported don't change in the short run, but the prices do. Because more is paid for the same amount of imported goods and receive less for the same amount of exports, total spending on imports increases, total revenue received from exports declines and the movement is in the trade deficit direction. Once those quantities start adjusting in the long run, then we see a movement in the direction of a trade surplus. Thus, devaluation has two effects on trade flows – a price effect and a volume effect. The combined effect when plotted over time with trade balance on the *y*-axis results in the *J*-curve.

The Latvian trade flows were examined after the devaluation of the lat to see if the *J*-curve phenomenon held for Latvia. Utilising a somewhat primitive analysis technique based on monthly and/or yearly data it was found that there appeared to be no *J*-curve effect for the Latvian trade balance as a whole (Figure 2). In fact, the balance of trade deteriorated markedly in 1938 before improving again in 1939–1940.

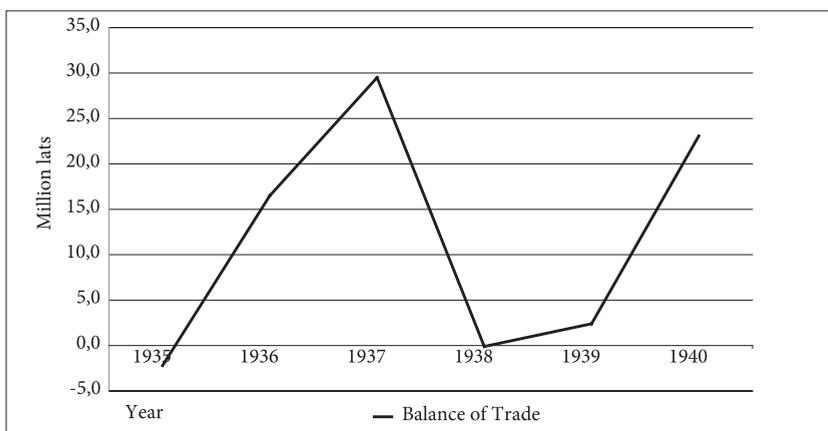


Figure 2. Latvian Balance of Trade 1935–1940

Source: Author's calculations

However, when trade balances were examined for selected trading partners an effect similar to the *J*-curve could be observed, for example, for Denmark and Sweden (Figures 3 and 4).

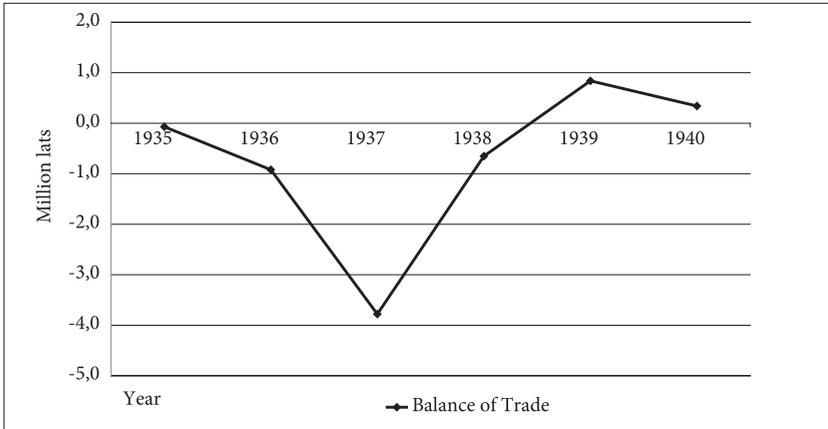


Figure 3. Latvian Balance of Trade with Denmark

Source: Author's calculations

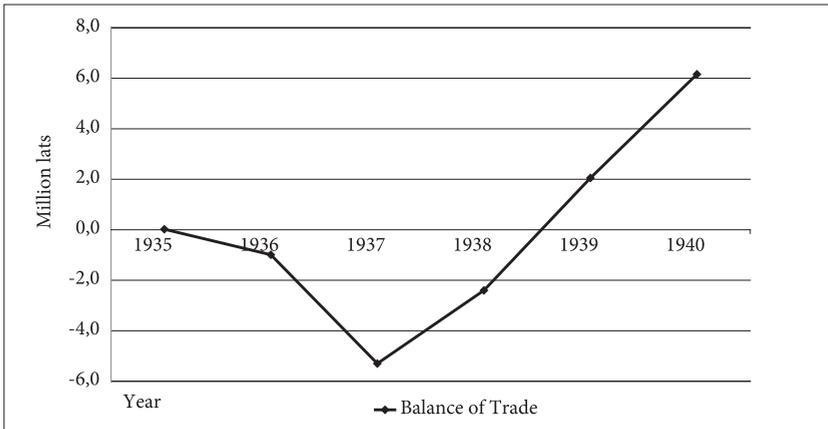


Figure 4. Latvian Balance of Trade with Sweden

Source: Author's calculations

As can be seen from Figures 3 and 4, it took approximately two years for the beneficial effects of the devaluation to show up as an improvement in the current account trade balance with Sweden and Denmark.

There appears to be a number of reasons for this observed lag in the volume adjustment in response to the devaluation. Firstly, in an effort to dampen a possible domestic price increases, the Government reduced tariffs on the importation of consumer goods. Thus, those countries which mainly supplied such goods there was increase in the importation of these goods. However, the corresponding lower prices for Latvian exports pushed up the volume of exports especially in 1937. Where exports rose much faster than imports (as for Sweden and Denmark) the *J*-curve effect could be observed. It should be noted however, that these Scandinavian countries belonged to the so-called “Oslo Group”, which included also Norway, Finland, Holland, and Belgium. At the Oslo Group conference in Copenhagen on 5–6 April 1936, the issue of mutual economic assistance in the event of a possible international crisis or war blockade was discussed.²⁸ Clearly however, Latvian export goods were of value for adding to prudent stockpiles, which would probably explain the sudden rise in exports to these Scandinavian countries in 1939 (exports to Denmark nearly tripled and to Sweden they doubled).

It would seem that the lag times for Latvia’s trade balance a whole may be longer than for individual states, as well as possibly being associated with the volume of trade of both the nation as a whole and with each state separately.

Conclusions

The effects of devaluation can be complex and far-reaching. In theory, a weaker currency means that exports from the affected country will be cheaper relative to prices in other countries, and that imports will be more costly. These conditions may provide a boost to an economy that has undergone devaluation, but typically there are negative consequences as well, both internally and externally. And depending on the nature of a country’s trading structure, the benefits may never materialise at all.

It is clear that the Latvian 1936 devaluation had a differentiated effect on Latvia’s foreign trade with the Scandinavian countries and rest of the world. The favourable world economic situation in 1937 (high timber prices)²⁹ contributed to a substantial rise in total exports after devaluation. However, the general effect of the devaluation on Latvia’s foreign trade was dampened through the total control by the authoritarian regime over Latvian foreign trade, strict internal price controls, and the clearing agreements with several states, including Sweden. Latvia’s low, but definite foreign trade turnover with Sweden and Denmark prior to devaluation, as well as the purchasing policies of the Oslo group, which also were introduced in 1936, could be the reasons for the *J*-curve phenomenon in relation to the export trade balances of Latvia with

²⁸ LVVA, 2575. f., 8. apr., 79. l., 164. lp.

²⁹ Timber prices fell in 1938 and 1939, thus contributing to a fall in total exports for these years as can be seen in Figure 1.

these countries. On the other hand, Latvia's import trade balances could be related to the needs of the Kegums Hydro-electric power station (partly financed by Sweden) and more freely available foreign currency for importers.

Revised version of the paper published as 'The 1936 Devaluation of the Lat and its Effect on Latvian Foreign Trade', in Humanities and Social Sciences Latvia, Vol. 20, Issue 1 (Winter–Spring 2012), pp. 49–62.

Latvian Economic Links to Great Britain 1939/1940

Introduction

The aim of this chapter is twofold: firstly to provide a Latvian view of British-Latvian trade relations following the beginning of the Second World War in 1939 and secondly to provide details as to how the trade relations were ultimately carried out in practice during 1939–1940.

This chapter could be subtitled “The View from Rīga” as it relies mainly on Latvian archival material, which has not been available to Western scholars previously.¹ The current view of British-Latvian trade relations following the beginning of the Second World War as elaborated by Thomas Lane in his seminal article² is that the leaders of the Baltic States were the prime movers regarding the maintenance of trade links with Great Britain, with Britain playing a relatively passive role and reacting to the pleas of the Baltic States. From the Latvian archival evidence and a re-examination of the British archival evidence it becomes clear that it was the British who were insistent upon maintaining trade links with the Baltic States essentially acquiescing to make an effort to do so.

In the period between World War One and World War Two, of all the nations of the world, Latvia and the Latvians held in the highest esteem Great Britain and its empire.³

The economic relations between Great Britain and Latvia are very old. They date from the time when the present territory of Latvia was part of the Tsarist Russian Empire. In earlier times, large British commercial houses established branches in Latvian seaport towns, and were soon followed by many firms which settled in Rīga and prospered there for centuries. The first industrial undertakings in the present territory of Latvia were based on British initiative and capital such as the first large spinning and weaving mills, the Riga Gas Works, the Riga-Dvinsk railway etc. In 1913, Britain took 37 % of the exports which came through the ports of Rīga and Ventspils and some 40 % of imports which flowed through these ports came from Great Britain.⁴

¹ Lane, T. (1994), pp. 291–303.

² Lane, T. (1994), especially p. 295.

³ Andersons, E. (1982), p. 309.

⁴ Kirby, D. (1974), p. 363.

Following the gaining of independence in 1918, Latvian trade with Britain became an important factor in the economic life of Latvia and remained so for the whole period between the wars. Britain had considerable trade interests in the Scandinavian and Baltic countries and after the failure of the dream of restoring a tsarist Russia, Britain was initially interested in maintaining a strong influence in the Baltic Sea area, mainly to deter its rivals Germany and France, and to contain bolshevism.⁵ During the years immediately after World War One Britain virtually ran the Baltic area with the help of her navy, although after 1921 Britain's interest in the Baltic States waned.⁶ Nevertheless, British imports of Latvian agricultural products helped Latvia to avoid a collapse in her economy in these early post-war years. For example, the pounds sterling paid for Latvian flax laid the foundation for Latvia's stable and sound financial system.⁷

On 23 June 1923, Britain and Latvia signed a Commercial and Navigation Treaty, which came into force on 5 November 1923. This was one of the first of such treaties entered into by the newly established Latvian State and was based on the most favoured nation principle and contained the Baltic and Soviet Union clauses. The treaty was one of the outcomes of the emerging triangular trading pattern between the Baltic States, Germany, and Britain (Latvia signed a treaty with Germany in 1920 regarding the resumption of trade relations, followed by a formal commercial treaty in 1926).

The course of British trade with Latvia in the period from 1920 to 1933 when the treaty was re-negotiated is shown in Table 1.

As can be clearly seen in Table 1, Latvia's trade balance with Britain was always in Latvia's favour and there was a general trend of rising exports and decreasing imports. The absolute value of British imports showed an upward trend until 1924, declined perceptibly in 1925 and 1926, but increased thereafter to 1929. Imports fell drastically during the Great Depression period of 1930–1932, but started to increase again in 1933. In 1930, imports had declined by 17 % compared to 1929, by 50 % in 1931 and by 63 % of the 1929 level in 1932. A major factor in this decline was the attempts by the governments of the day at import-substitution and general increases in import duties.⁸

Exports, on the other hand show a different pattern. After a considerable downturn in 1921, which is ascribed to the fact that Latvia's output in that year was not large enough to produce a surplus for export,⁹ exports to Britain rose steadily to peak in 1923, decline slightly while maintaining a high level in 1924–1926 to peak again in 1927, decline slightly in 1928 and to peak again in 1929. The onset of the Great Depression had a powerful impact on exports to Britain. Britain's abandonment of the gold standard in 1931 made British exports cheaper, but Latvian exports became dearer as Latvia clung

⁵ Hiden, J. (1991), p. 315.

⁶ Hinkkanen, M. (1991), p. 438. Hinkkanen describes it as a "British non-commitment in the Baltic States".

⁷ Ēķis, L. (1943), p. 95.

⁸ Latvian customs duties tariffs were amended and added to 6 times in 1931, 6 times in 1932 and 10 times in 1933 (see Aizsilnieks, A. (1968), p. 548).

⁹ *The Latvian Economist* (1930), p. 36. Probably, the 1920–1921 post war depression also had some effect.

to the gold standard. In 1932, Britain introduced a 10 % general import levy, which had the direct effect of making Latvian exports dearer still. If exports to Britain in 1930 had declined by only 6 % compared with 1929, in 1931 they had declined by 44 % and in 1932 – by 60 % of the 1929 level.

Table 1. Latvian-British Trade 1920–1933

Year	Imports		Exports		Balance of trade
	Million Ls	% of total imports	Million Ls	% of total exports	
1920 ¹⁰	19.89	20.7	42.06	67.5	22.17
1921 ¹¹	10.11	14.3	10.43	35.6	0.32
1922 ¹²	19.92	18.6	40.75	40.0	20.83
1923	36.08	17.0	74.97	46.3	38.89
1924	41.48	16.2	70.35	41.5	28.87
1925	38.69	13.8	62.15	34.6	23.46
1926	25.75	9.9	64.17	34.0	38.42
1927	26.49	10.6	75.31	34.0	48.82
1928	29.18	9.5	70.56	27.0	41.38
1929	30.36	8.4	75.00	27.4	44.64
1930	25.14	8.5	70.36	28.8	45.22
1931	15.14	8.5	41.60	25.4	26.46
1932	11.72	13.9	29.72	30.8	18.00
1933	19.97	21.9	34.65	42.5	14.68

Source: Compiled from *The Latvian Economist*, Rīga: Ministry of Finance, 1930, p. 32; *Latvijas statistikas gada grāmata 1920* [Latvian Statistical Year Book 1920]. Rīga: Valsts statistiskā pārvalde, 1921, p. 119; *Latvijas statistiskā gada grāmata 1921* [Latvian Statistical Year Book 1921]. Rīga: Valsts statistiskā pārvalde, 1922, p. 124; *Latvijas statistiskā gada grāmata 1922* [Latvian Statistical Year Book 1922]. Rīga: Valsts statistiskā pārvalde, 1923, pp. 90–91; *Latvijas statistiskā gada grāmata 1932* [Latvian Statistical Year Book 1932]. Rīga: Valsts statistiskā pārvalde, 1933, p. 163 and *Latvijas statistiskā gada grāmata 1935* [Latvian Statistical Year Book 1935]. Rīga: Valsts statistiskā pārvalde, 1936, p. 177

The balance of trade almost parallels the same pattern as exports to Britain, which suggests that Britain's importance to Latvia in this period was less as a supplier of

¹⁰ 1920 Latvian roubles are converted at the rate re-calculated by the Director of the Credit Department of the Ministry of Finance Al. Kārklīšs: 21.41 Latvian roubles = 1 lats (imports) and 17.26 Latvian roubles = 1 lats (exports) (see *The Latvian Economist*, (1925), p. 125).

¹¹ 1921 Latvian roubles are converted at the rate re-calculated by the Director of the Credit Department of the Ministry of Finance Al. Kārklīšs: 66.267 Latvian roubles = 1 lats (imports) and 66.914 Latvian roubles = 1 lats (exports) (see *The Latvian Economist* (1925), p. 125).

¹² 1922 Latvian roubles are converted at the rate set by the State Statistics Administration: 50 Latvian roubles = 1 lats (imports and exports) (see *The Latvian Economist* (1925), p. 125).

goods than a consumer of Latvia's exports. In fact, this pattern holds for the whole of the interwar period.

Latvia's main exports to Britain during this period were timber, flax, plywood, bacon and butter. Timber and timber products made up more than half the value of Latvia's exports to Britain. Latvian imports from Britain, however, were rarely more than half the amount of exports to Britain. Latvia imported from Britain in this period mainly coal, petroleum and petroleum products, textile raw materials and semi-finished products, as well as herrings.

At virtually the end of the Great Depression, the 1923 treaty was supplemented by a commercial agreement concluded on 6 July 1933, which was in turn superseded by a Commercial Agreement between the Government of Latvia and the Government of Great Britain concluded on 17 July 1934, which came into force on 12 October 1934. As regards the goods to be imported into Latvia from Britain, the agreement fixed quotas for herrings, and contained stipulations relating to the import of iron, steel, coal, coke, agricultural machinery, salt, creosote, textiles etc. Britain on her part undertook not to restrict the import of the staple Latvian products – butter, bacon and eggs. In the event of the introduction of a system of quotas for the import of butter, bacon, cheese, eggs and poultry, a fair proportion of the quotas would be assigned to Latvia. The course of British trade in the period 1934 to 1938 is shown in Table 2.

Table 2. Latvian-British Trade 1934–1938

Year	Imports		Exports		Balance of trade
	Million Ls	% of total imports	Million Ls	% of total exports	
1934	21.41	22.6	30.53	35.8	9.12
1935	20.58	20.4	29.79	30.2	9.21
1936	26.14	21.5	48.31	34.9	22.17
1937	47.80	20.7	100.08	38.4	52.28
1938	43.90	19.3	95.10	41.9	51.20

Source: Compiled from *Latvijas statistiskā gada grāmata 1939* [Latvian Statistical Year Book 1939]. Rīga: Valsts statistiskā pārvalde, 1939, p. 174

In Table 2, we can see that despite the protectionist measures implemented by the British government, as well as Empire preference, Latvia's exports increased throughout the period reaching almost 42 % of all Latvian exports in 1938. On the other hand, government regulation of the economy (and especially foreign trade) after the Ulmanis coup d'état in 1934 and the drive towards self-sufficiency (autarky), imports from Britain during the period decreased as a percentage of total imports, although they increased in money terms. The dramatic increase in money terms for

both imports and exports in 1937 and 1938 is due to the devaluation of the lat on 28 September 1936. The lat went off the gold standard and was fixed to the British pound. The pound sterling increased in value in terms of lats by 62 %.¹³ Imports thus became dearer (hence little overall increase in percentage share of imports), but exports became cheaper (hence a dramatic increase in both monetary and percentage terms). The devaluation in fact signalled the end of the autarky policies of the Latvian government and imports as whole increased by 53 % in value in 1937 over 1936 and by 54 % in 1938, most of which was taken up by Germany.¹⁴ The structure of foreign trade between Latvia and Britain remained essentially the same as in the previous period, with the addition of bacon as a major export product to Britain. Britain took nearly 100 % of all the bacon exported by Latvia in the period (see Table 4).¹⁵

Latvian-British Trade in 1939

Foreign trade with Britain at the beginning of 1939 was expected to follow the same course as at least the two previous years more or less. Although Britain's share of total imports had decreased as a result of bilateral agreements or clearing arrangements with some states, particularly with Germany, the share of total exports had increased and could be expected to further increase. Trade with Britain was particularly important to Latvia because unlike Germany Britain was a source of convertible currency earnings.¹⁶

Table 3 shows the actual course of Latvian-British trade from 1 January 1939 to 31 August 1939.¹⁷

Table 3. Latvian-British Trade 01/01/1939–31/08/1939 compared with the same period in 1937 and 1938

Year	Imports		Exports		Balance of trade
	Million Ls	% of total imports	Million Ls	% of total exports	
01/01/1937–31/08/1937	28.66	19.2	61.14	39.5	32.48
01/01/1938–31/08/1938	26.23	17.4	59.07	42.9	32.84
01/01/1939–31/08/1939	34.08	20.9	69.14	42.0	35.06

Source: *Mēneša Biļetens Nr. 10* [Monthly Bulletin No. 10]. Rīga: Valsts statistiskā pārvalde, October 1939, pp. 1084, 1058–1059

¹³ Aizsilnieks, A. (1968), p. 619.

¹⁴ *Latvijas statistiskā gada grāmata 1939* (1939), p. 174.

¹⁵ *Latvijas statistiskā gada grāmata 1939* (1939), p. 182.

¹⁶ Lane, T. (1994), p. 293.

¹⁷ Latvia, following the practice of other nations, stopped publishing data regarding foreign trade after the commencement of the war. See *Economists* (1940) No. 4, p. 231.

Table 3 indicates that for the first eight months of 1939 both imports and exports were rising in comparison with the same period in the previous two record-breaking years and Britain's share of Latvian imports and exports was in fact increasing in 1939 both in money terms and as percentage of total trade as was the balance of trade. In fact despite a dramatic fall in exports in the last four months of 1939, exports in the period 1934–1939 show an upward rising trend. This is illustrated by the following two tables (Tables 4 and 5), which show the value and quantity of bacon and butter exports to Britain for the period 1934–1939.

Table 4. Latvian exports of bacon to Britain 1934–1939 (tons and million lats)

Year	1934	1935	1936	1937	1938	1939 (8 mths)
Tons	2240	1735	1910	1930	1921	2285
Million lats	2.35	1.84	2.67	3.68	3.91	4.26
% of total bacon exports (tons)	99.3	98.9	100	100	100	100

Source: Compiled from *Latvijas statistiskā gada grāmata 1939* [Latvian Statistical Year Book 1939]. Rīga: Valsts statistiskā pārvalde, 1939, p. 182 and *Mēneša Biļetens Nr. 10* [Monthly Bulletin No. 10]. Rīga: Valsts statistiskā pārvalde, October 1939, pp. 1060

Table 5. Latvian exports of butter to Britain 1934–1939 (tons and million lats)

Year	1934	1935	1936	1937	1938	1939 (8 mths)
Tons	8517	9909	10 098	10 814	17 137	11 464
Million lats	6.16	10.1	14.8	24.44	28.22	25.18
% of total butter exports (tons)	54.2	58.9	58.4	56.3	73.1	70.9

Source: Compiled from *Latvijas statistiskā gada grāmata 1939* [Latvian Statistical Year Book 1939]. Rīga: Valsts statistiskā pārvalde, 1939, p. 182 and *Mēneša Biļetens Nr. 10* [Monthly Bulletin No. 10]. Rīga: Valsts statistiskā pārvalde, October 1939, pp. 1060

Maintaining Trade Links Despite War – First Phase: September–December 1939

After September 1939, foreign trade became Latvia's weakest point. A great deal of what happened in foreign trade was beyond the control of Latvia and was a consequence of the war.¹⁸ Nevertheless, Latvia could have been better prepared in the case of the collapse of foreign trade.

¹⁸ For a comprehensive overview of Latvian foreign trade as a whole for 1939/1940, see Stranga, A., *Latvijas ārējā tirdzniecība 30. gadu nogalē* [Latvian Foreign Trade of the End of the 1930s], in *Latvijas Vēsture*, Nos. 1993/4, 1994/1, 1994/3, 1995/1, 1995/2 and 1995/3.

In this, the government of Latvia's attitude differed fundamentally from that of the Scandinavian countries. At the Nordic countries (Oslo Group) conference in Copenhagen on 5–6 April 1936 the issue of mutual economic assistance in the event of a possible international crisis or war blockade was discussed. The Latvian Foreign Minister Munters was informed of national committees established in the Nordic countries to co-ordinate issues of mutual supply at a time of crisis during his visits to Finland and Sweden in 1938. Latvia wanted very much to join the Oslo Group and on 30 August 1938, the Cabinet took a decision to begin negotiations with the Group. However, nothing came of it and the one thing that Latvia could have adopted from the Scandinavian experience – timely economic preparations for war, was not heeded.¹⁹

During the last months of peace in Latvia, Britain was still very interested in maintaining trade with Latvia and the other Baltic Sea countries albeit mainly to deny this trade to Germany. In a secret document by the Industrial Intelligence Centre (Department of Overseas Trade) dated 08.06.1939²⁰ it was noted that there existed some possibility of maintaining economic exchange with Sweden, Finland, and the Baltic States by means of Swedish and Norwegian railways, but this depended upon the agreement of these countries to co-operate.²¹

The commencement of the war effectively closed the Baltic Sea region to British and allied shipping as it was clear that the Royal Navy would not enter the Baltic Sea to offer protection against German warships. In September 1939, the Admiralty closed both the Baltic and Mediterranean Seas to the British merchant marine.²² In the early stages of the war however, Churchill, then at the Admiralty, did direct the Naval Staff to “prepare an appreciation of forcing a passage of the Baltic with naval forces.”²³ The project was named “Operation Catherine” (after Catherine the Great) and the fleet was to consist of two or three battleships, an aircraft carrier, five cruisers, two destroyer flotillas, a detachment of submarines and auxiliary vessels. Churchill described this hazardous venture as “the supreme naval offensive open to the Royal Navy.”²⁴ Its aim would be to cut off Germany from iron ore and all other trade with Scandinavia and the Baltic States, force the German navy to remain in the Baltic and Germany's northern coasts would be exposed to bombardment. Little progress was made however for adapting and re-fitting warships and auxiliaries for “Catherine”, mainly because of the refusal of the First Sea Lord to release ships from active duty. The target date for the assembly of the “Catherine” force was set for 31 March 1940. The outbreak of the Russo-Finnish War on 30 November 1939 greatly complicated strategy in the Baltic

¹⁹ LVVA, 2575. f., 8. apr., 79. l., 164. lp.

²⁰ PRO, BT11/1243/1048.

²¹ An alternative route by rail to northern Soviet ports was dismissed as lacking the “available capacity for the carriage of exports from the Baltic States by rail to the ports of Murmansk and Archangel”.

²² LVVA, 2574. f., 4. apr., 7499. l., 141. lp. Reported by the Latvian envoy to Great Britain (29.08.1939).

²³ Bond, B. (1995), p. 129. What follows is based on Bond's account: pp. 129–135.

²⁴ *Ibid.*, p. 129.

and internal opposition to the plan was growing. On 10 January 1940, the First Sea Lord sent Churchill a paper graphically describing the hazards the force would face in forcing an entry into the Baltic, including severe air attacks, minefields, U-boats and the fire of shore batteries. The fleet would have to face continual air and submarine attacks without a secure base. This paper in fact killed off “Catherine” and persuaded Churchill that “Catherine” could not be attempted in 1940.²⁵

The President of the British Board of Trade, Oliver Stanley, in answer to a question in Parliament in September 1939, stated the government was “anxious that trade between this country and the Baltic States and Finland should continue as far as the circumstances of war permit, and arrangements to this end are being made.”²⁶ Of course, no arrangements, at least on the government level, were being made except for Churchill’s Operation “Catherine”. In fact, the official British pricing policy of Baltic imports, particularly butter, was a disincentive to Baltic traders to run the risks of German patrols.²⁷ During the first weeks of war the German navy stopped and forced to north German ports, the Latvian ships *Auseklis* (1309 BRT)²⁸ and *Iris Faulbaums* (1675 BRT).²⁹

It was clear to the Latvian government that with the commencement of the war that trade outside of the Baltic Sea was practically impossible.³⁰ Nevertheless, Kārlis Zariņš, the Latvian envoy to Great Britain and his staff continually sent reports to the Latvian Foreign Ministry in Riga both about trading possibilities and possible trade routes, which were suggested or reported to them by business and government representatives. Given the fact that most of these discussions of alternative ways of keeping trade flowing between Britain and Latvia came from British sources, it is not surprising that “officials in all three Baltic countries spoke confidently about the prospects of opening alternative trade routes to Britain to keep Anglo-Baltic trade alive.”³¹ As early as 9 September 1939 Charles Orde, the British envoy in Riga, proposed, at the instigation of the British Foreign Ministry, that the Baltic States organise their foreign trade in their own ships to Sweden via the territorial waters of the Baltic States, Finland and Sweden. Swedish and Norwegian railways could then take them to Norwegian ports on the Atlantic coast for transshipment to Britain.³²

On 21 September 1939,³³ Zariņš in a confidential report to the Latvian Foreign Ministry stated that British firm “Th. Bolton” would have difficulties in delivering

²⁵ Bond, B. (1995), p. 132. What follows is based on Bond’s account: pp. 129–135.

²⁶ LVVA, 2574. f., 4. apr., 7499. l., 86. lp.; PRO, FO 371/23665/N4783/67

²⁷ Lane, T. (1994), p. 299.

²⁸ *Latvijas jūrniecības vēsture 1850–1950* (1998), p. 156.

²⁹ *Ibid.*, p. 175.

³⁰ Berziņš, A. (1976), p. 179.

³¹ Lane, T. (1994), p. 295.

³² Andersons, E. (1984), p. 295.

³³ LVVA, 2574. f., 4. apr., 7452. l., 188.–190. lp.

the contracted 100 tons of copper wire for the Ķegums hydroelectric power station, and “Vickers” would not be able to deliver ordered war supplies. He noted that the Swedish shipping companies would begin regular operations on 22 September from Sweden to Britain with two ships – one passenger and one cargo. The Danes on the other hand were hoping to put three ships per week into service between Denmark and Britain. Zariņš suggested that perhaps it would be possible to utilise Swedish railways for transit to Norwegian ports. In a report also dated 21 September 1939, the German envoy in Rīga wrote that Latvia will not establish a merchant shipping line for trade with Britain via the coast of Sweden.³⁴

On 27 September 1939, E. Zolmanis, the Latvian Agricultural attaché sent a preliminary report to the Latvian Foreign Ministry,³⁵ in which he stated that the fact that Germany is not respecting neutral ships had made British government institutions very cautious regarding the insuring of the ships of neutral states. They suggested that Latvian goods be concentrated in Bergen in Norway where they would be taken by British ships. Zolmanis noted that according to information received the transit from Stockholm to Bergen took 3–4 days and cost 60–70 kroner per cwt weight.

In a follow-up letter dated 30 September 1939,³⁶ Zolmanis again repeated that Latvian exports to Britain should be concentrated in Bergen where they would be loaded on British ships and protected in a convoy delivered to Britain.

He also outlined the gist of a special memorandum sent to the British government authorities, which contained a calculation of the minimum price Latvia should receive for butter so that production could be held at normal levels.³⁷ A minimum price of 120 shillings per cwt of butter would be sufficient to manufacture butter in Latvia without subsidies. This would normally mean a FOB price of 102 shillings, but including losses on currency exchange and a price increase of animal feed etc., the FOB Rīga price would be 140/3 per cwt.

Transport costs from Rīga to Bergen were:

- Freight Rīga to Stockholm 5/6 per cwt
- Stockholm to Bergen (70 kroner) 4/3 per cwt
- Insurance Baltic Sea – 5½% 7/8 per cwt
- Across Scandinavia 1/6 per cwt
- Reloading Stockholm and Bergen 3/- per cwt

Adding the above to the FOB Rīga price, FOB Bergen worked out to 163/2 per cwt. If one added import customs duties and cost of transport to Britain then the cost of a cwt of Latvian butter would grow to over 180 shillings per cwt. Thus, the Sweden-Norway transshipment route to Britain added some 22 % costs to the FOB Rīga price.

³⁴ Cited in Andersons, E. (1984), p. 195.

³⁵ LVVA, 2574. f., 4. apr., 7352. l., 62. lp.

³⁶ LVVA, 2574. f., 4. apr., 7352. l., 64.–65. lp.

³⁷ A copy of the aide-memoire is at PRO, FO371/23603/N4504/418-420

- Discussions are proceeding with H. M. government for the inclusion of shipments to Latvia in the government War risks insurance scheme under which had the following rates (private insurance was prohibitive):
 - Norway – not north of Tromso
and not south of Bergen 40/-
 - Norway – south of Bergen 50/-
 - Sweden – not east of Malmo 50/-
 - Denmark 60/-

The directors of the firm “Becos Associated Works Ltd” also suggested that perhaps Latvia could send smaller ships via neutral waters and then into the North Sea eventually join up with a convoy to Britain.

In the same letter, Zariņš suggested that a small delegation from Latvia should visit London to discuss exports, transport, payments, and other issues. He noted that at the present a Swedish trade delegation had arrived in London. Zariņš also reported that several British firms wished to change their contracts from CIF Rīga to FOB London.

On 6 October 1939,⁴¹ Zariņš reported a discussion with the director of the United Baltic Corporation, Larsen, who stated that the company had two steamers, which worked to the Norwegian ports of Bergen and Trondheim. They left England with ballast, but returned mainly with food products from Scandinavia and the Baltic States – butter, bacon, eggs, etc. Larsen noted that of the Baltic States Lithuania was the most active in sending butter and bacon. They delivered their goods with their own ships to Karlskrona in Sweden and thence by railway to Bergen. In the future, Lithuania expected to send their goods to Sundsvall in Sweden and thence by railway to Trondheim. Larsen stated that he could not understand why Sweden and Norway were so happy about British escorted convoys, as the Germans invariably attacked them and thus, it could prove dangerous for ships of neutral countries. Zariņš noted that the Swedish and Norwegian envoys in London thought that the convoy system provided security for the North Sea crossing. There was a possibility being discussed in London that the Baltic States could eventually send their goods by Swedish and Norwegian territorial waters. However, on 9 October 1939, the German navy stopped and seized the Latvian ship *Velta* (2347 BRT) en route from Rīga to Rotterdam with a cargo of timber.

On 19 October 1939,⁴² Zariņš forwarded a letter received by the Latvian Embassy from “Pharaoh’s Plywood Company” regarding an interview in which they had discussed the problem of how to make the production of the plywood mills in Latvia available to supply the requirements of Britain. The main problem “first and foremost” was seen to be shipping. The company noted that the Timber control department of the Ministry of Supply was prepared to purchase plywood FOB Norwegian ports. To

⁴¹ LVVA, 2574. f., 3. apr., 3245. l., 6.–7. lp.

⁴² LVVA, 1314. f., 5. apr., 138. l., 168. lp.

do this the goods had to be transported from Latvia by one of two routes, that is, either by sea through the Baltic and Swedish and/or Danish waters to Norway, or by sea to Swedish ports such as Stockholm, Gävle or Sundsvall. The first was seen as unlikely and therefore the second alternative should be considered. The company offered the services of its representative in Sweden for getting the goods railed through Sweden to Norway. At the same time, on 26 October 1939, the German navy seized and forced to Hamburg the Latvian ship *Everoja* (4530 BRT) with a cargo of cellulose enroute from Finland to the USA on the excuse that the ship did not have purchase documents on board, which the Germans demanded for all ships purchased less than 60 days prior to the commencement of the war.⁴³ The same day the *Konsuls P. Dannebergs* (2747 BRT) enroute to Rotterdam with a cargo of timber was seized.⁴⁴ In November 1939, the *Latvis* (1318 BRT) was seized in Kiel Canal with a cargo of sawn timber enroute to Rotterdam.⁴⁵

At the same time Orde in Rīga sent a telegram to the Foreign Office where he advocated that “Exports from United Kingdom to Latvia should be allowed as freely as possible as there is no danger of re-export owing to strict control.”⁴⁶ He pointed out that the main factors against UK trade were firstly, difficulties with transport and high freight charges, and secondly, the requirement that goods should be paid for before shipment. Coincidentally, the latter issue had been taken up by the Exports Credits Guarantee Department some days earlier.⁴⁷ The Department was in general in favour of relaxing the “cash pre-payment” stipulation if “H. M. Government desires to retain our export trade with these countries”. By 20 November 1939, Laurence Collier, Head of the FO Northern Department could inform Orde that “the stipulation for “cash before payment” imposed in relation to Finland, Latvia, Estonia and Lithuania will no longer be imposed, and that normal credit terms will be permitted in such cases.”⁴⁸ Nevertheless, the FO could only report that since 1 September 1939, only a “few consignments via Scandinavian countries, of coal and piece goods for Latvia and of bacon and plywood for the United Kingdom” had been traded.⁴⁹ In a confidential memo from Zariņš to the Latvian Foreign Minister he reported a discussion based upon British ministry officials who had opined that Latvia had bought little from Britain while at the same time continuing to export its agricultural products. His conclusion was that there was veiled threat that if Latvia did not increase its imports of British products post-war quotas for agricultural products would be based upon Latvian imports from Britain during the war.⁵⁰

⁴³ *Latvijas jūrmniecības vēsture 1850–1950*. (1998), p. 168.

⁴⁴ *Ibid.*, p. 182.

⁴⁵ *Ibid.*, p. 185.

⁴⁶ PRO, FO371/23665/N5672/156-157, 26 October 1939.

⁴⁷ PRO, FO371/23665/N5628/147-149, 23 October 1939.

⁴⁸ PRO, FO 371/23665/N6222/279, 20 November 1939.

⁴⁹ PRO, FO 371/23602/N4870/187-188

⁵⁰ LVVA, 1314. f., 5. apr., 100. l., 194.–195. lp.

A number of parallel events however, complicated the picture still further in 1939. One of these was the forced signing by Latvia of a mutual assistance pact with the USSR on 5 October, which allowed the USSR to maintain bases and station troops in Latvia. This was followed by an advantageous trade treaty with the USSR on 12 October, although its effects were not to be felt until the beginning of 1940. Another was the outbreak of the Russo-Finnish War in November 1939. This effectively closed any possibility of utilising Finnish ships and/or waters to maintain trade with Britain. At the Baltic Foreign Ministers Conference in Tallinn on 7 December 1939, Munters the Latvian Foreign Minister emphasised the interest of the Baltic States in maintaining exports with Britain.⁵¹ In his speech, Munters expressed the hope that trade relations, however limited, would still continue to exist. Finally, on 15 December 1939, Latvia signed a wartime trade agreement with Germany. Although the Germans demanded that Latvia officially stop trading with Britain, the Latvian government managed to reject this demand.⁵² On 21 December, the Germans seized the Latvian ship *Atis Kronvalds* (1423 BRT), which was taking 870 tons of Latvian and Lithuanian bacon and butter, as well as 202 tons of plywood to Sweden for further shipment to Britain.⁵³ The Ministry of Economic Warfare Weekly Report to the War Cabinet for the period 17/12–31/12/1939 (p. 3) noted somewhat resignedly, “It is feared that in view of this seizure no further attempts will be made to export produce from the Baltic States to the United Kingdom.”⁵⁴ In the same month, the Germans also seized the *Aija* (575 BRT) enroute from Rīga to Stockholm;⁵⁵ the *Ausma* (1905 BRT)⁵⁶ enroute from Riga to Ghent with a cargo of pit-prop timber;⁵⁷ the *Evertons* (4101 BRT) in Kiel with a cargo of pit-prop timber;⁵⁸ the *Skrunda* (2414 BRT) in the Kiel Canal with a cargo of pit-prop timber for Ghent,⁵⁹ and the *Spīdola* (2833 BRT) in the Kiel Canal enroute to Antwerp with a cargo of pit-prop timber.⁶⁰

By the end of 1939, Latvian trade with Britain had been reduced to a bare minimum. A. Aizsilnieks cites final year figures for Latvian-British trade in 1939 of exports of 71.3 million lats, imports of 39.8 million lats and a balance of trade of + 31.5 million lats.⁶¹ This would mean that in last four months of 1939 (and the first

⁵¹ Stranga (1994/1), op. cit., p. 22.

⁵² Zunda (1998), p. 212.

⁵³ LVVA, 2574. f., 4. apr., 3281. l., 46. lp.

⁵⁴ PRO, FO 837/37, War Cabinet, Economic Warfare, 15th Weekly Report 17–30 December 1939.

⁵⁵ *Latvijas jūrniecības vēsture 1850–1950* (1998), p. 152.

⁵⁶ *Ibid.*, p. 156.

⁵⁷ The 15 December 1939 agreement between Latvia and Germany prohibited the transport of pit-prop timber to Belgium and Holland.

⁵⁸ *Latvijas jūrniecības vēsture 1850–1950* (1998), p. 169.

⁵⁹ *Ibid.*, p. 201.

⁶⁰ *Ibid.*, p. 202.

⁶¹ Aizsilnieks (1968), p. 797 – these figures are taken from *Strukturbericht über das Ostland. Teil I: Ostland in Zahlen*. (1942), pp. 57–58.

four months of the war) Latvia managed to export to Britain only 2.16 million lats worth of goods or 3.4 % of the goods exported in the period (Table 6). However, Latvia imported from Britain in the last four months of 1939 goods worth 5.72 million lats or 9.3 % of the goods imported in the period. Imports from and exports to Germany during this period were 32.2 million lats and 52.5 % of total imports in the period and 35.2 million lats and 56.5 % of total exports.

Table 6. Comparison of Latvian-British trade for the period 01/09/1939–31/12/1939 with other trading partners in the same period

Trading partner	Imports		Exports		Balance of trade
	Million Ls	% of total imports in the period	Million Ls	% of total exports in the period	
Britain	5.72	9.3	2.16	3.4	-3.56
Germany	32.23	52.5	35.19	56.5	2.96
USSR	6.17	10.0	6.87	11.0	0.70
Denmark	0.65	1.1	1.14	1.8	0.49
Sweden	1.84	3.0	3.37	5.4	1.53
Estonia	0.54	0.1	0.38	0.1	-0.16
Lithuania	0.68	1.1	0.38	0.1	-0.30

Source: Calculated with figures are taken from *Strukturbericht über das Ostland. Teil I: Ostland in Zahlen*. Rīga: Reichskommissar für das Ostland, 1942, pp. 57–58, and *Mēneša Biļetens Nr. 10* [Monthly Bulletin No. 10]. Rīga: Valsts statistiskā pārvalde, October 1939, pp. 1058–1059, 1083–1087

Table 6 shows that not only did imports and exports fall dramatically in real terms compared to the previous eight months, but also as a percentage of total trade in the period. Interestingly, for the first time in many years, according to the Latvian figures' imports exceeded exports with imports being nearly 2½ greater in money terms than exports.⁶² Moreover, despite the difficulties imports from Britain were nearly the same as imports from USSR in the period.

Details of the structure of the imports and exports to and from Britain can be seen in Table 7.

Swedish archival data also sheds some light the types of goods exported and imported through the Scandinavian countries to and from Britain.

⁶² As this is a difference in prices, this suggests that the cost of imports rather than the quantity of imports rose 2½ times.

Table 7. Main UK Imports from and Exports to Latvia by month (September 1939 – December 1939)

Month, 1939	Imports			Exports		
	Name of goods	Quantity	Value (£)	Name of goods	Quantity	Value (£)
September	Bacon	2520 cwt	10787	Coal	19 815 t	17896
	Other meat	n/a	2062			
	Butter	8484 cwt	37614	Herrings	4613 cwt	4736
	Other dairy produce	n/a	113			
	Wood & timber	n/a	60895			
	Flax etc.	61 t	3713			
	Plywood	54 817 t	18279			
Other manufact. wood	n/a	1640				
October	Bacon	573 cwt	3240	Coal	39 971 t	39396
	Wood & timber	n/a	279			
	Plywood	261 t	72			
	Other manufact. wood	n/a	1937			
November	Bacon	3060 cwt	17136	Coal	16 628 t	17764
	Butter	5109 cwt	37043			
	Plywood	15,366 t	9821			
	Other manufact. wood	n/a	2020			
December	Bacon	4801 cwt	26014	Coal	23 124 t	25374
	Butter	7835 cwt	49206			
	Plywood	1040 t.	443			
	Other manufact. wood	n/a	473			

Source: Compiled from Accounts relating to Trade and Navigation in the United Kingdom, September, October, November, December 1939, HMSO, Board of Trade

An analysis of Swedish transit trade data⁶³ (Table 8) gained from the archives of the Swedish Ministry of Foreign Affairs⁶⁴ show that on the basis of Swedish export transit licences issued, Latvia mainly exported bacon and butter through Sweden to Norway and on to Britain.

⁶³ It is interesting that Sweden has not published any official statistics on transit trade for 1939 and 1940, then or now. The existing data would indicate an intensive cross-Baltic trade. For example, the date of arrival of the *Atis Kronvalds* in Sundsvall according to the export transit licence is 18.12.1939, yet we know that she was seized by the Germans on 24.12.1939. She was also carrying according to a licence issued to Lithuania 465 tons of Lithuanian bacon to Sundsvall. Thus, it seems that the *Atis Kronvalds* was seized on a second voyage closely on the heels of a successful first voyage.

⁶⁴ National Archives in Stockholm, Utrikesdepartementet, 1920 års dossier – system, H, vol. 2606.

Table 8. Swedish Export Transit Licences Issued for Latvian Export Trade to Britain 09/1939 to 01/1940 (Ministry of Foreign Affairs)

Mth/Year	Swedish Port of Entry	Ship	Transit to	Goods	Quantity
09/1939	Kalmar	Ūtēna	Gothenburg and thence to UK	Bacon	47.7 t
				Ham	194 kg
09/1939	Kalmar	Sialliai	Gothenburg and thence to UK	Butter	114 t
10/1939	Sundsvall	Kretinga	Trondheim and thence to UK	Butter	32 t
10/1939	Sundsvall	Paņevēzys	Norway	Butter	400 t
10/1939	Sundsvall	Kretinga	Norway	Butter	126 t
				Bacon	89 t
11/1939	Sundsvall	Ūtēna	Norway	Bacon	40 t
11/1939	Sundsvall	Ūtēna	Norway	Bacon	90 t
11/1939	Sundsvall	Marijampole	Norway	Butter	60 t
12/1939	Stockholm	Ogre	Stockholm and thence to London	Fruit Conserves	60 t
12/1939	Sundsvall	Atis Kronvalds	Norway	Bacon	270 t
				Butter	145 t
01/1940	Stockholm	Konung Oscar	Norway	Ham	63.3 t

Source: Compiled from National Archive in Stockholm, Utrikesdepartementet, 1920 års dossier – system, H 2606

From Table 8 we can see that in the period between September 1939 and January 1940, Latvia exported to Britain 536.7 tons of bacon, 63.5 tons of ham and 877 tons of butter, as well as 60 tons of fruit conserves through Scandinavia. Clearly all of the transit cargoes were ultimately destined for Britain, although not all issued licences showed this.

Latvia of course not only exported, but also imported from Britain during this period. Another Swedish source, the *Statens Handelskommission* [State Trade Commission], kept more detailed statistics regarding transit licences for goods transiting Sweden to Latvia.⁶⁵ These statistics reveal that for the period from 1 September 1939 to 17 June 1940 the main imports from Britain to Latvia were for the textile industry (33.7 % of all goods transiting Sweden to Latvia) – wool and cotton (raw, yarns and threads, clothes, goods and waste), jute (sacks, cloth, packing) and accessories

⁶⁵ National Archives in Arninge, Statens handelskommission, 1939 års, statistiska avdelningen, vol. 25.

(zippers, buttons, needles). Other imports included food products (salted herring, oranges, coffee, tea, cocoa beans, pepper) – 46.5 % of all goods transiting Sweden to Latvia⁶⁶, rubber and rubber products – 3 %, iron and steel plate – 8.7 %, metals and metal products (brass, tin plate, ball bearings, lead alloy, antifriction metal, transmission chains and parts) – 4.9 %, manufactured and machine goods – 2.4 %, electrical materials (cable, wire) – 0.2 %, photographic film and paper – 0.3 %, and personal effects – 0.3 %. The *Statens Handelskommission* data (Table 9) also provides some additional figures for Latvian exports to Britain.

Table 9. Swedish Export Transit Licences Issued for Latvian Export Trade to Britain 09/1939 to 04/1940 (*Statens Handelskommission*)

Mth/Year	Goods	Quantity
09/1939	Flax and flax waste	170 t
10/1939	Flax and flax waste	300 t
11/1939	Flax and flax waste	1323 t
12/1939	Sweetened berries	90 t
	Pig bristles	1.1 t
	Linseed	41 t
01/1949	Conserved ham	20.8 t
	Flax and flax waste	57.2 t
04/1940	Flax and flax waste	116 t

Source: Compiled from National Archives in Arninge, Sweden, *Statens handelskommission, 1939 års, statistiska avdelningen*, vol. 25

From Table 9 we can see that in addition to butter and bacon exports, 1966.2 tons of flax and flax waste, as well as 41 tons of linseed and other goods were exported to Britain via Sweden in the period between September 1939 and April 1940.

Maintaining Trade Links Despite War – Second Phase: January–April 1940

Clearly, the commencement of the Second World War was a disaster for Latvian-British trade or as Lane put it, “British trade with the Baltic States was decimated by the onset of war in 1939 ... The collapse was all the more striking in view of the prosperous trade relations which had developed ... after 1933.”⁶⁷

⁶⁶ One large shipment of salted herrings in December 1939 made up the bulk of food imports (93%).

⁶⁷ Lane, T. (1994), p. 291

However, trade there was. Despite many official announcements that trade with Britain had ceased (mainly to placate the Germans) some minor trade continued.⁶⁸ The Consul General of Latvia in Norway, A. Vannag, in reply to a letter from the Latvia Foreign Ministry on 2 January 1940⁶⁹ noted that if the bill of lading was made out for goods as transit goods through Norway then the Norwegians would not detain them. Similarly, Sweden had a transit clause that was based upon Anglo-Swedish agreements.

A “Pro-memoria” dated 24 January 1940⁷⁰ indicated that the British had requested that the Baltic States send a combined delegation to London for economic talks. However, for various reasons including prolonged trade talks with Germany, the other Baltic States could not send anyone and Latvia sent a delegation led by the director of the Latvian Mortgage bank, G. Bisenieks.⁷¹ The talks commenced on 26 February, but came to nothing as the Latvian side could not agree to reduce trade with Germany, and Britain could not guarantee the safety of Latvian cargoes and ships to and from Britain.⁷² A successful outcome of the talks could not have been expected given by the negative attitude of the Ministry of Food which at an interdepartmental meeting to consider policy to be adopted in the forthcoming trade negotiations with Latvia held on 21.02.1940 categorically stated that the Ministry did not wish to purchase butter and bacon from the Baltic States (sic!).⁷³

On 25 January 1940, the German submarine *U-19* torpedoed the Latvian ship *Everene* (4434 BRT) near the British east coast loaded with coal, linoleum and tar enroute from Blight to Rīga.⁷⁴ The crew were rescued by the Latvian ship *Dole* (3811 BRT) (also loaded with coal for Latvia), which also picked up four seamen from the torpedoed Norwegian ship *Gudveig*.⁷⁵ On 29 January 1940, a German bomber attacked and damaged the Latvian ship *Tautmīla* (3724 BRT), which was on its way to Britain. It was towed for repairs to Rotterdam.⁷⁶ The Latvian ship *Valdona* ran onto a mine on 7 March 1940 and had to be towed for repairs to Rotterdam.⁷⁷ On 19 April 1940, the Latvian ship *Jaunjelgava* (1290 BRT) was sunk off the north coast of Germany.⁷⁸ In February and

⁶⁸ Stranga (1994/1), p. 22.

⁶⁹ LVVA, 2575. f., 13. apr., 2. l., 48. lp.

⁷⁰ LVVA, 2574. f., 4. apr., 3281. l., 31. lp.

⁷¹ Zunda (1998), p. 213. Bisenieks was a former Latvian envoy to Great Britain.

⁷² A memorandum submitted by the British Ministry of Economic Warfare in anticipation of the talks noted that “the route via Sweden is unlikely to be safe any longer. The alternative route via Costantza in Rumania, for produce, and via Odessa [in the Soviet Union] for flax is being investigated”. (PRO, T160/1079/F. 13456/016)

⁷³ PRO, BT 11/1260

⁷⁴ Bersone, I. et al. (1994), p. 12; and *Latvijas jūrniecības vēsture 1850–1950* (1998), p. 166.

⁷⁵ *Latvijas jūrniecības vēsture 1850–1950*. (1998), p. 162.

⁷⁶ LVVA, 2575. f., 13. apr., 6. l., 2. lp.; Andersons (1984), pp. 303–304; and *Latvijas jūrniecības vēsture 1850–1950* (1998), p. 203.

⁷⁷ *Latvijas jūrniecības vēsture 1850–1950* (1998), p. 205.

⁷⁸ Bersone, I. et al. (1994), p. 12.

March 1940,⁷⁹ the Germans commenced arresting Latvian ships with goods addressed to Sweden on the pretext that they had on board peas and vetch, which were not mentioned in the 15 December 1939 agreement regarding the so-called “Nordseeroute”. The Germans had a categorical demand that nothing be exported to Britain.⁸⁰

The extent of trade in the first three months of 1940 is shown in Table 10, which is based upon a secret document prepared for the Latvian government by the Latvian State Statistics administration.

Table 10. Comparison of Latvian-British trade for the period 01/01/1940–31/03/1940 with other trading partners in the same period

Trading partner	Imports		Exports		Balance of trade
	Million Ls	% of total imports in the period	Million Ls	% of total exports in the period	
Britain	0.88	2.6	0.04	0.1	-0.84
Germany	14,65	42.6	13.2	38.4	-1.45
USSR	9,80	28.5	12.9	37.5	3.1
Denmark	0.22	1.4	0.02	0.1	-0.20
Sweden	0.56	1.6	1.1	3.2	0.54
Norway	0.29	0.8	0.001	0.0	-0.29
Estonia	0.98	2.9	0.34	1.0	-0.64
Lithuania	0.90	2.6	0.26	0.8	-0.64

Source: LVVA, 1314. f., 5. apr., 100. l., 39.–40. lp.

Table 10 shows the inconsequential amount trade that got through the German blockade, especially in terms of exports, and again, as in the last four months of 1939, imports from Great Britain were substantially higher than exports.⁸¹ A more detailed picture of the size and structure of this trade can be seen in Table 11.

Germany continued to dominate Latvian foreign trade in this period with the USSR (as a result of the trade treaty) being the other dominant partner. The main exports as a whole during this period were live pigs, bacon, butter, timber, and timber products (including plywood), flax and linseed. The main imports were coal, coke, metals, petroleum products, raw cotton and wool, and mineral oils.

⁷⁹ LVVA, 2574. f., 4. apr., 3281. l., 5. lp.

⁸⁰ LVVA, 2574. f., 3. apr., 3279. l., 46.–47. lp.

⁸¹ See endnote No. 62.

Table 11. Main UK Imports from and Exports to Latvia by month(January 1940 – April 1940)

Month, 1940	Imports			Exports		
	Name of goods	Quantity	Value (£)	Name of goods	Quantity	Value (£)
January	Plywood	14 782 t	8915	–	–	–
	Other manu- fact. wood	n/a	6787			
February	–	–	–	Coal	16 486 t	18659
March	Plywood	1927 t	2334	–	–	–
April	Plywood	238 t	1838	–	–	–

Source: Compiled from Accounts relating to Trade and Navigation in the United Kingdom, January, February, March, April 1940, HMSO, Board of Trade

Maintaining Trade Links Despite War – Third and last Phase: April–June 1940

With the commencement of the German offensive in the West, all vestiges of trade with Britain disappeared. The rapid occupation of Denmark and Norway in April 1940 put paid to any thoughts of further utilising the Sweden-Norway transhipping route or even the often discussed, but seldom used route via the coastal waters of Sweden, Denmark, and Norway. By early June 1940, the Germans were suffering an acute shortage of shipping in the Baltic Sea and as Lulea port in Sweden was open for iron ore shipments they started to put pressure on Latvia and the other neutral states around the Baltic Sea (Sweden, Finland etc.) to mobilise all free tonnage in the Baltic for the carrying of iron ore.⁸² This issue was to be resolved by 17 June 1940.

On 17 June 1940, Latvia was occupied by the Soviet Union.

Conclusions

This chapter has briefly analysed the course of trade between Latvia and Great Britain during the interwar period. Trade with Britain always had a high profile in Latvia, and by 1938 made up some 42% of all Latvian foreign trade. Latvian exports to Britain were dominated by agricultural products such as butter, bacon, eggs, flax, timber, and wood products. Imports from Britain were mainly coal, coke, herrings, and raw materials for the textile industry, various metal products, and wool and cotton goods.

⁸² Confidential memo from A. Kampe (Director of the Legal Dept. in the Ministry of Foreign Affairs) to the Foreign Minister. LVVA, 1314. f., 5. apr., 100. l., 8.–13. lp.

The beginning of the Second World War in September 1939, made it difficult for the Baltic States to continue their export trade with Great Britain despite declarations of absolute neutrality. The Germans had effectively blocked Baltic Sea outlets to the North Sea and thence to Britain. It is clear that from the commencement of the war, the Latvian government was under no illusions as to the viability of maintaining trade links outside of the Baltic Sea area. Under the urging of the British government Latvia examined various alternatives to maintaining some sort of trade links with Great Britain, mainly so as not to become too dependent upon trade with the USSR and Germany and also to ensure favourable treatment from Great Britain after the war.

In the absence of British naval protection in the Baltic Sea, alternative routes for Latvian exports to Great Britain were suggested by British authorities to maintain trade with the Baltic States. Two alternatives were suggested. One was the shipment of exports to Sweden via Finnish or Swedish territorial waters and further through Swedish / Danish / Norwegian territorial waters to Britain. This was extremely difficult due to the increased German naval activity in the region. The alternative route was to ship exports to a Swedish port, transit Sweden by rail to a Norwegian port, and reship to Britain. This proved to be the only viable way despite the fact that it was the most expensive adding some 22 % to overall costs in 1939.

The Swedish transit data confirms that the preferred route for Latvian agricultural exports in the period between September 1939 and April 1940 was to Swedish ports, by rail to Norwegian ports and thence to Britain. Imports came by the same or directly to Swedish ports (especially Gothenburg) in neutral ships.

By 1940, even this trickle of trade had almost stopped and both routes were finally closed by the German invasion and occupation of Denmark and Norway in April 1940. The whole issue became academic with the invasion and occupation of Latvia by the Soviet Union on 17 June 1940.

Revised version of the paper published as Latvian Economic Links to Great Britain via Scandinavia 1939/40, in Humanities and Social Sciences Latvia, Vol. 19, Issue 1 (Summer–Autumn 2011), pp. 4–28.

Maza valsts, kas spēja: Latvijas ekonomiskās attiecības un starptautiskā tirdzniecība ar atsevišķām pasaules valstīm starpkaru periodā

Lai gan Latvija savu neatkarību pasludināja 1918. gada 18. novembrī, tikai 1919. gada otrajā pusē valsts valdība bija nostabilizējusies pēc vāciešu atbalstītās pučistu Niedras valdības krišanas un krievu dēkaiņa Bermonta-Avalova sakāves (karš pret Padomju Krieviju turpinājās Austrumlatvijā). 1920. gada 11. augustā tika parakstīts Miera līgums ar Padomju Krieviju. Latvijas Republiku joprojām *de iure* nebija atzinusi neviena Eiropas valsts, izņemot Padomju Krieviju, kuru pašu arī nebija atzinusi neviena cita valsts. Latvijai bija uzdevums integrēties Eiropas un pasaules ekonomikā. 1921. gada 26. janvārī Rietumeiropa atzina Latviju *de iure*.

Starpkaru periodā Latvijai bija maza atvērta ekonomika uz Eiropas perifēriju. Bija jācinās ne tikai par nepieciešamību atjaunot ekonomiku, ko satricinājis karš, bet arī ar bijušās Krievijas tirgus zaudēšanu, līdz ar to pilnībā pārorientējot savu ekonomiku uz Eiropu un pārējo pasauli. Lai gan Rīga bija viens no lielākajiem cariskās Krievijas rūpniecības centriem pirms Pirmā pasaules kara, Latvija bija spiesta savu ekonomiku pārstrukturēt uz lauksaimniecības un mežsaimniecības bāzes, un starpkaru gados tā bija ļoti atkarīga no lauksaimniecības un mežsaimniecības produkcijas eksporta kā ārējās tirdzniecības galvenā pamata.

Latvijas ārējā tirdzniecībā visā starpkaru periodā dominēja Lielbritānija un Vācija. Līdz 1937. gadam šīs divas valstis veidoja gandrīz 70 % no Latvijas ārējās tirdzniecības. Ir vairākas grāmatas un raksti par Latvijas ārējo tirdzniecību un ekonomiskajām attiecībām ar Lielbritāniju un Vāciju, tomēr nav pārskata par atlikušajiem 30 % no Latvijas ārējās tirdzniecības ar valstīm, ar kurām Latvija tirgojās. Līdz 1937. gadam Latvija tirgoja un tai bija ekonomiskās attiecības ar aptuveni 115 valstīm, kolonijām un teritorijām (izņemot Lielbritāniju un Vāciju). Daļa no tām ir iekļautas šai sējumā. Lai gan lielākajai daļai šo valstu ekonomiskajām attiecībām un ārējai tirdzniecībai ar Latviju bija perifēra nozīme šo valstu un Latvijas tautsaimniecībā, tomēr Latvijas tirgus bija nozīmīgs atsevišķu valstu tautsaimniecības nozarēs, un līdzīgi arī to tirgi bija svarīgi atsevišķām Latvijas tautsaimniecības nozarēm.

Latvijas ārējā tirdzniecība starpkaru periodā lielākoties balstījās uz divpusējās tirdzniecības līgumu sistēmu. Līdz 1938. gadam Latvija bija noslēgusi komerclīgumus ar visām svarīgajām Eiropas valstīm (izņemot Spāniju) un dažām citām pasaules valstīm. Līdz 1929. gadam šie līgumi deva vislielākās labvēlības principu (*MFN*), un praktiski visiem – Baltijas un Krievijas klauzulu. Baltijas un Krievijas klauzulā ir noteikts, ka prioritārās tiesības un privilēģijas, kas piešķirtas Igaunijai, Somijai, Lietuvai un Krievijai, nevar tikt piemērotas citām līgumslēdzējām valstīm, pamatojoties uz vislielākās labvēlības principu. Līgumi, kas noslēgti pēc šī laika, bija zaudējuši *MFN* principu un balstījās uz savstarpīguma principu, bet joprojām saturēja Baltijas un Krievijas klauzulu. Tās visas nodrošināja normatīvo regulējumu, kas tika noteikta Latvijas uzņemtās saistības ārējās tirdzniecības attiecībās ar partneriem.

Šajā sējumā analizētas Latvijas ekonomiskās attiecības un ārējā tirdzniecība ar 18 valstīm. Aptverts plašs valstu spektrs gan Eiropā, gan ārpus tās. Piecas nodaļas aplūko valstis, kuras starpkaru periodā ir saistītas ar Latvijas ekonomiku, bet neietilpst konkrētās valsts analīzes struktūrā. Daļa nodaļu ir balstītas uz rakstiem, kurus esmu uzrakstījis un publicējis (un/vai starptautiskās konferencēs nolasījis) pēdējos gados. Tādēļ ir zināma pārklāšanās un atkārtošāns starp nodaļām. Cik vien iespējams, esmu rediģējis un atjauninājis nodaļas, kur nepieciešams. Šī darba galvenais vēstījums ir par to, kā maza valsts Eiropas ziemeļaustrumu perifērijā sasaistās ar pasauli pēc traumatiska “radību procesa”. Amerikāņiem ir pasaka “*The Little Engine That Could*” (“Mazais vilcieniņš, kurš spēja”), līdzīgi Latviju starpkaru periodā var uzskatīt par “mazo valsti, kas spēja”.

1. nodaļa. Britu Indija

Šajā nodaļā aplūkotas Latvijas-Indijas ekonomiskās attiecības starpkaru periodā. Latviešiem bija zināšanas par Indiju jau no 19. gadsimta vidus, galvenokārt pateicoties misionāru ziņojumiem un tulkojumiem no angļu laikrakstiem. Tomēr lielākajai daļai indiešu Latvija bija *terra incognita* līdz pat 20. gadsimta beigām. Starpkaru periodā Latvijas un britu Indijas ekonomiskās attiecības galvenokārt aprobežojās ar ārējo tirdzniecību. Lai gan Latvija savu neatkarību pasludināja 1918. gadā, tirdzniecība ar britu Indiju sākās tikai no 1924. gada un beidzās līdz ar Otro pasaules karu 1939. gadā. Latvijas ārējo tirdzniecību attiecību ar britu Indiju galvenokārt regulēja Latvijas 1923. gada tirdzniecības līgums ar Lielbritāniju, kā arī 1934. gada komerclīgums starp Latvijas valdību un Viņa Majestātes valdību Apvienotajā Karalistē, kas pieļāva iepriekšējo vienošanos saskaņā ar minēto līgumu. Latvijas galvenais imports no Indijas starpkaru periodā bija kažokādas un ādas, rīsi, kafija un tēja, džuta un kokvilna, rieksti, sēklas un garšvielas, savukārt Latvijas galvenais eksports uz Indiju bija finieris, kokmateriāli un koka izstrādājumi, papīrs un papīra izstrādājumi, kā arī smēreļļas. Neraugoties uz tirdzniecības pieaugumu 20. gadsimta 30. gadu beigās, tirdzniecību

un ekonomiskās attiecības starp abām valstīm starpkaru periodā nevar uzskatīt par nozīmīgām.

2. nodaļa. Austrālija

Šajā nodaļā aplūkotas Latvijas un Austrālijas starpkaru perioda ekonomiskās attiecības. Vairākumam latviešu Austrālija bija *terra incognita*, un otrādi. Tirdzniecība ar Austrāliju sākās 1922. gadā un ilga līdz Otrā pasaules kara sākumam 1939. gadā. Abu valstu ārējā tirdzniecība tika regulēta, balstoties uz Latvijas 1923. gada tirdzniecības līgumu ar Lielbritāniju. Lielākā daļa britu koloniju, valdījumi un protektorāta bija pievienojušies līgumam, un līdz 1927. gada beigām tam bija pievienojusies arī Kanāda. Tomēr Austrālija līgumam nepievienojās. Pēc daudziem Latvijas protestiem tika panākta vienošanās, ka Latvijas precēm, kas ievestas Austrālijā, tiks piešķirts vislielākās labvēlības režīms. 1934. gada komercilīgums starp Latviju un Lielbritāniju ļāva turpināt iepriekšējo vienošanos saskaņā ar minēto līgumu. Latvijas tirdzniecība ar Austrāliju pārsvarā notika ar Latvijas goda konsulu Austrālijā starpniecību. Latvijas galvenais eksports uz Austrāliju bija finieris, kokmateriāli un koka izstrādājumi, papīrs un papīra izstrādājumi, sērskociņu stiebrīņi, kā arī zivju konservi, īpaši šprotes. Latvijas imports no Austrālijas galvenokārt bija neapstrādāta vilna, dzīvnieku tauki, metāli (svins un cinks), kažokādas un ādas, svaigi un žāvēti augļi. Neraugoties uz tirdzniecības pieaugumu 30. gadu beigās, tirdzniecība un ekonomiskās attiecības starp abām valstīm starpkaru periodā nebija nozīmīgas.

3. nodaļa. Dienvidāfrika

Dienvidāfrikas Republika bija pirmā valsts Āfrikas kontinentā, kas 1991. gada 29. augustā atzina atjaunoto Latvijas Republikas neatkarību. Nodaļā ir izvērtētas Latvijas-Dienvidāfrikas ekonomiskās attiecības starpkaru periodā. Starpkaru periodā Latvijas un Dienvidāfrikas ekonomiskās attiecības galvenokārt aprobežojās ar ārējo tirdzniecību. Latvijas ārējo tirdzniecību ar Dienvidāfriku (toreiz saukta par Dienvidāfrikas savienību) regulēja Latvijas 1923. gada tirdzniecības līgums ar Lielbritāniju. Dienvidāfrikai starpkaru periodā bija divējāda ekonomika, kas strukturēta, balstoties uz rasu atšķirībām. Dienvidāfrikas ekonomikā dominēja mazākuma baltā populācija (20,9 % 1936. gadā pret Āfrikas iedzīvotāju vairākumu – 68,8 % 1936. gadā). Latvijas galvenais imports no Dienvidāfrikas starpkaru periodā bija augļi (apelsīni, mandarīni, aprikozes, vīnogas, bumbieri u. c.), miecvielu ekstrakti un materiāli, krāsas un lakas ekstrakti un materiāli, neapstrādāta vilna, palmu kodoli un eļļa, kažokādas un ādas. Savukārt Latvijas galvenais eksports uz Dienvidāfriku bija zivis un zivju konservi (tostarp šprotes), konditorejas un šokolādes izstrādājumi, kokmateriāli

un koka izstrādājumi, papīrs un papīra izstrādājumi. Neraugoties uz tirdzniecības pieaugumu 30. gados, tirdzniecība un ekonomiskās attiecības starp abām valstīm starpkaru periodā nebija nozīmīgas.

4. nodaļa. Mandāta Palestīna

Šajā nodaļā ir izvērtētas Latvijas un Mandāta Palestīnas (saukta arī par Britu Palestīnu) ekonomiskās attiecības starpkaru periodā. Starpkaru periodā Latvijas un Mandāta Palestīnas ekonomiskās attiecības aprobežojās galvenokārt ar ārējo tirdzniecību. Latvijas ārējo tirdzniecību attiecībā pret Mandātu Palestīnu pārsvarā regulēja Latvijas 1923. gada tirdzniecības līgums ar Lielbritāniju. Britu pakļautības laikmetā izveidojās divas dažādas sociālās un ekonomiskās sistēmas – ebreju un arābu – saskaņā ar vienu politisko sistēmu – Lielbritānijas mandātu administrāciju. Latvijas galvenais imports no Mandāta Palestīnas starpkaru periodā bija augļi (apelsīni, citroni, vīnogas, vīģes, bumbieri u. c.), tabaka un olīveļļa. Savukārt Latvijas galvenais eksports uz Mandātu Palestīnu bija zivis un zivju konservi (tostarp šprotes), kokmateriāli un koka izstrādājumi, papīrs un papīra izstrādājumi, finieris, sviests un koka naglas un tapas apaviem. Kopumā, neraugoties uz tirdzniecības pieaugumu 30. gados, tirdzniecība un ekonomiskās attiecības starp abām valstīm starpkaru periodā nebija nozīmīgas.

5. nodaļa. Somija

Šajā nodaļā sniegts Latvijas-Somijas ekonomisko attiecību apskats starpkaru periodā, kad ekonomiskās attiecības galvenokārt aprobežojās ar ārējo tirdzniecību, lai gan Latvijā bija arī dažas investīcijas no Somijas. Svarīgas bija arī citas ekonomisko attiecību formas, piemēram, tūrisms. Tirdzniecība ar Somiju sākās pēc 1920. gada, pēc Latvijas Neatkarības kara beigām. 1939. gadā uzliesmoja Ziemas karš, kas pārtrauca līdz tam esošo abu valstu ekonomisko sadarbību. Latvijas ārējo tirdzniecību ar Somiju regulēja 1924. gada komercīgums un navigācijas līgums, kā arī 1936. gada komercīgums. Latvijas galvenais imports no Somijas starpkaru periodā bija tekstilizstrādājumi, metāli un metāla izstrādājumi, celuloze, papīra un papīra izstrādājumi, lauksaimniecības mašīnas, kā arī naži un nažu izstrādājumi. Savukārt Latvijas galvenais eksports uz Somiju bija gumijas izstrādājumi, ģipsis, kaulu milti, krāsas un krāsas izstrādājumi, sēklas, radioaparāti un linolejs. Tirdzniecību un ekonomiskās attiecības starpkaru periodā starp abām valstīm var vērtēt kā nenozīmīgas galvenokārt to ekonomisko struktūru līdzību dēļ. No otras puses, Latvijai bija diezgan intensīvas attiecības ar Somiju politiskajā, sociālajā un kultūras sfērā. Tas galvenokārt bija saistīts ar ģeogrāfisko tuvību un Somijas īpašo saikni ar Igauniju, kas bija Latvijas kaimiņvalsts un tuvākā sabiedrotā.

6. nodaļa Dānija

Šajā nodaļā aplūkotas Latvijas-Dānijas ekonomiskās attiecības starpkaru periodā, kas tolaik galvenokārt aprobežojās ar ārējo tirdzniecību, lai gan Latvijā bija arī dažas investīcijas no Dānijas. Normāla tirdzniecība ar Dāniju sākās pēc Latvijas Neatkarības kara beigām, t. i., 1920. gada. Tā beidzās līdz ar Dānijas okupāciju 1940. gadā. Latvijas ārējo tirdzniecību attiecībās ar Dāniju regulēja 1924. gada komercīgums un navigācijas līgums. Latvijas galvenie ievadumi no Dānijas bija graudi (kvieši, rudzi, mieži, auzas), krīts, lauksaimniecības un rūpniecības iekārtas, automobiļi un to daļas, dzīvnieku tauki, tabaka un tabakas izstrādājumi un sēklas. Savukārt Latvijas galvenais eksports uz Dāniju bija kokmateriāli un koka izstrādājumi, ģipša un ģipša izstrādājumi, sviests, linolejs, finieris, graudi (kvieši, rudzi, mieži, auzas), kā arī papīrs un papīra izstrādājumi. Tirdzniecība un ekonomiskās attiecības starpkaru periodā starp abām valstīm nebija nozīmīgas galvenokārt abu valstu ekonomikas struktūru līdzību dēļ.

7. nodaļa. Norvēģija

Šajā nodaļā aplūkotas Latvijas un Norvēģijas ekonomiskās attiecības starpkaru periodā. Tolaik Latvijas un Norvēģijas ekonomiskās attiecības galvenokārt aprobežojās ar ārējo tirdzniecību, lai gan Latvijā bija arī dažas investīcijas no Norvēģijas. Svarīgas bija arī citas ekonomisko attiecību formas, piemēram, tūrisms. Normāla tirdzniecība ar Norvēģiju sākās pēc Latvijas Neatkarības kara beigām 1920. gadā un beidzās līdz ar Norvēģijas okupāciju 1940. gadā. Latvijas ārējās tirdzniecības attiecības ar Norvēģiju regulēja 1924. gada komercīgums un navigācijas līgums. Latvijas galvenais imports no Norvēģijas bija siļķes, kažokādas un izstrādājumi no kažokādām, pirīts, metāli un metāla izstrādājumi, salpetris un dzīvnieku tauki un zivju eļļas. Savukārt Latvijas galvenais eksports uz Norvēģiju bija kokmateriāli un koka izstrādājumi, ģipša un ģipša izstrādājumi, linolejs, lina diegi, krāsas, tintes un krāsas izstrādājumi, papīrs un papīra izstrādājumi, kā arī radioaparāti. Starpkaru periodā tirdzniecība starp abām valstīm nebija nozīmīga, lai gan tās atrodas ģeogrāfiski tuvu viena otrai, jo abām valstīm bija līdzīgas ekonomiskās struktūras.

8. nodaļa. Zviedrija

Šajā nodaļā aplūkotas Latvijas un Zviedrijas ekonomiskās attiecības starpkaru periodā, kad tās galvenokārt aprobežojās ar ārējo tirdzniecību, lai gan Latvijā bija arī dažas zviedru investīcijas. Svarīgas bija arī citas ekonomisko attiecību formas, piemēram, tūrisms. Latvijas ārējo tirdzniecību ar Zviedriju regulēja vairāki 1924., 1935., 1937. un 1939. gadā noslēgtie tirdzniecības līgumi. Latvijas galvenais imports no

Zviedrijas starpkaru periodā bija cements, lauksaimniecības un rūpniecības iekārtas, superfosfāts, ugunsdrošie ķieģeļi, dažādi metāli un metāla izstrādājumu veidi, kā arī zemes akmeņi. Salīdzinoši lielais imports no Zviedrijas 20. gadsimta 30. gadu beigās daļēji skaidrojams ar Ķeguma hidroelektrostacijas būvniecības vajadzībām, kur Zviedrija bija nozīmīgākais investīciju partneris. Savukārt Latvijas galvenais eksports uz Zviedriju bija lini un linu izstrādājumi, finieris, kokmateriāli un koka izstrādājumi, linolejs, ģipša un ģipša izstrādājumi, krāsas, tintes un krāsas izstrādājumi, kā arī radioaparāti. Tirdzniecība un ekonomiskās attiecības starpkaru periodā starp abām valstīm nebija nozīmīgas, jo abām valstīm bija līdzība to lauksaimniecības ekonomikas struktūrā.

9. nodaļa. Japāna

Pašlaik starp Latviju un Japānu valda ciešas un draudzīgas attiecības un abas valstis iesaistās aktīvā politiskajā sadarbībā; ekonomiskās saites attīstās dinamiski, un ir lieliska sadarbība kultūrā un izglītībā. Šajā nodaļā aplūkotas Latvijas un Japānas ekonomiskās attiecības starpkaru periodā. Lai gan Japāna bija viena no pirmajām valstīm, kas 1919. gada 10. janvārī atzina Latviju *de facto*, tikai 1921. gada 21. janvārī kopā ar pārējām lielvarām Latvija nodibināja formālas diplomātiskās attiecības (*de iure*) ar Japānu. Starpkaru periodā Latvijas un Japānas ekonomiskās attiecības galvenokārt izpaudās ārējās tirdzniecības sakaros. Pēc Krievijas Pilsoņu kara beigām Ķīnā bija diezgan lielas latviešu kolonijas, īpaši Mandžūrijā (Japānas pārvaldītā Mančuko pēc 1931. gada). Komerciāls un kuģošanas līgums tika parakstīts 1925. gadā un stājās spēkā 1928. gadā. Šis līgums veidoja Latvijas un Japānas ekonomisko attiecību bāzi līdz 1940. gadam. Latvijas galvenais imports no Japānas starpkaru periodā bija pārtikas produkti (galvenokārt rīsi un garšvielas), tauki un eļļas, ķīmiskās vielas un farmaceitiskie līdzekļi, agars, sojas pupas un galantērijas preces (pogas un pērles), bet Latvijas galvenais eksports uz Japānu bija papīrs un papīra izstrādājumi, šprotes un citi zivju konservi. Neraugoties uz tirdzniecības pieaugumu līdz 30. gadu beigām, tirdzniecība un ekonomiskās attiecības starp abām valstīm starpkaru periodā nebija nozīmīgas, galvenokārt ģeogrāfiskā attāluma dēļ starp abām valstīm.

10. nodaļa. Brazīlija

Šajā nodaļā aplūkotas Latvijas un Brazīlijas ekonomiskās attiecības starpkaru periodā. Starpkaru periodā Latvijas un Brazīlijas ekonomiskās attiecības galvenokārt aprobežojās ar ārējo tirdzniecību. Jau no 1890. gada latvieši emigrēja uz Brazīliju un nodibināja lauksaimniecības kolonijas. 30. gadu beigās Brazīlijā bija apmetušies aptuveni 8000 latviešu. Latvijas ārējo tirdzniecību ar Brazīliju regulēja 1932. gada

komerclīgums. Latvijas galvenais imports no Brazīlijas starpkaru periodā bija kafija, kakao, ādas un kažokādas, tabaka, neapstrādāta gumija un kokvilna. Savukārt Latvijas galvenais eksports uz Brazīliju bija zivju konservi, papīrs un gumijas preces. Tirdzniecība un ekonomiskās attiecības starp abām valstīm starpkaru periodā nebija nozīmīgas, galvenokārt to ekonomikas struktūrās līdzības un ģeogrāfiskās attāluma starp abām valstīm dēļ.

11. nodaļa. Amerikas Savienotās Valstis

Pirms Latvijas valsts dibināšanas 1918. gadā Latvijas ekonomiskie kontakti ar ASV bija minimāli, aprobežojās ar ASV tirdzniecību ar carisko Krieviju. Latvija savu neatkarību pasludināja 1918. gada 18. novembrī, tomēr ASV vilcinājās atzīt Latviju *de iure*. Ekonomiskā ziņā galvenā problēma bija kara parādi. Latvijas kara parāds 1925. gadā tika noteikts 5 132 287 ASV dolāru apmērā, kas kopā ar procentiem 4 1/4 procentu apmērā sasniedza 5 779 562 ASV dolāru. 1922. gada 28. jūlijā ASV atzina Latvijas Republikas *de iure*. 1925. gada 24. septembrī Latvija parakstīja Līgumu par Latvijas parādsaistību finansēšanu ASV. 1934. gadā Latvija pārtrauca atmaksāt kara parādus. Starpkaru gados Latvijas un ASV ekonomiskās attiecības galvenokārt aprobežojās ar ārējo tirdzniecību un investīcijām, lai gan bija svarīgas arī citas ekonomisko attiecību formas, piemēram, kuģniecība un tūrisms. 1926. gada 1. februārī Latvija parakstīja pagaidu tirdzniecības nolīgumu ar ASV, kas iekļāva Baltijas un Krievijas klauzulu un savstarpēju klauzulu attiecībā uz Kubu un Panamas kanāla zonu. 1928. gada 20. aprīlī Latvija un ASV parakstīja Draudzības, tirdzniecības un konsulāro tiesību līgumu, kurā bija ietvertas visas 1926. gada līguma normas, kā arī sīki izstrādāti noteikumi par konsulārajām tiesībām, kuģniecību un citiem noteikumiem. Šis līgums darbojās visu starpkaru laiku. Kopumā šai laikā Latvijai bija negatīva tirdzniecības bilance ar ASV. Amerikas lielais attālums no Latvijas un pārvadājumu trūkums, galvenokārt tieša kuģošana uz ASV, negatīvi ietekmēja Latvijas un ASV tirdzniecību. Latvijas galvenais eksports uz ASV bija zivju konservi, tostarp šprotes, šokolāde un konfektes, celuloze, ādas un kažokādas, finieris, kokmateriāli un koka izstrādājumi, kā arī kūdra un kūdras izstrādājumi. Latvijas galvenais imports no ASV bija labība; jēla kokvilna; automobiļi un to daļas; rūpniecības un lauksaimniecības iekārtas; naftas produkti un, pārsteidzoši, arī ādas un kažokādas. ASV investīcijas Latvijā galvenokārt bija banku sektorā (79 % no kopējiem ASV ieguldījumiem 1929. gadā), kam sekoja tekstilrūpniecība (8 %), tirdzniecība (komercija) (7 %), transports (3 %), apģērbi un apavu rūpniecība (2 %) un daži citi nelieli ieguldījumi. Lielākā daļa Latvijas Bankas zelta rezervju atradās ārzemēs. ASV tika aizturētas aptuveni trīs tonnas zelta, kuru vērtība bija gandrīz 18 miljoni latu. Tika identificēti Latvijas valdības un Centrālās bankas noguldījumi ASV bankās, nodoti ASV centrālajai bankai – Federālo rezervju sistēmai – un iesaldēti 1940. gadā.

12. nodaļa. Turcija

Šajā nodaļā aplūkotas Latvijas un Turcijas ekonomiskās attiecības starpkaru periodā. Latvija nodibināja formālas diplomātiskās attiecības ar Turciju 1925. gadā, bet latviešiem bija mijiedarbība ar turkiem jau kopš 19. gadsimta beigām. Starpkaru periodā Latvijas un Turcijas ekonomiskās attiecības galvenokārt aprobežojās ar ārējo tirdzniecību. Pirmā Tirdzniecības un navigācijas konvencija tika parakstīta 1929. gadā, bet tai bija ļoti īss mūžs, jo sākās pasaules mēroga depresija. 1938. gadā tika parakstīta otra tirdzniecības līgumu pakete, kas ietvēra tirdzniecības konvenciju, tirdzniecības nolīgumu un klīringa nolīgumu. Latvijas galvenais imports no Turcijas starpkaru periodā bija tabakas lapas, sezama sēklas, vīģes un rozīnes, savukārt Latvijas galvenais eksports uz Turciju bija linolejs, sērskociņu stiebriņi, papīrs un papīra izstrādājumi, kā arī gumijas galošas. Bija arī dažas nelielas investīcijas no Turcijas tabakas industrijā Latvijā. Neraugoties uz tirdzniecības pieaugumu 30. gadu beigās, tirdzniecība un ekonomiskās attiecības starp abām valstīm starpkaru periodā nebija nozīmīgas.

13. nodaļa. Polija

Šajā nodaļā aplūkotas Latvijas un Polijas ekonomiskās attiecības starpkaru periodā. Polijas un Latvijas attiecības aizsākās 16. gadsimtā, kad pēdējais Livonijas ordeņa lielmestrs un Rīgas arhibīskaps lūdza Polijas karaļa Sigismunda Augusta palīdzību, lai stātos pretī iespējamam maskavieša cara iebrukumam. Starpkaru periodā Latvijas un Polijas ekonomiskās attiecības galvenokārt aprobežojās ar ārējo tirdzniecību, lai gan Latvijā bija arī dažas investīcijas no Polijas. Lai gan Latvija savu neatkarību pasludināja 1918. gadā (vienlaikus ar Polijas atdzimšanu), tirdzniecība ar Poliju aizsākās kopš 1921. gada pēc Latvijas Neatkarības kara beigām un beidzās līdz ar Otrā pasaules kara sākumu 1939. gadā. Latvijas ārējo tirdzniecību attiecībā pret Poliju regulēja galvenokārt 1927. gada pagaidu komercīgums, 1929. gada komercīgums un navigācijas līgums, kā arī 1938. gada protokols par tarifu ar parakstu. Galvenajiem šķēršļiem 1927. gada pagaidu Komerclīguma, 1929. gada komercīguma un navigācijas līguma parakstīšanai bija nevis ekonomisks, bet gan politisks raksturs. Polijas puse iebilda pret Lietuvas un PSRS iekļaušanu Baltijas un Krievijas klauzulā. Latvijas galvenais imports no Polijas starpkaru periodā bija akmeņogles un kokss, tekstils un tekstilizstrādājumi, metāli un metāla izstrādājumi, labība (mieži un rudzi) un linsēklas, savukārt Latvijas galvenais eksports uz Poliju bija gumijas izstrādājumi, papīrs un papīra izstrādājumi, linolejs, zivis un zivju izstrādājumi, krāsas un krāsas izstrādājumi. Kopumā starpkaru periodā tirdzniecība un ekonomiskās attiecības starp abām valstīm nebija nozīmīgas. Savukārt Latvijai bija diezgan intensīvas attiecības ar Poliju politiskajā, sociālajā un kultūras sektorā. Tas galvenokārt bija saistīts ar ģeogrāfisko izdevīgumu, lielo poļu minoritāti Latvijā un atšķirīgiem viedokļiem saistībā ar pierobežas reģioniem.

14. nodaļa. Portugāle

Šajā nodaļā aplūkotas Latvijas un Portugāles ekonomiskās attiecības starpkaru periodā, kad tās galvenokārt izpaudās ārējā tirdzniecībā. Latvija savu neatkarību pasludināja 1918. gadā (Portugāle iestājās par Latvijas atzīšanu starptautiskos forumos drīz pēc Latvijas neatkarības pasludināšanas), tomēr vērā ņemama tirdzniecība ar Portugāli sākās pēc 1920. gada, kad beidzās Latvijas Neatkarības karš. Tirdzniecības sakari starp abām valstīm beidzās līdz ar Latvijas okupāciju 1940. gadā. Latvijas ārējo tirdzniecību ar Portugāli regulēja 1929. gada komercīgums un navigācijas līgums. Latvijas galvenais imports no Portugāles starpkaru periodā bija korķis, vīns, zivju konservi (ieskaitot sardīnes), sāls un metāli (ieskaitot varu), savukārt Latvijas galvenais eksports uz Portugāli bija linolejs, liķieri u. c., sērskociņu stiebrīņi, papīrs un papīra izstrādājumi, finieris un radioaparāti. Attāluma un atšķirīgo ekonomisko struktūru dēļ tirdzniecība un līdz ar to ekonomiskās attiecības starpkaru periodā starp abām valstīm nebija nozīmīgas.

15. nodaļa. Spānija

Pašlaik Latvija un Spānija bauda ciešas un draudzīgas attiecības un iesaistās aktīvā politiskajā sadarbībā, dinamiski attīstījušās ekonomiskās saites, un pastāv lieliska sadarbība kultūrā un izglītībā. Šajā nodaļā aplūkotas Latvijas un Spānijas ekonomiskās attiecības starpkaru periodā. Spānija nodibināja formālas diplomātiskās attiecības (*de iure*) ar Latviju 1921. gada 9. aprīlī. Starpkaru periodā Latvijas un Spānijas ekonomiskās attiecības galvenokārt aprobežojās ar ārējo tirdzniecību. Svarīgas bija arī citas ekonomisko attiecību formas, piemēram, tūrisms. Tomēr tirdzniecības līgums starp Latviju un Spāniju netika noslēgts, lai gan Latvija no savas puses izrādīja lielu interesi. Galvenais iemesls bija Spānijas iekšpolitiskie satricinājumi. Tirdzniecība notika uz *ad hoc* pamata, un to kavēja Spānijas augstie tarifi valstīm, kurām ar to nebija tirdzniecības līguma. Latvijas galvenais imports no Spānijas starpkaru periodā bija apelsīni, mandarīni un citi augļi, vīns, korķis, kolofonijs, pomerances (rūgtā apelsīna) mizas, sēra kolčedāns (pirīts) un pluksināmie čiekuri (*Fuller's teasel*), bet Latvijas galvenais eksports uz Spāniju bija celuloze, liķieri, papīrs un papīra izstrādājumi, ādas, lupatas. Aptuveni 120 Latvijas pilsoņi un kādi 25 latvieši no PSRS arī piedalījās Spānijas Pilsoņu karā. Neskatoties uz nelielo tirdzniecības pieaugumu 30. gadu beigās, tirdzniecība un ekonomiskās attiecības starp abām valstīm starpkaru periodā nebija nozīmīgas.

16. nodaļa. Dienvidslāvija

Šajā nodaļā aplūkotas Latvijas un Dienvidslāvijas ekonomiskās attiecības starpkaru periodā. Starpkaru periodā ekonomiskās attiecības starp Latviju un

Dienvidslāviju galvenokārt aprobežojās ar ārējo tirdzniecību. Latvija savu neatkarību pasludināja 1918. gadā, tomēr vērā ņemama tirdzniecība ar Dienvidslāviju sākās pēc Latvijas Neatkarības kara beigām 1920. gadā un beidzās ar Latvijas okupāciju 1940. gadā. Dienvidslāvija iebilda pret Latvijas uzņemšanu Tautu Savienībā un nepiedalījās balsošanā. Tā rezultātā uz vairākiem gadiem tika kavēta Latvijas *de iure* atzīšana Dienvidslāvijā. Latvijas ārējo tirdzniecību ar Dienvidslāviju regulēja 1928. gada komercīgums un navigācijas līgums. Latvijas galvenais imports no Dienvidslāvijas starpkaru periodā bija apiņi, miecvielu ekstrakti, tabaka un tabakas izstrādājumi, kokmateriāli un koka izstrādājumi, kā arī kaņepes, savukārt Latvijas galvenais eksports uz Dienvidslāviju bija zivis un zivju konservi un gumijas preces. Kopumā tirdzniecība un ekonomiskās attiecības starpkaru periodā abām valstīm nebija nozīmīgas. Galvenie iemesli bija dažas līdzīgas ekonomiskās struktūras un ģeogrāfiskais attālums.

17. nodaļa. Ķīna

Šī nodaļa sniedz pārskatu pār Latvijas un Ķīnas ekonomiskajām attiecībām starpkaru periodā. Starpkaru periodā Latvijas un Ķīnas ekonomiskās attiecības galvenokārt aprobežojās ar ārējo tirdzniecību. Latvieši bija dzīvojuši dažādās Ķīnas daļās kopš Japāņu-krievu kara 1905. gadā. 30. gadu beigās Ķīnā dzīvoja aptuveni 1000 latviešu. Ķīna atzina Latviju *de iure* 1923. gadā. 1936. gadā Latvija un Ķīna parakstīja Draudzības līgumu, kurā VI pants noteica, ka tirdzniecības un kuģošanas līgums ir jānoslēdz pēc iespējas ātrāk. Tomēr Latvijas ārējai tirdzniecībai attiecībās ar Ķīnu bija galvenokārt *ad hoc* raksturs, un neviens tirdzniecības līgums netika noslēgts. Latvijas galvenais imports no Ķīnas starpkaru periodā bija kanēlis, tēja, sojas pupas, augu eļļas, antimona savienojumi un tabaka, savukārt Latvijas galvenais eksports uz Ķīnu bija zivis un zivju konservi (ieskaitot šprotes), papīrs un papīra izstrādājumi, finieris un finiera izstrādājumi, linolejs un gumijas izstrādājumi (ieskaitot gumijas galošas). Kopumā tirdzniecība un ekonomiskās attiecības starp abām valstīm starpkaru periodā nebija nozīmīgas galvenokārt ģeogrāfiskā attāluma dēļ.

18. nodaļa. Citas valstis

Šajā nodaļā īsumā tiek izvērtētas Latvijas bilaterālās ekonomiskās attiecības ar valstīm, ko Latvijas kontekstā pasaules ekonomikā var dēvēt par “eksotiku”. Tās ir Trinidada un Tobāgo un Jaungvinejas mandāta teritorija. Tobāgo salai ir īpaša vieta Latvijas vēsturiskajā atmiņā, turpretim Jaungvineja kopumā bija ne tikai eksotiska, bet arī ļoti tālu no Latvijas gan attīstības, gan ģeogrāfiskā novietojuma ziņā.

Starpkaru periodā ekonomiskās attiecības starp Latviju un Trinidadu un Tobāgo galvenokārt aprobežojās ar ārējo tirdzniecību. Tā kā Trinidada un Tobāgo

bija Britu karalistes kolonija, tās ārējo tirdzniecību ar Latviju galvenokārt regulēja Latvijas 1923. gada tirdzniecības līgums ar Lielbritāniju. Latvijas galvenais eksports uz Trinidadu un Tobāgo bija papīrs un papīra izstrādājumi, un sērskociņu stiebrīņi. Savukārt Latvijas galvenais imports no Trinidadas un Tobāgo bija kakao pupiņas un asfalta akmeņi. Latvijā laiku pa laikam ievada arī dažādus daudzumus citu produktu – kokosriekstus (1936, 1937), dažāda veida vērtīgo koksni (1936) un džutas maisus (1938).

1921. gada maijā Tautu Savienība deva Austrālijai mandātu pārvaldīt bijušo Vācijas koloniju Jaungvineju, kuru Austrālija bija okupējusi 1914. gadā, kad sākās Pirmais pasaules karš. Mandāta teritoriju Austrālija atsevišķi administrēja no tās teritorijas Papua līdz Otrajam pasaules karam. Tā kā mandāta teritoriju pārvaldīja Austrālija, tās ārējo tirdzniecību ar Latviju vairāk vai mazāk regulēja Latvijas 1923. gada tirdzniecības līgums ar Lielbritāniju, un Austrālija šos noteikumus ievēroja. Šī tirdzniecība bija nenozīmīga gan apjoma, gan vērtības ziņā. Saskaņā ar Latvijas statistiku pirmā reģistrētā tirdzniecība starp Latviju un Jaungvinejas Mandāta teritoriju bija ļoti neliela apjoma muskatriekstu un muskatrieksta ziedu ievēšana 1930. gadā. Tāpat nelielos apjomos Latvija no Jaungvinejas Mandāta teritorijas importēja sveķus un balzamīnes. Starpkaru periodā nebija Latvijas preču eksporta uz Jaungvinejas Mandātu teritoriju.

Lai gan tirdzniecība un ekonomiskās attiecības ar Trinidadu un Tobāgo starpkaru periodā bija daudz lielākas nekā ar Jaungvinejas Mandāta teritoriju, tās abas bija nenozīmīgas attiecībā uz Latvijas kopējo tirdzniecību. Tomēr, pateicoties Kurzemes hercogistes aizjūras kolonijas Tobāgo vēsturiskajam mantojumam, Trinidadai un Tobāgo ir nozīmīga vieta kā tagadnes latviešu nacionālās identitātes komponentam. Jaungvinejas Mandātu teritorija (tagad Papua-Jaungvineja) joprojām paliek “eksotiska”.

19. nodaļa. Latvija kā *Entrepôt*¹ pirms Pirmā pasaules kara

19. gadsimta otrajā pusē un 20. gadsimta sākumā cariskajā Krievijā notika plašas ekonomiskās pārmaiņas, un, lai gan ekonomikas vēsturniekiem ir atšķirīgi viedokļi par šo pārmaiņu ietekmi uz mūsdienu ekonomisko izaugsmi cariskās Krievijas laikā, ir skaidra kapitālistiskās attīstības procesa ietekme Latvijas provincē. 19. gadsimta beigās un 20. gadsimta sākumā strauji pieauga Latvijas lielāko ostu – Rīgas, Liepājas un Ventspils – loma cariskās Krievijas impērijas ārējā tirdzniecībā. Šo pieaugumu daļēji veicināja Krievijas impērijas, īpaši Rīgas, pieaugošā industrializācija un Latvijas ostu savienošana, paplašinot dzelzceļa tīklu uz un no Krievijas. Rīgas rūpniecības straujā

¹ *Entrepôt* – osta, pilsēta vai cits centrs, uz kuru preces tiek ievestas importam un eksportam, kā arī savākšanai un izplatīšanai.

attīstība un mazākā mērā arī Liepāja radīja augošu pieprasījumu pēc izejvielām un iekārtām savas rūpniecības paplašināšanai. Tās kļuva par *entrepôts* pārējai Krievijai. Ja skatās uz kopējo Krievijas ārējo tirdzniecību, tad 1913. gadā 28,2 % no eksporta kopapjoma un 20,6 % no kopējā importa gāja caur trim Latvijas ostām. 1913. gadā no visas Latvijas rūpniecības produkcijas kopapjoma 63 % tika realizēti Krievijā, 26 % palika Latvijā vietējām vajadzībām un 11 % tika eksportēti uz ārzemēm. Tāpat caur trīs Baltijas jūras ostām uz Krieviju tika novirzīts nozīmīgs imports, piemēram, rūpniecības un lauksaimniecības iekārtas, ķīmiskais mēslojums un patēriņa preces.

20. nodaļa. Īss atskats uz Latvijas un Norvēģijas ekonomisko attiecību aizsākumiem

Līdz 1920. gadam attiecības starp Latviju un Norvēģiju kopumā bija minimālas. Latvija bija neapskaužamā ekonomiskā situācijā 1919. gada beigās un 1920. gada sākumā. Rūpniecība bija sabrukusi, rūpniecības ēkās vairs nebija ražošanas iekārtu, jo 1915. gadā visu evakuēja uz Krieviju, zeme sagrauta, un iedzīvotāji izklīduši. Norvēģija bija pirmā Eiropas nācija, kas piedāvāja Latvijai ilgtermiņa kredītus pārtikas produktu iegādei un kļuva par vienu no Latvijas pirmajiem nozīmīgākajiem tirdzniecības partneriem. Sālītu siļķu imports 1920. gadā veidoja 77,41 % no visa Norvēģijas importa apjoma. Šīs sālītās siļķes Latvijā kļuva par parlamentārās izmeklēšanas un debašu objektu. 1920. gada sākumā Latvijas valdība deva rīkojumu Latvijas ģenerālkonsulam Norvēģijā Artūram Vanagam uzsākt sarunas par 50 000 barelu Norvēģijas siļķu piegādes departamenta kredīta pirkšanu. Drīz pēc tam iegādājamo daudzumu paaugstināja uz 100 000 bareliem.

1920. gada 9. novembrī Latvijas Satversmes sapulce bija izveidojusi speciālu komisiju, lai izmeklētu visus piegādes ministrijas iepirkumus un līgumus par laika posmu no 1919. gada līdz 1920. gadam, ziņoja arī par “ļoti sāļu lietu – siļķu lietu”. Valdība tika kritizēta par to, ka samaksātā cena ir pārāk augsta, pārņemts, ka siļķes pārvadātas ar dārgiem Norvēģijas kuģiem laikā, kad Latvijas kuģi ārvalstu ostās stāvēja bez darba. Siļķes Latviju bija sasniegušas galvenokārt 1920. gada vasarā. Papildu kritika tika izteikta, ka norvēģi bija “atlocījuši” sapuvušās siļķes, jo Rīgā visa Daugavas pietātnē smirdēja tur, kur zivis bija izkrautas. Ministru prezidents Kārlis Ulmanis savā atbildē uz parlamenta ziņojumu 1920. gada 23. novembrī paziņoja, ka siļķes pirktas tāpēc, ka tās bijušas ļoti nepieciešamas. Viņš arī paziņoja, ka “mums, tāpat kā citām valstīm, ir vairāk pirmās un otrās kvalitātes siļķu... Šeit mēs runājam par to, ka siļķēm ir spēcīga smarža, bet es varu teikt: neatkarīgi no tā, kuru siļķi izvēlas, tās visas ož.”

Norvēģijas iepirkto siļķu apjoma palielināšanas iemesls bija gaidas, ka pārpalikumu varētu pārdot ar peļņu Padomju Krievijai, kura Antantes blokādes un pilsoņu kara dēļ piedzīvoja pārtikas trūkumu. Tomēr pēc Antantes blokāžu pārtraukšanas

Krievija pati sāka sarunas ar Norvēģiju un iegādājās no tās vēl lielāku daudzumu siļķu. Šis bija milzīgs trieciens Latvijai, kura pati nespēja patērēt iegādāto daudzumu siļķu. Siļķu iegādi no lieliem zaudējumiem paglāba tirdzniecības un valūtas koncesijas, ko uz Padomju Krievijas robežas noteica piegādes ministrija. Lielākā daļa siļķu plūda uz šīm koncesijām, pretī saņemot linus, zirgus, dārgmetālus un citas Padomju Krievijas preces.

21. nodaļa. Latvija un hitleriskā Vācija, 1933.–1940. gads

Starpkaru gados Vācija bija viena no divām galvenajām Latvijas tirdzniecības partnerēm (otra bija Lielbritānija). Līdz 1937. gadam aptuveni 70 % no visiem darījumiem bija ar šīm abām valstīm. Latvijas ekonomiskās attiecības ar hitlerisko Vāciju nonāca līdz vētrainam pagriezianam ar vācu preču boikotu 1933. gadā (tā sauktais sviesta karš). Pēc valsts apvērsuma, ko 1934. gadā veica Kārlis Ulmanis, ekonomiskās attiecības joprojām bija saspringtas. Īpaši saistībā ar viņa finanšu sistēmas “latviskošanas” politiku, kas ietekmēja Vācijas investīcijas Latvijas bankās. 1932. gada kliringa nolīgumu par tirdzniecības atvieglošanu starp abām valstīm pārņēma nacisti, un tas kļuva par nacionālsociālistu ārējās tirdzniecības politikas galveno instrumentu. Tomēr Vācija nekad nav dominējusi Latvijas tirdzniecībā tik efektīvi kā Balkānu tirdzniecība. Sākoties Otrajam pasaules karam, Vācija noslēdza piekļuvi Baltijas jūrai, attīstot savu dominanci Latvijas tirdzniecībā ģeometriskā progresijā, neskatoties uz baltvāciešu izceļošanu 1939. gada beigās un 1940. gada sākumā. Līdz PSRS okupācijai 1940. gada jūnijā Latvija bija parakstījusi vairākus tirdzniecības līgumus ar Vāciju. Latvijas (un pārējo Baltijas valstu) absorbcija Padomju Savienībā tika uzskatīta par vienu no “operācijas Barbarosa” izraisītājiem.

22. nodaļa. Lata devalvācija 1936. gadā un Latvijas ārējā tirdzniecībā

Devalvācijas sekas var būt sarežģītas un tālejošas. Atkarībā no valsts tirdzniecības struktūras domātie ieguvumi var neīstenoties. Latvijas 1936. gada devalvācijai bija diferenciēts efekts uz Latvijas ārējo tirdzniecību ar Skandināvijas valstīm un pārējo pasauli. Labvēlīgā pasaules ekonomiskā situācija 1937. gadā (augstās kokmateriālu cenas) veicināja būtisku kopējā eksporta kāpumu pēc devalvācijas. Tomēr *J-curve* fenomenu ar laika nobīdi uz aptuveni diviem gadiem varēja novērot tikai tirdzniecībā ar Zviedriju un Dāniju. Devalvācijas vispārējo ietekmi uz Latvijas ārējo tirdzniecību mazināja autoritārā režīma kontrole pār Latvijas ārējo tirdzniecību, stingras iekšējās cenu kontroles un kliringa līgumi ar vairākām valstīm, tostarp Zviedriju.

23. nodaļa. Latvijas ekonomiskās saites ar Lielbritāniju 1939./1940. gadā

Pašreizējais redzējums uz Lielbritānijas un Latvijas tirdzniecības attiecībām pēc Otrā pasaules kara sākuma ir tāds, ka Baltijas valstu līderi bija galvenie virzītāji uz tirdzniecības saišu uzturēšanu ar Lielbritāniju. Lielbritānijas reakcija uz Baltijas valstu lūgumiem bija samērā pasīva. Latvijas un Lielbritānijas arhīvu dokumenti liecina, ka briti uzstājīgi centās saglabāt tirdzniecības saites ar Baltijas valstīm, kurām savukārt tas bija sarežģīti. Otrā pasaules kara sākums 1939. gada septembrī apgrūtināja turpmāko Baltijas valstu eksporta tirdzniecību ar Lielbritāniju, neskatoties uz absolūtas neitralitātes apliecinājumiem. Jautājumu vēl vairāk sarežģīja padomju bāzu un kara spēka klātbūtne pēc 1939. gada oktobra.

Latvijas eksports uz Lielbritāniju 1938. gadā veidoja 42 % no visa Latvijas eksporta, savukārt imports no Lielbritānijas veidoja aptuveni 19 % no visa Latvijas importa apjoma. Vispārējā tendence gan eksportā, gan importā pēc 1933. gada pieauga, kaut vispārējā tendence laika posmā no 1920. gada līdz 1933. gadam samazinājās. Latvijas eksportā uz Lielbritāniju dominēja lauksaimniecības produkti – sviests, bekons, olas, lini, kokmateriāli un koka izstrādājumi. Imports no Lielbritānijas galvenokārt bija akmeņogles, kokss, siļķes un izejvielas tekstilrūpniecībai, dažādi metāla, kā arī vilnas un kokvilnas izstrādājumi. Tā kā Baltijas jūrā nav britu flotes aizsardzības, Lielbritānijas iestādes ieteica alternatīvus ceļus Latvijas eksportam uz Lielbritāniju. Tika apsvērtas divas alternatīvas. Viens no tiem bija eksporta nosūtīšana uz Zviedriju pa Somijas vai Zviedrijas teritoriālajiem ūdeņiem un tālāk caur zviedru, dāņu, norvēģu teritoriālajiem ūdeņiem uz Lielbritāniju. Tas bija ārkārtīgi sarežģīti Vācijas jūras spēku pieaugošās aktivitātes dēļ šajā reģionā. Alternatīvais maršruts bija kuģu eksports uz kādu Zviedrijas ostu, Zviedrijas tranzīts pa dzelzceļu uz kādu Norvēģijas ostu ar pārkraušanu uz Lielbritāniju. Tas izrādījās vienīgais dzīvotspējīgais veids. Tomēr abus maršrutus beidzot noslēdza vācu iebrukums Dānijā un Norvēģijā, okupējot abas valstis 1940. gada aprīlī.

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Viesturs Pauls Karnups

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