



Todd Pfannestiel, “The Soviet Bureau: A Bolshevik Strategy to Secure U.S. Diplomatic Recognition through Economic Trade,” *Diplomatic History*, Volume 27, Issue 2 (April 2003): 171-192.

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In 1919, Soviet representative Ludwig C.A.K. Martens came to New York to open an office to buy goods for his country as well as to enhance Soviet prospects for closer ties with Washington. In the midst of the Red Scare, the Soviet Bureau’s opening was a brave act, to say the least. Martens and his associates, including the Finnish Socialist Santeri Nuorteva, (the “Hebrew” Nuorteva was “the brains” of the Soviet Bureau, according to the State Department),[1] faced daunting odds. Not only was there an embargo on trade with the Soviet Union related to the recently concluded war, but the Wilson Administration had shut out Lenin’s government from diplomatic intercourse, refusing to recognize its existence. Martens’s main problem, though, was zealous anticommunist state and national officials who made it their business to harass him from his earliest months. The New York State Senate’s (Clayton R.) Lusk Committee raided his office, stealing voluminous files; the War Department’s Military Intelligence Division spied on him and his staff; the U.S. Senate subpoenaed Martens to testify in front of a hostile Congress; and finally the Justice and Labor Departments plotted to have him deported, which he was (albeit “voluntarily”) in early 1921.[2] Thus, despite drawing the interest of a broad range of American firms, from Armour Meats to U.S. Steel--many of whom unconvincingly denied their pursuit of his custom when it came to light--Martens was hounded out of the country. Still, he had somehow succeeded in making limited shipments to Russia, consisting mostly of shoes, soap, and drugs. Armand Hammer, whose father had close ties to the Bureau and was an important source of the Bureau’s funds, was largely responsible for the drug trade.

Todd Pfannestiel, a professor at Clarion University, argues in his article in the Spring 2003 issue of *Diplomatic History* that Martens’s effort “was the first and most concerted effort by the Bolshevik regime to normalize relations between Russia and the United States.” (p. 171) As his title states, the Bureau was “A Bolshevik Strategy to Secure U.S. Diplomatic Recognition through Economic Trade”. Pfannestiel also contends that despite the demise of the Bureau, its work left a legacy, not only in Lenin’s continued emphasis on economic incentives to win improved diplomatic relations with the United States, but for later Soviet leaders’ reliance on this practice as well. These arguments are not new. David W. McFadden makes the same points in his book *Alternative Paths: Soviets and Americans, 1918-1920* (New York: Oxford University Press, 1993), as does the author of this essay in *Loans and Legitimacy: The Evolution of Soviet-American Relations, 1919-1933* (Lexington, Ky.: The University Press of Kentucky, 1996). Neither of these books, however, appear in Pfannestiel’s footnotes. He is apparently unaware of

¹ Note: The original version of this commentary posted to the H-Diplo list on 25 May 2003 contained numerous formatting irregularities relating to quotation marks, dashes, and other such formatting items. Although the editor of this copy made extensive efforts to remove these formatting irregularities, some may remain.

them, even though each of these works have extensive chapters on Martens's Bureau with very similar arguments to his on its contributions to Soviet diplomacy. This is part of a larger problem with the study; with the exception of Christine A. White's excellent *British and American Commercial Relations with Soviet Russia, 1918-1924* (Chapel Hill: University of North Carolina Press, 1992), most of the author's secondary sources are twenty-five to thirty-five years old. This weakness in the article's literature base was noted in two recent posts that appeared on H-Diplo by Professor David S. Foglesong of Rutgers University and Professor John McNay of Raymond Walters College at the University of Cincinnati. In all fairness to Pfannestiel, it is important to point out that the responsibility for this lapse lies chiefly with the outside referees of *Diplomatic History*, who read his piece early on and should have alerted him to consult other scholarship. This editorial failure remains the most troubling aspect of Pfannestiel's article.

While the author's thesis has been offered by others, this by no means precluded Pfannestiel from making a contribution to scholarship, since he could have introduced new evidence to buttress this thesis. Unfortunately, the evidence he offers is rather thin, and at close inspection does not hold up. Key to the author's argument for Martens's legacy is the subsequent development of economic concessions in Russia: he cites Armand Hammer's asbestos mine in the Urals as an example. However, it is highly questionable that concessions were "Lenin's most successful strategy for establishing economic relations with the United States." (191) Hammer himself pulled out of the asbestos concession in 1926 after it lost money, as he did from a pencil factory in 1930. Firms like International Harvester and entrepreneurs like Averell Harriman found that concessions inevitably caused them to lose control of their investments, usually resulting in horrendous losses. Technical assistance contracts eventually proved much more appealing to American businessmen, as I have noted elsewhere.[3] Pfannestiel's point would be far better substantiated had he cited the example of trade; Martens was followed by several successful Soviet agencies in New York, including the All-Russian Textile Syndicate and the Amtorg Trading Agency, which itself racked up sales of more than \$100 million by 1930, confirming the importance of the Soviet Bureau's legacy. As Martens put it, his tour had brought "a significant profit in the sense of attracting the attention of the American businessmen to the question of trade with Russia." [4]

But perhaps the main evidentiary weakness in Pfannestiel's article is his lack of Soviet sources. His argument that Martens's operation resulted from a Soviet design to promote trade and diplomatic ties calls for a close look at that government. What did its leaders think of Martens's prospects, particularly while he was in the midst of a distinctly unfriendly environment in New York? Pfannestiel writes that "Lenin maintained a close watch over and repeatedly endorsed Martens's efforts." (p. 182) Yet Lenin's comments to Western newspapers (Pfannestiel's source for this statement) can hardly provide a full picture of his government's actions, as readers of *Diplomatic History* well know. Instead, as Soviet archives show, Martens's own superiors often treated him shabbily--ignoring his frequent requests for funds, leaving unanswered his regular queries about prospective purchases, and then interfering to stop his more ambitious contracts. Martens complained to Moscow when he learned that Soviet representatives were ordering American products in countries like Germany, cutting him out of the action. But Commissar of Foreign Trade Leonid Krasin flatly dismissed the Soviet Bureau chief's plan for centralizing all of Moscow's purchases of American goods at the Bureau: "until your existence ceases to be half-

legal and a week does not pass, in which we learn from newspapers about some kind of persecution against you, Nuorteva, etc., of course there cannot be any talk of such centralization.” [5] Martens could be relieved that Soviet leaders were more helpful in his dealings with local Communists; when New York radicals considered the Bureau chief insufficiently devoted to the revolutionary cause, demanding he be ousted, Deputy Commissar of Foreign Affairs Maxim Litvinov resolutely defended him. However, when Martens returned to Russia Litvinov was distinctly less friendly, excoriating the former representative for his unwise dealings with American businessmen (some of whom had come to Russia adamantly demanding the fulfillment of their contracts). Litvinov savagely questioned Martens’s judgment, declaring, “I can only believe that in areas of commerce you are as badly oriented, as in your appraisal of political positions.” [6] Apparently, Lenin’s “endorsement” didn’t go very far. Pfannestiel concludes that “if it had not been for the antiradical hysteria fomented by . . . [the] Red Scare” Martens “might have succeeded” (p. 192). But the problematic nature of Martens’ relationship with his bosses in Moscow creates a more complicated picture. Exacerbating the study’s lack of Soviet material is a narrowness in the author’s American sources: nearly all of his primary research comes from one collection, the raided files from New York State’s Lusk Committee.

As David Foglesong pointed out in his H-Diplo post of April 29, 2003, a key problem with Pfannestiel’s article is that it is too restricted in its time frame to provide a full discussion of its topic. The study largely concerns the first half of 1919, and thus leaves out important developments that preceded the Bureau’s founding that year, such as the contributions of Nuorteva’s own Finnish Information Bureau to Martens’s operation, as well as later developments, including the Bureau’s publication of the newspaper *Soviet Russia* beginning in June. This weekly was designed not only to win trade with Russia but also to counter American intervention there. Martens’s parallel struggle on the intervention front, which was also reflected in his battles with Russian “ambassador” Boris Bakhmeteff over his legitimacy in the United States, receives little attention in the article; when it does, it also suffers from a scanty literature base. Missing are the insights of Foglesong’s own work, *American’s Secret War Against Bolshevism: U.S. Intervention in the Russian Civil War, 1917-1920* (Chapel Hill: University of North Carolina Press, 1995) or those of Linda Killen, including “The Search for a Democratic Russia: Bakhmetev and the United States,” *Diplomatic History* 2 (Summer 1978): 237-256.

Foglesong’s post also points to some difficulties with chronology in the article, particularly regarding the origins of the U.S. non-recognition policy (which actually began in 1917, well before Martens). Indeed, there are several chronological problems with the piece; most surprising is Pfannestiel’s assertion that the Bureau “closed in June [1919]” (p. 191), when the Lusk Committee raid occurred. But this is inaccurate: the Bureau reopened several weeks later and continued to operate until Martens’s deportation. Pfannestiel seems somewhat unsure about the closing date himself, since several pages earlier, he has the Bureau’s close occurring “subsequent” to October 1919 (p. 182). Foglesong concludes his post on the article with an eloquent plea for further research in Russian archives, which, he notes, “may offer insights about the tensions between Soviet representatives who were eager to develop foreign trade (including Martens) and Bolshevik officials who were eager to seize foreign property inside Soviet Russia.” This was a very real problem, as the fate of concessionaires revealed. Such tensions, Foglesong adds, “might be seen as part of a long-term struggle between cosmopolitan and isolationist or xenophobic elements over Soviet economic, cultural, and political relations with the West.” As

Martens' treatment by his own government reveals, these tensions were all too evident; sent to New York with an ambitious agenda for accomplishing economic and diplomatic breakthroughs, he received little support from home.

Offering similar points to those raised here regarding the lack of a Soviet perspective, John McNay's April 30 post also makes the important charge that the weaknesses in Pfannestiel's study--problems which should have been caught by more attentive referees--may also reflect the state of our field. As McNay suggests, "With so much focus in diplomatic history on the post-World War II Cold War (including my own work on Dean Acheson), it is regrettable but maybe inevitable that some of these important issues in earlier periods could slip through the cracks." This seems to be exactly what happened. The limitations of his research aside, Pfannestiel was not served well by the review process of *Diplomatic History*, and this is a troubling development for those of us who rely on the journal as the pathbreaking scholarly publication in our field. It is to be hoped that as we move further away from the Cold War's grip, future issues will contain more rigorous, multiarchival research in these earlier decades.

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1 Felix Cole to Bainbridge Colby, April 29, 1920, box 2, Colby Papers, Library of Congress.

2 Martens to London, December 17, 1920, Archive of the Foreign Policy of the Russian Federation (AVPRF) fond 507, op. 5b, del. 4, papka 3a.

3 "Technology and Trade: Russia's Pursuit of American Investment, 1917-1933," *Diplomatic History* 17 (Summer 1993): 375-398.

4 Martens to the Narkomindel (People's Commissariat of Foreign Affairs), June 21, 1920, AVPRF fond 507, op. 5b, del. 1, papka 3a.

5 Krasin to Martens, August 20, 1920, AVPRF fond 507, op. 5b, del. 5, papka 35.

6 Litvinov to Martens, October 22, 1921, Russian Center for Preservation and Storage of Documents of Contemporary History (RTsKhIDNI), fond 5, op. 1, del. 280.

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