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Prospects of Russian-American Economic Relationships in the Early XX Century: Position of the Social, Business, and Political Establishment

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Abstract

The development of Russian-American trade and commercial relationships in the beginning of the XX century was rather slow and complicated. This was due to the fact that the main partners of the Imperial Russia were the leading European countries. Thus France, Germany, Belgium were among those countries which helped Russia to foster her industrial reforms with their financial capitals. What was more they had been along with England her main commercial partners for a long time. The situation changed dramatically just before and during the World War I when Russian officials turned to the United States as a great power with highly developed industries and a very considerable amount of gold. The cooperation between the two countries could be mutually beneficial in many fields, and this fact became obvious for the representatives of the business, social, and political elites. So this article examines the prospects of the economic development between Czarist Russia and the United States of America, and the positions of the people from which that development highly depended on.

Keywords: *Russian-American relations, trade, commerce*

1. Introduction

The development of Russian-American economic and trade relationships in the early 20th century took place when the Czarist Russia suffered from a number of political challenges both domestic and international.

In February, 1904 Japan issued a declaration of war against Russia which occurred to be a hard burden – political and economic - for the latter. The unpopular war with the defeats of the Russian Army and the Navy caused numerous social complaints within the country and along with the inanity of its further escalation resulted in peace negotiations with Japan and the Treaty of Portsmouth. It is no exaggeration to affirm that the circumstances of the unpopular among the Russians war caused dramatic political respond and the Revolutionary situation of 1905-1907.

The very situation in the country of that period was depicted by William E. Walling who spent three years in Russia and witnessed all the events that led to the Revolution. Perhaps he was too emotional when describing the political situation in the country, however, his view was important for the contemporary Americans. He tried to outline what had happened to Imperial Russia in previous years, accusing her Government of most of the evils. «In the brief space of four years Russia has gone through the experience of a generation: the war with Japan; the broken promises of the Czar and the false constitutional hopes of a part of the people; the indefinite postponement of the once impending bankruptcy; the failure of passive resistance called for by the national assembly, of the second great general strike, of the insurrections in the cities, of the agrarian uprisings in the country, and of the imposing mutinies on sea and land to shake off the hated Czar».¹

The respond of the Czarism to the Revolution and afterwards was also hard for the people. According to W. Walling: «At present all continues as before: newspapers are confiscated and suppressed; every kind of meeting forbidden; Jews and Poles persecuted for their religion and nationality; workingmen and peasants arrested by the wholesale for striking; hundreds of speakers, writers, students and working people sent every day, without trial, to prison, hard labour, and Siberia; the starving peasantry crushed by the same overwhelming burden of taxes, and the Duma abolished in all but name».²

The period of 1908-1914 was a brief space before Russia took part in the First World War (1914-1918) and had therefore to spend a huge amount of financial and human resources. The pre-war period occurred to be the time when Russia «was passing through a period of considerable economic prosperity».³ While this statement can be generally true when comparing the industrial and commercial development of the country with that of the previous times the whole economic situation was more complicated for such enthusiastic remarks. The Russian Government was confronted with many serious problems and, first of all, with the immature economic development of the country. In this connection it is worth mentioning the opinion of Joseph M. Goldstein, Professor of Political Economy at the Moscow Institute of Commerce and Industry and of the University of Moscow, who came to this country in order to study the possibilities of Russian-American commercial cooperation. In his monograph he gave a detailed investigation of the economic situation in Russia, comparing it with that of other countries. Thus he emphasized the main issues that were as follows: «a railroad mileage [was] not much in excess of that of Canada..., the small number of joint stock companies engaged in her [Russia's] industries» which was due to the «the restriction caused by the innumerable regulations which the old bureaucratic regime placed on the free investment of capital in joint stock companies».⁴ Although «Russian agriculture has made noteworthy progress during recent years», - he continued, - «its productivity was, nevertheless, much lower than that of other countries»; «the endless friction

¹ Walling, William E., "Russia's Message. The true world import of the Revolution". NY, 1908. P. 3. Available at <http://www.archive.org/stream/russiasmessaget00wallrich#page/n7/mode/2up>

² Walling William E. Op.cit. Pp.11-12.

³ Goldstein, Joseph M., "Russia. Her Economic Past and Future". Russian Information Bureau in the U.S. NY, 1919. P. 79. Available at <http://www.archive.org/stream/russiahereconomi00gold#page/n3/mode/2up>

⁴ Goldstein, Joseph M., Op.cit. Pp.7-53.

between the various governmental departments... stood in the way of the realization of...plans».⁵ This list is far from being completed. Anyway it was evident that Russia urgently needed profound reforms in almost all branches of her economy.

2. Russian intellectuals about perspectives of Russian-American cooperation

Many experts agreed that Russia confronted the problems which America had had half a century ago, and that American experience could be in this case of great value for the former. This explains why the United States attracted more and more attention from Russian political, business, and social establishment. Numerous initiatives were launched in order to investigate the reasons of American rapid economic development and to pursue trade and commercial cooperation with that country, from the one hand, and become more attractive for her financial capital – from the other.

Unlike Russia the North-American United States (as they were called in Russia in those times) did not take part in the War until 1917, and, what is more, could benefit from it being the main manufacturer of war suppliers for the European countries, and first and foremost for Russia. This situation was of great benefit for the United States and resulted in accumulation of large holdings of the world's gold there. The analysis of current states of affairs allowed S. McRoberts, the Executive Manager of the National City Bank of New York, to affirm that «New York is to be henceforth the financial center of the world; that the overseas trade will necessary be cleared through the United States; that the key to the world's commerce is now in our hands, and that in the natural order of things we have become a great trading nation, with our economic position assured for a decade, is untenable».⁶

In this case it is reasonable to analyze the point of view of Mr. Ozerov who was the Member of the State Council in Czarist Russia, Professor of economy at the Moscow University and one of the initiators of the establishment of the Russian-American Chamber of Commerce in 1913. In his early book devoted to economic results of the developed countries in XIX century he predicted that «In 10 years the United States will probably become the leader in metallurgical and engineering fields and perhaps the main concern will be how to expand their markets».⁷ At the same time he compared the United States both with Colossus and with «a nightmare»; he put a stress on the American threat (meaning her economic leadership) the respond to which could be an organization of «a European union»⁸ in order to protect other countries from American economic domination.

Perhaps I. Ozerov exaggerated to some extent the so-called «American threat», however, he foreseen the huge economic potential of the country. He also emphasized those circumstances

⁵ Ibid.

⁶ McRoberts, Samuel, "Russia". Boston, 1917. P.5. Available at <http://www.archive.org/stream/russiamcroberts00mcroiala#page/n3/mode/2up>

⁷ Ozerov, Ivan Kh., "The results of economic development of the XIX century". Saint-Petersburg, 1902. P.68.

⁸ Ibid. P.74.

that were essential in achieving such remarkable results which were as follows: absence of debts, and no military escalation – the two evils that the European countries had suffered from.⁹

Indeed, the Russian Government had to borrow enormously, and there were several reasons for this which were outlined by Henry Norman¹⁰ after he had discussed different economic issues with S.J. Witte, Minister of Finance in the Czarist Russia: «First, to pay off the more costly debts – loans previously contracted at a higher rate of interest - and thus to unify her debt, both for her own economy and for the convenience of her creditors; second, to construct public works necessary alike for the development of her national resources, and in order that many of the great industries which this development has already called into existence, and which largely depend upon Government orders for their support, may not languish and disappear, and thus perhaps fail her when she needs them most».¹¹ It was therefore obvious for Russian officials that the country had to reform her economy and urgently needed foreign investments for giving impetus to her development.

One of the most interesting things Mr. Ozerov wanted to draw ones attention to was the American system of education with a great number of schools, universities, and libraries and their profound state and private financial support. «Here»,- he wrote,- «both the school and life itself develop person's traits of character, will, and energy» and a working man is not treated as «a machine which is waiting for an order».¹² Among very important factors that had a positive influence on the country Mr. Ozerov mentioned freedom of mass media and state system itself. The atmosphere of «civil freedom, ... education, development of personal initiative» , the idea of intellectual development of the human being, widely spread in the American society, - all these, along with commitment to modern technical equipment, the tariff system for imported commodities, etc. were the key factors of the American considerable economic rise.¹³

The Russian reality was far from the one described above. According to W. Walling «The schools are getting in many places one-tenth of what they do in the United States»,¹⁴ not mentioning the absence of intellectual freedom and initiative which in many cases were condemned as the working person had not been expected to think and express his ideas but to carry out the orders that he received. That was a diametrically opposed approach to a person which had had a very long tradition in the Russian history.

In several years I. Ozerov published his next book devoted to the United States describing two matters he had on his mind. He agreed with Lord Solisbury's idea to create a European Federation of nations as «the European countries taken together have all the elements necessary for a broad and powerful industrial development that could compete with that of the United

⁹ Ibid.

¹⁰ Although Henry Norman was an English journalist and later on a politician, his point of view is worth mentioning as he had close contacts with the main Russian officials.

¹¹ Norman, Henry., "All the Russias". NY, 1902. P.365. Available at <http://www.archive.org/stream/cu31924028389157#page/n11/mode/2up>

¹² Ibid. P.72.

¹³ Ozerov, Ivan Kh., "America is coming on Europe." Saint-Petersburg, 1903. Pp.38-65.

¹⁴ Walling, William E., "Russia's Message. The true world import of the Revolution". NY, 1908. P. 107. <http://www.archive.org/stream/russiasmessagetr00wallrich#page/n7/mode/2up>

States».¹⁵ At the same time, however, he did not reject the idea of business cooperation with the American capitalists. In his opinion it could be very profitable for Russia not only because of the financial investments she wanted to attract, but also because of «American working methods, energy», and creativity, that were always supported in the American society.¹⁶

With the beginning of the World War I the political and economic importance of the United States was unconditional for Europe as a whole and for Russia in particular. Russia depended on American war supplies, and had to conclude necessary treaties with her manufacturers.

In his publications issued at that time I. Ozerov occurred to be one of the most active supporters of close cooperation with the United States. He offered to create an alliance of four leading countries – Russia, the United States, France and England – which would become «a huge military and financial power».¹⁷ This union would have a great mission as to bring peace not only to Europe but also to the whole world. Moreover, Russian-American cooperation would be mutually beneficial. For the former it would mean a good chance to be safe from burdensome German trade mediation and terms of the trade agreement of 1906, as well as to achieve profound industrial results with the help of the American financial capital. For the latter there would be a lot of opportunities «to obtain Russian oil-bearing territories, copper mines, concessions for railway building»,¹⁸ etc. Moreover, Russia was an extensive market for American commodities.

However, the so-called «Jewish question» and the laws that governed in Russia the travel of foreigners were the main impediments for these ideas to come true. In fact the American political respond to the discussion over the Jews which lasted for a number of years was very strict and the Russian-American trade agreement of 1832 was terminated.

3. Possibilities of commercial cooperation: opinion from abroad.

Beside theoretical conclusions drawn by the Russian intellectuals it is worth mentioning the point of view of those persons who, during their visits of the United States, could express their ideas on the prospects of Russian-American commercial cooperation.

One of them was Mr. A.V. Ber, vice-president of Russian-American Chamber of Commerce, who spent more than seven months in the United States in 1915 investigating political and economic situation in the county, arranging interviews with bankers, manufacturers, financiers, merchants and public figures, and, as a result, outlining in his reports those benefits that Russia could gain from close cooperation with that country.

It was obvious for him that the work of munitions factories that provided the countries of the Triple Entente with necessary armament, the number of which was increasing rapidly were those crucial factors that determined the economic rise in the country for the following months and even years. What was more, from May, 1915 on «import of yellow metal grew permanently, and today New York is full of yellow metal; all the banks` storerooms are filled in with it..., and the

¹⁵ Ozerov, Ivan Kh., “What does America teach us?”. Moscow, 1908. P.181.

¹⁶ Ibid. P.214.

¹⁷ Ozerov, Ivan Kh., “What are we fighting for?” Moscow, 1915. P.44.

¹⁸ Ozerov, Ivan Kh., “On a new way! To the question of economic emancipation of Russia”. Moscow. 1915. P. 294.

amount of gold in American Treasury astonishes people who know in details the history of the American finances for the last 20 years»,¹⁹ he wrote in his letter to the Russian War Minister.

Perhaps A. Ber considered this state of affairs to be an indisputable benefit for the United States, not taking into account that the situation could change after the war was ended. Samuel McRoberts, the Executive Manager of the National City Bank of New York, in his publication warned that: «The remarkable growth of the cost of production in all fields of manufacturing, the unparalleled level of wages, and the resulting high cost of living, clearly intimates how pregnant it is of disaster, and how easily present conditions may be reversed when the war is over and our new wealth rapidly drawn away».²⁰ The United States had to think about the post-war period in order to avoid economic collapse. It was also obvious that with her financial capital America would be the main European investor.

After the war, A. Ber predicted, Russia should not rely on the help of European countries as their own economic and financial situation would be undoubtedly hard. For him it was evident that «all the nations would strive for American capitals» and for Russia the situation was much more difficult as she was known less in the United States than any other European country.²¹ In order to change it for the better for Russia A. Ber insisted on making improvements in different spheres necessary for her to become more attractive for American capitals. For the first place he put the importance of broad popularization of the United States by means of public lectures and publications about the country in Russian press. The meaning of these measures was unquestionable for him and this explains why he put this idea as a priority in his list. Due to the lack of reliable information about industrial innovations, comfortable working conditions that encouraged people to be creative and full of desires, not mentioning poor information about business and trade opportunities, and general details on conditions regulating commerce between the Imperial Russia and the United States, - all these from the one hand, prevented from rapid economic and trade relationships between the countries, and, from the other hand, the immensely progressive elements typical of the American economy could not be implemented in Russia.

In 1913 already Mr. John Harold Snodgrass, the American Consul General at Moscow, wrote that «The possibilities of trade in this vast territory are little known to the great mass of business men in the United States».²² That was true taking into account that Russian business men tried to establish direct contacts with the American merchants and manufacturers knowing little about each other and this fact made the Russian-American Chamber of Commerce to become one of those organizations that considered the achieving of this aim to be of great importance.

¹⁹ A letter of A. V. Ber, the Vice-president of Russian-American Chamber of Commerce, to A.A. Polivanov, the Russian Minister of War, about the necessity of the development of economic relations between Russia and North-American United States. November, 2 (October, 20) 1915. In: Russia and USA: trade-economic relations: 1900-1930. Moscow, 1996. P.113.

²⁰ McRoberts, Samuel., "Russia". Boston, 1917. P.4. Available at <http://www.archive.org/stream/russiamcroberts00mcroiala#page/n3/mode/2up>

²¹ Ber, Alexander V., "About economic situation in North-American United States, our joining with them and the measures to be undertaken for achieving this aim" . NY, 1916. P.14.

²² Snodgrass, John H., "Russia. A Handbook on Commercial and Industrial Conditions". Washington, 1913. P. 7. Available at <http://www.archive.org/stream/russiahandbookon00unit#page/n3/mode/2up>

The lack of such necessary information about trade and commercial opportunities was obvious even for the Russian officials. In his letter to Y.S. Karatuigin, editor-in-chief of Financial bulletin and Newspaper of Trade and Industry, probably, the only sources for foreign business men to learn about trade and commerce in Russia, Mr. P. Rozhdestvenskiy, Russian Consul General at San-Francisco, wrote: «In order to broaden ...the range of distribution of the bulletins...I would consider it to be reasonable that the editorial staff come into contact with local Chambers of Commerce.... The main ones ... are located in ... San-Francisco, California; Seattle, Washington; Portland, Oregon; and Denver, Colorado».²³ As mentioned above there were only a few editions about Russian trade and the manufactured products that she offered available to American business men, and the bulletins, for example, were stored mainly in the Russian Consulates. At the same time they were the places where any manufacturer who was in position to sell goods abroad could be supplied with the information he needed about the actual state of the Russian market, statistical data, or could ask for help in finding firms in Russia which did business of the character that he was interested in, and ascertain whether his own products were marketable in Russia.

At first sight it might seem that sometimes Russia showed no interest in trade relations with the United States and did not help those who strived for cooperation (even her own countrymen). The story of the Russian Importing Company was an example of such an extraordinary situation. The Company was established in 1902 in Boston by Mr. Oks. In his letter to the Russian Minister of Trade and Commerce he asked to post statistical and information bulletins of the Ministry to distribute them among American business men who were interested in importing raw materials from Russia. He also outlined briefly the goals of his own Company and its main mission – to foster Russian-American trade relations. For his Company Mr. Oks wanted that Russian art and peasant`s industries, embroideries and drawn linens, hand-made lace and needlework, artistic brass, copper and bronzes, silverware, souvenirs and famous Russian samovars, etc. – the goods he advertised enthusiastically, became of great demand in the United States. His business was profitable and his shop was located in one of the main Boston`s streets.

The Russian Importing Company had several Departments among which were an Export Department and an Information Department. The last one was of great importance as it had to supply the manufacturers of both countries with the direct contacts of each other, as well as with information about the prices and quality of the goods offered, and, finally, the best way of their transportation.

His large-scale plans, his hard work, not saying about his money that had been spent to establish the Russian Importing Company, – all these should be appreciated at its true value. But the fact that he gained no any help he had asked for from Russian Consuls was a matter of fact. The situation reached its apogee when his requests were totally ignored by the Consul General at New York and only with the help of American Consuls at Moscow and Saint-Petersburg he could collect information he had needed. He pointed out on the «indifference» and «malevolence»²⁴ of

²³ A copy of the letter of P. Rozhdestvenskiy, Consul General of Imperial Russian Government at San-Francisco, to the editor-in-chief of Financial Bulletin and Newspaper of Trade and Industry. January, 12 (December, 28, 1911), 1912. Russian State Historical Archives (RGIA), Fund 23, Inventory 11, File 39, fol. 64 v.

²⁴ A Letter of the Head of the Russian Importing Company in Boston, USA to the Russian Minister of Trade and Commerce. RGIA, Fund 23, Inventory 8, File 1, fol. 101.

the Russian Consuls he had dealt with. So such situation made Mr. Coks to write directly to the Russian Minister of Trade and Commerce asking for the statistical and trade bulletins.

At the same time the officials of the Ministry paid much more attention not to the shortage of the materials so urgently needed for cooperation between the countries but to the sheet of paper that Mr. Coks used for his letter. The point is that he used the emblem of double-headed eagle as a Russian symbol on it. In his respond to the accusation of illegal usage of the State symbol he explained that it was an ordinary thing in the USA as such symbols were used as a distinguish feature for the customers to have an idea where that good had come from. As for his Company the double-headed eagle from the one hand, should have symbolized the original Russian commodities, and, from the other – was perhaps the only Russian symbol that the Americans knew. Anyway, the position of the Russian officials was firm, and Mr. Oks was not allowed to use the national symbol anymore.

So the Ministry of International Affairs appealed to the Russian Embassy in Washington D.C. to take necessary measures to exert pressure upon Mr. Oks. It occurred to be not very easy, however, as American «Federal Government ... has no right to prohibit the individuals to adorn their labels and forms with any kind of pictures and distinguish marks».²⁵ Another way was to bring an action against the head of the Russian Importing Company. But it would be «useless because the trial would be very expensive for the [Russian] Government » and there was no hope to win as «there is no law in the United States where it is prohibited to use any images and pictures »²⁶ for the goods.

This story showed how difficult it was sometimes for the business men to get necessary information and, what was more important, to be provided with help from those who, according to their mission, had to do their best to support such initiatives. This can also explain why a great number of American business men had difficulties in finding their partners in Russia.

However, the incident happened to the Russian Importing Company was not a usual thing. The work of the majority of Russian Consuls was highly estimated in the Russian Government and was considered to be extremely valuable. The list of the Consular responsibilities abroad was enormously vast and included the information about the following aspects as: the tariff policy and any changes in it, import duties, published trade and navy treatises, the Russian goods, that were of great demand in America, etc.²⁷

The main part of the Consular reports was devoted to the American economic development as well as to prospects of Russian-American trade. They took part in all important events and did their best to make a positive opinion about Russian mission abroad. So, one of the noticeable events in 1902 was the ceremony of inauguration of a new building of the Chamber of Commerce in New York. In his report Count A.P. Cassini wrote that he could not attend that ceremony because of ill-health, and «in view of rather strained trade relations with the United

²⁵ A copy of the letter from the Russian Empire Embassy in Washington D.C. September,28 (5), 1908. RGIA, Fund 23, Inventory 8, File 1, fol. 116/

²⁶ Ibid.

²⁷ Consular Statutes. Code of Laws. 1903. RGIA, Fund 23, Inventory 5, File 24, fol. 3.

States» he wanted in his telegram to the President of the Chamber of Commerce to «emphasize our readiness to meet the American commercial interests».²⁸

Anyway, the trade cooperation between Russia and the United States was much less than that with European countries. The same could be said about America trade with Russia. For both countries among their main partners were Germany, France, and Britain. In 1911 Consul General at San-Francisco wrote that barter between the American ports located along the coast of the Pacific ocean and those in the far eastern part of Russia «is very insignificant and has no tendency to increase».²⁹

So, in their reports the Consuls informed the Russian Government about American economy, trade, innovations, and even social life. The prosperous economic situation in the country was connected mainly with her rich natural resources and up-to-date technical equipment. Americans had a lot of inventions that made it possible to use a variety of different machines and, therefore, increase the productiveness of their goods. This allowed them to compete successfully with other countries in the world markets. What was more, American export of goods was increasing due to the fact that they met the demands of their clients and tried to operate quickly and properly.

The rise in the American manufacturing was at the same time the matter of concern. Thus German economists considered the United States to become her main competitor and the real threat to the German positions in the American manufacturing market that could result in the «loss of up to 70.000.000 of her constant consumers».³⁰

As for the Americans they tried to fill in the gap of lack of reliable information describing Russian history, traditions, law, economic situation, trade, mineral resources, industry, ways of business cooperation, etc. in their brochures after a journey of investigation in Russia. Anyway, the information about each other and the business opportunities was mostly fragmentary and could not promote profound cooperation between the countries.

It should be pointed out that the American experience in making business with Russia was not always successful. The trade between the United States and Russia «is largely in the hands of middlemen in other countries of Europe, who take a profit that might possibly be divided between the two countries».³¹ As it was written above the domination of Germany in Russian business was a matter of fact, and this explained why her experience in organizing commercial relations with Russia was described as an example in many American books devoted to prospects of Russian-American cooperation. The Germans could establish an effective and profitable system taking into account Russian commercial history, her bureaucratic peculiarities, and meet almost all her demands both commercial and financial.

²⁸ Report of A.P. Cassini, the Empire Ambassador in Washington D.C., about the inauguration of a new building of the New York Chamber of Commerce. November, 18/5, 1902. RGIA, Fund 23, Inventory 5, File 24, fol. 5 v.

²⁹ Report of P. Rozhdestvenskiy, Russian Consul General at San-Francisco. June, 21/8, 1911. RGIA, Fund 23, Inventory, 11, File 39, fol. 15.

³⁰ “Trade relations of North-American United States and Europe”. Report of K. Karasev, Vice-Consul at New York. Collection of Consular reports. Saint-Petersburg, Vol. VI, 1900. P. 463.

³¹ Snodgrass, John H., “Russia”. Op. cit., P.8.

Moreover, the Americans should have been aware of those financial risks and sometimes considerable losses that were common in those times «due to the fact that foreign capitals, when starting new enterprises, instead of coming to agreement with reputable Russian firms well posted in that particular branch of production, or with prominent Russian banks which have been financing the given industry for many years, preferred to work independently».³² Although there were many examples of profitable companies established by the Americans in Imperial Russia the lack of sufficient information about business organization in this country, and her firms and institutions they would deal with made the American business men to operate on their own.

Perhaps one of the most irritating things for the American manufacturers which «at times will reach the point of blank absurdity»³³ could be such a Russian phenomenon as her bureaucratic system when a proposal of any kind should have passed through all stages until the final decision was made. That was a time-consuming process which could take from several weeks to several months, and even years.

Reverting to Mr. A. Ber's proposals we can not but agree with some of his offers and particularly with the necessity to reconsider Russian trade and industrial legislation that had not met the requirements of a new economic era. In fact he pointed out on one of the aims of his mission in the United States – to initiate a discussion over the foundation of the Russian-American Bank on the basis of the rules adopted in Russia. This would undoubtedly be a profound step further in fostering direct trade and financial cooperation. However, the proposal occurred not to be interesting for the American financial establishment after they «learn about all those restrictions that our rules bristle with».³⁴ The list of the same examples could be preceded.

Finally A. Ber outlined those urgent measures that Russian Government needed to undertake for the fruitful commercial cooperation with the United States of America. He came to the following conclusion after several discussions with the members of American-Russian Chamber of Commerce in New York and with Dr. E.E. Pratt, the Chief of the Bureau of Foreign and Domestic Commerce of the Department of Commerce whose views he shared completely.

In order to emphasize the importance of those measures A. Ber enclosed two letters of E. E. Pratt with his report. In the first one E. Pratt wrote about absence of accurate reports about both countries, that very gap that should have been filled in as soon as possible. «It is extremely advisable», - he wrote,- «to establish a great number of branches of the Chamber of Commerce» in Russia so that it would be possible to learn about «opportunities of the sales of American commodities in Russia and Russian raw materials in America».³⁵

The discussion about the foundation of Chambers of Commerce in Russia was initiated in the Ministry of Trade and Industry only in 1905. Since that time until 1917 when the decision was

³² Goldstein, Joseph M., Op. cit., P.88.

³³ Child, Richard W., "Potential Russia". NY, 1916. P.205. Available at <http://www.archive.org/stream/potentialrussia00chilrich#page/n13/mode/2up>

³⁴ Ber., Alexander V., Op. cit.,P.17.

³⁵ Pratt, E.E. A letter to Mr. A.V. Ber, vice-president of Russo-American Chamber of Commerce in Moscow, NY., April 4, 1916 in: Ber, Alexander V., "About economic situation in North-American United States, our joining with them and the measure to be undertaken for achieving this aim". P. 18.

finally made (but did not come into force because of the October revolution) numerous meetings devoted to this issue were held. However, despite the fact that there was no a ukase about the foundation of the Chambers of Commerce as well as no clear understanding of how they should operate the Chambers of Commerce (including joint ones) first had appeared in Russia several years before 1917. Thus joint Russian-English Chamber (1908), Russian-French Chamber (1911), Russian-Belgium Chamber (1911), Russian-Italian Chamber (1911), and finally Russia-American Chamber of Commerce (1913) were founded because of the efforts undertaken by the initiative groups.

The establishment of Russian-American Chamber of Commerce is closely connected with the names of I. Kh. Ozerov, D. N. Golovnin, the professor at Moscow Agricultural Institute and Moscow Commercial Institute, A.S. Vishniakov, Councilor of State, and Mr. John H. Snodgrass. On March 6, 1913 they forwarded a petition to the Ministry of Trade and Industry to establish the joint Chamber of Commerce. The idea was maintained by the Russian Minister, adopted by the Council of Ministers, and finally, on May 24, 1913 signed by Nicolas II.

While European countries and the United States had had by that time Chambers of Commerce for Russia it was the beginning of work of this institute. It was of great importance for her therefore to use the valuable practical experience of other countries.

Members of Russian-American Chamber of Commerce tried to achieve the aims that they considered to be crucial in establishing commercial and trade contacts with American business men. What was more, they initiated the foundation of American-Russian Chamber of Commerce in New York (1916). That was a great step further in cooperation between the two countries the importance of which was obvious for both countries.

In his second letter E. Pratt complained of high deposits American businessmen had to pay as a kind of guarantee that the goods that were shipped from Russia would not be re-exported from the United States. Then he enumerated ten points that were of great importance. The first one was the foundation of joined Chambers of Commerce in Moscow and later on in New York that had to determine their goal in order to promote economic development between the two countries. Business trips to the United States would be also necessary to collect commercial information that could be useful for Russian manufactures. Moreover, E. Pratt advised to establish direct commercial relationships avoiding any kind of foreign mediation.

It is worth mentioning Pratt's ideas of intellectual exchanges when Russian professors could visit the United States and give lectures about actual state of the Russian market in regard to manufactured goods, mineral resources, the conditions of purchase of Russian commodities, and provide general information about commerce in that country. For Russian students it would be a unique chance to learn English and get higher education in the country which had already achieved great results especially in engineering sciences.

Among other principles of prospecting economic relations could be the foundation in the United States of the branch of the Russian Bank which would be helpful in inducing American financial

capital to go into Russia. And, finally, E. Pratt pointed out on the necessity of exhibitions of American commodities in the main Russian cities.³⁶

All these measures (except intellectual exchanges) had already been discussed by the members of Russian-American Chamber of Commerce. Thus, the two letters written by the Chief of the American Bureau of Foreign and Domestic Commerce convinced the Russian business and social establishment in the correctness of the measures chosen for the mutually beneficial economic and trade cooperation between the two countries.

The necessity of undertaking further practical steps occurred to be obvious, and, perhaps, Russia was more interested in cooperation with the Great Power mainly because the United States could make during and after the War was ended much more trade, commercial, and financial offers than any other European country. What is more, it was a widely spread opinion among the Russian political elite that American capitals would have no any political influence in that country in contradistinction to those of France or Germany.

It was a matter of fact that for the last decades Russia was also very attractive for the American financial capital because of her inexhaustible supplies of natural resources, mineral products, and, of course, as a potential market for the American goods. But another stumbling block was that vary fact that the United States suffered from lack of ships at that time and this prevented the countries from the development of direct export shipment.

4. Practical steps of Russian Government to cultivate and maintain cordial relations with American manufacturers.

One of the most precious sources of information for the Imperial Russian Government about economic situations in other countries were letters and reports from commercial attaché (previously called financial attaché). It was S.J. Witte, Russian Finance minister (1892-1903), who emphasized the importance of the work of the financial attaché and was the one who initiated the foundation of this institute. Later on it became obvious that the competence of the financial attaché was not enough and should be expanded and cover not only financial issues, but also trade and commercial matters. So, the project of the Ministry of Trade and Industry to replace from January 1, 1911 financial attaché by commercial ones was being discussed in numerous Governmental departments and committees each of which offered its amendments to the bill. One of them related to the financial attaché in France which supposed to work along with the commercial one. This exception for that country was made because of the great financial importance of the French capitals for Imperial Russia.

The decision-making process lasted for months, and only in May 28, 1912 Nicolas II signed the ukase which came into force since July 1, 1912. The competence of the commercial attaché, according to the ukase, included the following aspects: «1. investigation of the foreign markets in order to inform Russian Government and interested institutions, as well as individuals, with the course of foreign trade; 2. direct assistance to the Russian merchants in their [attaché`s] residences; and 3. carrying out special economic investigations abroad according to the instructions of the Minister of Trade and Industry as well as execution of orders of the Minister of

³⁶ Pratt E.E. A letter to Mr. A.V. Ber. Washington, April 5, 1916 in: Ber Alexander V., Op.cit., Pp. 19-22.

Finance».³⁷ The very fact of existence of this institution is a practical embodiment of the idea of trade and commercial cooperation of Russia with other countries.

At first several commercial attaché were sent to the main cities of the European countries where they worked hard and reported a lot of useful for both Ministries information. As for the United States of America the first commercial agent - C.J. Medzikhovsky- went to that country only in 1913. But during six months of his stay in Washington D.C. he posted 61 reports devoted to different commercial issues. His active work, profound knowledge of trade and commerce, as well as his wish to be helpful, were highly estimated by John. H. Snodgrass who wrote: « Mr. Medzikhovsky has at his command complete information regarding all laws affecting interests in Russia, shipping routes and freight rates from this country to Russian points, industrial and market conditions throughout Russia, customs tariffs, etc., and can supply the names and addresses of dealers in various lines of goods in Russia».³⁸ His office was located in Washington D.C. and Mr. Snodgrass published C. Medzikhovsky's full address in his book which could be of great help for American business men.

The agency in Washington D.C. was well-known and different commercial organizations, such as National Association of Manufacturers U.S.A., National City Bank, having Russian departments, used its statistical, trade, and commercial information bulletins. As a result the representatives of different American firms came to Russia having their main aim to find out if it was a possibility to «transport their work into Russia not only by gaining its market with the American ... goods, but largely by implanting in Russia industrial enterprises».³⁹

Each year the commercial attaché had to right his annual report where he described what he had done and what results he had managed to achieve.

In 1915 the work of the Agency was almost totally concentrated on such issues as the assistance of different organizations and Russian representatives in war supplies and in the problem of their shipment. «A huge and responsible work ...which needs at least 12 hours» a day, - C. Medzikhovsky wrote in his report, - «excludes the possibility to devote time to have meetings on economic matters and business interviews with the American manufacturers and tradesmen».⁴⁰

Nevertheless, the work of the Agency was very intensive, and along with the numerous interviews with the representatives of the American business and financial establishment the commercial attaché came into close contacts with the Boston Chamber of Commerce, National Association of Manufacturers, American Manufacturers Export Association, and the U.S. Chamber of Commerce. Mr. C. Medzikhovsky took an active part in the work of the mentioned organizations, and provided them with all the information concerning Governmental instructions about any changes in Russian import and export policy.

³⁷ Regulations regarding to attaché of the Ministry of Trade and Industry abroad and some of their secretaries. RGIA, Fund 23, Inventory 1, File 64, fol.212.

³⁸ Snodgrass, John H., Op. cit. P.10.

³⁹ A Report of C.J. Medzikhovsky, a commercial attaché of the Ministry of Trade and Industry in the USA, to V.N. Shakhovskoy, the Minister of Trade and Industry, about the establishment of the American International Corporation in New York. November, 25 (12), 1915 in: "Russia and USA: trade-economic relations". P. 122.

⁴⁰ A report of C.J. Medzikhovsky, the commercial attaché of the Ministry of Trade and Industry in the USA, to the Russian Minister of Trade and Industry about the work of the Agency which he is headed. February, 18 (5), 1916, in: "Russia and USA: trade-economic relations". P. 135.

The Information bureau of the Agency focused on the search of the American business men who were interested in importing a wide range of the Russian goods that were on offer. It also prepared a list of those goods that were of great demand in the United States. So, the bureau had prepared in total 719 official replies to the inquiries of the American manufacturers. This number did not include the interviews held by the staff of the bureau.

Mr. C. Medzikhovskiy also participated in the discussions about the establishment of the American-Russian Chamber of Commerce an honorary member of which he later became.

But the most important question for the Russian Government in those times was the one devoted to the terms and conditions of the war supplies. The main part of the attaché's report was devoted to the following aspects: 1. purchasing of ice-breakers and steamships. Mr. C. Medzikhovskiy not only examined the ships but also helped the Russian Navy agent to buy them. 2. Assistantship to the Russian War and Navy agents, Russian Artillery commission, etc. This implied the necessity to stop negotiations with those of American munitions factories which did not meet the Russian demands or the price for the goods of which was too high whereas it was not obvious that the terms of the contracts would be carried out on time. The commercial attaché also had to make changes in the contracts with some other companies and inspect the quality of the armament. 3. Dealing with the problem of embargo against shipments of Russian merchandise to the United States. Russian Government wanted to receive official guarantees that the goods that were imported from Russia would not be taken out from the United States. That statement contradicted to the American Federal Law according to which the Federal Government could not give such kind of guarantees if the exportation of those goods from the United States was not prohibited. The negotiations lasted for several months when finally in September 23, 1915 the agreement was concluded. According to an arrangement «between the American Department of Commerce and the Russia Embassy at Washington, whereby such goods may be consigned to the Secretary of Commerce, who will not be re-exported in any form»⁴¹. And, according to his instructions, the attaché of the Russian Ministry of Trade and Industry had to «consider petitions of the American importers and check ... their guarantees».⁴²

In 1915 in his letter to the Minister of Trade and Industry Mr. C. Medzikhovskiy pointed out a particular interest of numerous American manufacturers in cooperation with the Russian ones, who asked the commercial attaché to arrange a visit to confer trade opportunities in Russia. The importance of such interviews was unquestionable. So, Mr. C. Medzikhovskiy had such weekly visits at the offices of the Russian Trade Division of the Foreign Department of the National Association of Manufacturers. «As far as it is possible», - he wrote, - «I support this wonderful enthusiasm of the Americans for the total occupation of the Russian import market».⁴³ During those interviews he tried to embrace a wide spectrum of different aspects that regulated commerce between Russia and the United States – from establishing plants and factories in that country to statistical data concerning trade relationships between the two countries for the previous years.

⁴¹ A letter of G.F. Meserve to F.A. Vanderlip. September 25 (12), 1915. RGIA, Fund 624, Inventory 1, File 5, fol. 7.

⁴² Ibid. P. 141.

⁴³ A letter of Mr. C. Medzikhovskiy to V.V. Prilezhaev, the Russian Minister of Trade and Industry. December 28/5, 1914. RGIA, Fund 23, Inventory 1, File 275, fol. 5.

At the same time he admitted that it was just an «enthusiasm». «The war will finish, and life will settle down again, and the wave of the German agents, commission-agents, and middle-men will pour into Russia and, perhaps, will easily deal with the stiffness of American manufacturer».⁴⁴ He explained his idea, mentioning the famous fact that the Germans knew Russian conditions very well, and provided Russian merchants with the patterns of necessary goods, as well as with the loans for the period of six or even more months.⁴⁵

In order to change this tendency for the better Mr. C. Medzikhovsky strongly recommended the American manufacturers «to use the current state of affairs», - the absence of German business men in the country, - «and to transfer into Russia not only their trade activity, but also industry, establishing new plants and factories»⁴⁶ in it.

Thus, as it was mentioned above, the Russian Government was interested in American industrial capitals, and this fact explains the position of the commercial attaché about this issue.

The idea to use the War period as a propitious momentum for financial and commercial penetration into Russia, which might seem as a strong appeal to American business men, was repeated some time later by H.F. Meserve, an American banker who came to Russia in September, 1915 with a special mission the main aim of which was to find out if it was possible to establish the branch of the National City Bank in Russia. However, S. Tkachenko affirms that «H. Meserve was interested not only in financial issues in Russia». His mission also included the necessity «to perfectly investigate the country, which should become the place of gigantic investments» from the United States.⁴⁷

In his article «Opportunities in Russia» H.F. Meserve wrote: «The biggest foreign opportunity that any country has ever had is no lying wide-open to America, and I am wondering whether our citizens will wake up and grasp the opportunity before the door is closed, probably for ever».⁴⁸

In his letter to F. A. Vanderlip, the chief of the National City Bank of New York, H. Meserve offered to cooperate with the largest British financial groups that had operated in Russia. He explained that after the War, «I do not think that legislation of any sort can keep the German avalanche from creeping back steadily into this country and if America and England have not secured the cream of the railways, mines, etc., etc., before the end of the war, I believe that America will have lost her present wonderful opportunity forever».⁴⁹

It became obvious for H. Meserve who spent half a year in Russia and had numerous interviews with Russian officials and business men, that it was exactly that very period when the United States of America could become the most important commercial and financial partner for Russia than any other country.

⁴⁴ Ibid. fol.5-6.

⁴⁵ Ibid. fol.6.

⁴⁶ Ibid.

⁴⁷ Tkachenko, Stanislav.L., «American banking capital in Russia during the World War I: Activity of the «National City Bank of New York». Saint-Petersburg, 1998. P.71.

⁴⁸ Meserve, Harry.F., «Opportunities in Russia». RGIA, Fund 624, Inventory 1,File 7, fol. 6.

⁴⁹ A letter of H.F. Meserve to F. Vandelip. April 19/6, 1916. RGIA, Fund 624, Inventory 1, File 5, fol. 125.

Later on the idea of broad cooperation with the United States was very popular, and some of the main Russian officials had no hesitations about their political and commercial priorities. Thus, in his letter to A.A. Konovalov, the Minister of Trade and Industry in the Provisional Government in Russia, P. N. Miliukov, the Minister of Foreign Affairs, affirmed that :«Political, economic, and financial cooperation with the United States of America is one of our most important tasks».⁵⁰

Those plans did not come true, however, as the October revolution of 1917 put an end to the history of Imperial Russia, and was followed by a set of dramatic and fundamental changes in the whole country.

5. Conclusion

The economic relations between the Czarist Russia and the United States of America in the beginning of the XXth century did not intend for rapid development. On the contrary, both countries had clash of their trade interests in Manchuria when they were eager to defend their positions in that region. What was more, American private capitals penetrated gradually to Japan which Russia had a lot of political tensions with. At the same time the United States had become a highly developed country by 1900, and the main competitor of Russia in the European market. The same could be said about the European powers which were concerned about American economic and trade achievements.

Perhaps the obvious importance of the United States for Russia during the whole period examined in this article was due to her financial potency. The idea of attracting American capitals for the industrial development in Russia was immensely popular among the political and business elite. But the real situation was far from being promising. The point is that for foreign business men it was very hard to achieve their ambitious goals in Russia, partly because of unwillingness of some of the Russian officials to allow foreign business to operate in some of the industrial spheres. This is correct mainly in regard to extraction of minerals, gold, and platinum; and, partly because of too high profits that the Americans expected to receive.

A new phase of the Russian-American relations began in 1914. The participation of the main European powers in the World War I, the circumstances of which for all of them would be definitely hard, made them turn to the United States. The projects of postwar political adjustment and economic cooperation were vital in the agendas of the most European countries. The economic alliance with the United States could be of great importance and benefit for any country as it might be a sort of guarantee of political and economic superiority over any other country. This explains why Russia along with the appropriate rhetoric undertook practical steps in her attempts to establish firm direct trade, commercial, and financial relationships with the USA.

The idea to join together for permanent future business was maintained by business, political, and social elite of both countries, and, perhaps, we could have seen an alliance of two great powers which would have been the world's political and economic center. However, the October

⁵⁰ A letter of P.N. Miliukov, Minister of Foreign Affairs, to F.F. Konovalov, Minister of Trade and Industry. March 16, 1917. RGIA, Fund 23, Inventory 1, File 447, fol. 7-8.

revolution of 1917 made changes in those plans, and the world had to deal with a completely new actor in the world's politics which was the Soviet Russia.