

PRIVATE AND CONFIDENTIAL.

Memorandum on the expected invitation of the Russians to the Finnish and Swedish Exporters to discuss means for regulating the Timber Market.

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The present position of the timber trade is at this moment probably worse than it has ever been before. Consumption in all countries has declined and there is not one market which can be relied upon to absorb normal quantities of wood during 1931.

In spite of the decreased production in Sweden and Finland particularly, it will be extremely difficult for exporters to come through the present year without dropping prices still further, and even then there is a strong probability that they will be obliged to overwinter heavy stocks unless some drastic action is taken.

It is generally recognized that the situation in Great Britain is at present the controlling factor. Now the anti-Russian propaganda in that country is undoubtedly having a serious effect, mainly in the following ways:-

- a) Some Railways, Corporations and big consumers are refusing to buy Russian Wood and others are expected to do so.
- b) The Russian Softwood Buyers' Corporation's power of buying Finnish and Swedish wood is restricted while they cannot see their way to selling a great part of the Russian wood which they have bought.
- c) The other buyers who have not bought Russian wood, seeing this state of affairs, are in the main holding off the market in the anticipation of a further fall in prices.

If this state of affairs continues, it will not only have the effect of restricting purchases by the English importers of Finnish and Swedish Wood, but will also cause the Continental buyers to restrict their purchases even more than they are doing at present.

Furthermore it may, more than likely, result in the English buyers of Russian Wood being left with heavy stocks and may easily cause something approaching a financial disaster in the English Timber Trade which would cripple its purchasing power for several years.

In view of the situation outlined above an arrangement between the Swedes, the Finns and the Russians should have the immediate effect of saving the situation for all concerned this year, and, if such an arrangement could be made for a period of years, of assuring a reasonably stable market in the future.

It is not the purpose of the present memorandum to discuss ways and means of coming to such an arrangement. It would appear to be not only inadvisable but unnecessary to discuss prices with the Russians. The prices can be left to take care of themselves.

It is suggested, merely, that the arrangement should provide for

- a) an arrangement to cover a period of 3 to 5 years;
- b) a fixed percentage which each country is allowed to export to Europe, South Africa and possibly Egypt;
- c) the total quantity to be exported by the three countries during the following year to be made up by a representative committee at the beginning of each selling season, say in October. Each country would be allowed to export the percentage of that quantity originally allotted to it.

The question arises as to whether the present moment is opportune for meeting the Russians. It is, of course, almost impossible to do it at exactly the right moment, but from the general signs it would appear advisable to act at once for the following reasons:

- a) It is known that the Russians are very short of money.
- b) It is believed that the total sum obtained for their increased exports during 1930 was less than during 1929 and that they realize, partially at least, that to produce is only half the battle and that to sell profitably is the other half.

c) They are undoubtedly frightened, and seriously so by the fact that their exports have been prohibited entry into certain countries.

d) They are afraid that this prohibition may extend to Great Britain, as there seems a strong probability that the present Socialist Government will be replaced by a Conservative Government. Psychologically their fears are probably intensified by reading the British Press (which is almost exclusively anti-Russian - some newspapers violently so), also by the frequent reports of their agents regarding the unsatisfactory resales of Russian wood and by the persecution mania from which they ordinarily suffer.

e) It is, however, unlikely that the present Socialist Government in Great Britain will be overthrown for some months and in the interval the wood trade will go from bad to worse.

f) If a Conservative Government is returned after the next election, it is by no means certain that they would prohibit the import of Russian wood. It is probable that they would first turn their attention to those manufactured articles dumped by the Russians which can be produced in Great Britain. In any case it is likely that it would take some considerable time before any sort of prohibition was ordered, because investigations would first be necessary and the Trade Agreement with Russia would have to be denounced for which 6 months' notice is required.

g) It seems likely that the Russians' fears of future prohibition are at the present time somewhat exaggerated and it may well be possible to obtain better terms from them now than later.

h) If there is a delay in meeting them it is conceivable that a General Election may come in England and the unforeseen happen - namely the return of another Socialist Government which would again set the Russian tails wagging.

Taking all the above facts into consideration it would appear to be very advisable to endeavour to come to an agreement at the earliest possible opportunity.