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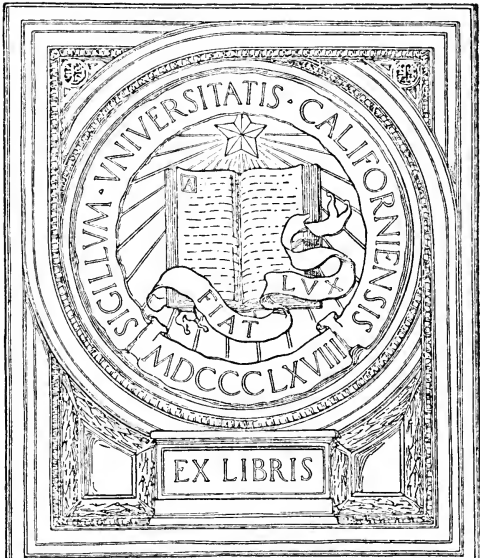
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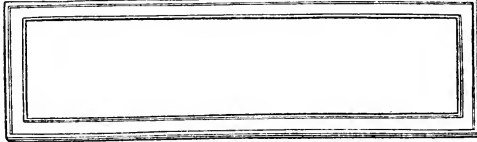
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# **America's Possible Share in the Economic Future of Russia**

*By*

**A. J. SACK**

Director of the Russian Information Bureau  
in the United States

PUBLISHED BY THE

**Russian Information Bureau in the U. S.**

**WOOLWORTH BUILDING**

**NEW YORK CITY**

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## Foreword

The signing of the armistice and the prospect of durable peace in the very near future have somewhat revived interest in Russia and in the Russian market among American business-men. In response to this interest displayed by individual business-men as well as by various trade-industrial organizations, I am issuing this pamphlet devoted to the possibilities for American-Russian commercial and financial cooperation. The pamphlet contains the essentials of my two pamphlets, "Commercial Russia" and "The Russian Market, its Possibilities and Problems," issued by the American-Russian Chamber of Commerce during 1916, and also of an article of mine published several months ago in the "Daily Standard Statistics Service."

Although the prospect of peace has, as I have said before, revived interest in Russia among individual American business-men and various trade-industrial organizations, this interest is still insufficient considering the importance of the possible American-Russian trade and financial cooperation from the point of view of the benefit of both countries.

Bolshevism, with its wild experiments in Russia's political, cultural and economic life, with all the misfortune and destruction it has brought Russia, naturally scares and disappoints many who were previously sincerely interested in Russia. This disappointment should not becloud the proper perspective necessary for an understanding of the Russian problem as it stands to-day. Great is the destruction brought upon Russia by the plague of Bolshevism, great and bloody are the sacrifices borne by the present Russian generation. But, from the point of view of Russia's national existence all her present misfortunes, inevitable in a period of transition to a higher form of State organization, are insignificant and will pass in a short time. Russia is not an old man dying from exhaustion; she is a child painfully hurt in an endeavor to walk independently for the first time in her life.

Russia's present situation is pitiful, but pitiful has been the situation of every country during great Revolutions. Ten years will pass,—everyone who knows Russia will agree with me,—and the world will see Russia an orderly democracy, **once again** united and powerful. More than this, she will be powerful and prosperous as never before. The creation of new Slavonic States means the creation of new, powerful bodies with natural cultural leanings towards Russia as the greatest Slavonic nation. It is possible that the time for Alliances has passed and a League of Nations, in one form or another, will come as the result of the World's War. In any event, the voice of Russia, supported by the new Slavonic bodies, will before long sound powerfully throughout the world.

On the other hand, one of the most significant results of this War will be the material reconstruction of Europe. This reconstruction will take place not only because there are many regions throughout Europe where the hurricane of the War has destroyed everything, but also because there are and there will be strong movements among the masses of the European peoples, demanding better living conditions. The democratic governments of Europe have already acknowledged these movements and will have to acknowledge them further.

The material reconstruction of Europe on the necessary scale is possible only through two factors: the participation of American capital in European industrial life and the development of Russia's enormous natural resources and man-power. Just as the political resurrection of Russia is the key to the solution of the entire European political problem,—without peace in Russia there never can be peace in Europe,—so the economic resurrection of Russia is to a great extent the key to the solution of the economic problem of Europe.

Russia will come to her feet, and probably sooner than many expect, because upon her resurrection depends the happiness of Europe and very likely of the entire world. Those who thought about and believed in the great possibilities for political, economic and financial cooperation between the democracy of the United States and the young democracy of Russia have no reason to feel disappointed because of Russia's temporary misfortunes. She will arise as a strong State and will arise soon. This is as certain as the rising of the sun every morning.



# America's Possible Share in the Economic Future of Russia

## I

**T**WO years ago, after the Revolution of March, 1917, the American people were very enthusiastic about Russia, and every American business man had faith in Russia and believed in the possibilities for commercial and financial cooperation between the two democratic nations. To-day many are discouraged. The present situation makes them lose the necessary perspective in their judgment about Russia.

The extreme optimism of two years ago and the extreme pessimism of to-day are equally ungrounded. The rule of the Bolsheviki cannot but be temporary. This faction with its naive political and economic experiments will disappear as soon as the instinct for self-preservation reasserts itself in Russia, as soon as Russia begins to recover from her grave wounds. Young, full of latent power, she is passing through a period of utmost disorganization known to every country that has passed from tyranny to free, democratic development. With the disappearance of the Bolsheviki, transportation will be re-established, the banks will be reopened, the financial system will recuperate, the management of industries will be placed in the skilled hands of the industrial class. All this is bound to occur as soon as the nation, coming out of its crisis, will bring into existence a stable, democratic government composed of the best representatives of Russia's mind and statesmanship.

The "Socialism" proclaimed by the Bolsheviki—all responsible Socialist leaders repudiate such kind of Socialism—has resulted in the utmost disorganization of industry, transportation, finance, and has created a situation in which entire provinces are suffering from real, physical hunger. A country like Russia, with undeveloped resources, with the masses uneducated, must inevitably pass through a stage of capitalistic

development, which alone is able to organize the resources of the nation, to build up the industries and to bring them to the proper stage of efficiency.

This brings us to the economic programme of the First Provisional Government, a programme to which every future democratic government in Russia will have to turn. Russia's economic future lies in the development of her natural resources and for this, first of all, foreign capital is needed. This in turn necessitates the reestablishment of Russia's credit in the foreign markets, and the Bolsheviki's repudiation of Russia's national debt is therefore only child's play which will be obliterated as soon as their tyranny is overthrown. Every future Russian democratic government will have to begin with acknowledgement of the Russian debt and honest payment of the interest and principal.

The possibilities for Russia's industrial development may be best illustrated by this country's striking development, even under the bureaucratic regime, during the ten year's preceding the present war. During this period Russia's national wealth had almost doubled. Before the Russo-Japanese War, in 1901, Russia produced 16,750,000 tons of coal. Ten years later, in 1911, Russia yielded 31,116,667 tons of coal, about 86 per cent. more than in 1901. Just before the present war Russia was producing more than 40,000,000 tons annually. The amount of copper smelted in Russia in 1901 was only 9,633 tons. In 1911 this amount had increased to 26,060 tons. Just prior to the war it totaled about 40,000 tons. The progress in copper production is analogous with the development in all the metallic industries in Russia. The quantity of pig iron produced was almost doubled during the last three years, reaching an amount more than 5,000,000 tons just before the war.

Agricultural production in Russia developed along the same lines. In 1901 an area of 214,500,000 acres was sowed in main agricultural products, whereas in 1910-11 the number of acres planted was 246,000,000. The yield in 1901 was 54,167,000 tons, and in 1910-11 it amounted to 74,168,000 tons.

Naturally, with the development of Russia's industries Russia's trade developed also. The number of Russian commercial

houses increased from 862,000 in 1901 to 1,177,000 in 1911. Just preceding the war the number of commercial houses totaled about 1,500,000.

The joint-stock company is a very important feature of Russia's industrial development. Many Russian manufacturing establishments are organized in the form of joint-stock companies. During the five years 1903-7, 419 joint-stock companies began operating in Russia, with a capital of \$180,540,000. During the following five years, 1907-11, 778 joint-stock companies were operating, with a capital of \$453,900,000. Just prior to the war, in 1913, 235 new joint-stock companies were organized, with a capital of about \$204,000,000. The capital of the joint-stock companies has increased about half a billion dollars since 1911, reaching a total of \$2,022,150,000 before the war. Of this \$299,370,000 was foreign capital.

Simultaneously with the striking economic and commercial development in Russia developed also the finance of the vast country. The money in Russian banks and in circulation multiplied from \$918,000,000 to \$1,938,000,000 during the last ten years, an increase of about 111 per cent. The amount of securities in circulation grew from \$4,233,000,000 to \$6,783,000,000, an increase of about 60 per cent. The deposits in the Russian State Bank, Societies for Mutual Credit, Commercial banks and city banks on January 1, 1913, amounted to \$1,669,230,000, about \$1,000,000,000 more than on January 1, 1903. The deposits in the Russian savings banks multiplied from \$399,840,000 in 1903 to \$812,940,000 in 1913. During the ten years between the Russo-Japanese and the present war Russia's wealth had doubled.

The giant whose name is Russia developed remarkably in spite of the chains holding him down. The Revolution naturally brought about a state of temporary disorganization. But, there is not a power in the world able to crush the new spirit in the country, and this spirit, after adjusting itself, will produce stable, democratic institutions and will open the brightest pages in Russia's national history.

Russia's present economic situation is analagous with the situation of the United States after the Civil War and the future

economic development of Russia will be similar to the economic development of this country. Four elements combined made possible the development of the United States. The first element was its youth, energetic and eager for work. The second was the natural resources of the country. The third, the sacred principles of democracy, which recognize for everybody a certain amount of right and give everybody his chance. The fourth was the foreign capital which flowed into the United States after the Civil War, and, with the work of the free democracy, made possible the development of its natural resources.

Two of these elements we Russians have always possessed. I take the liberty to say that we have always possessed a talented people, a people with great latent power; a people which, under the strain of the most unfortunate national history, produced a wonderful culture. On the other hand, we possess almost endless and priceless natural resources. Two years ago the third element was born—Democracy, with its creative spirit. There is always trouble in the beginning of the life of every Democracy, but in the long run it is a blessing for a country. It has been a blessing for the United States. It will prove a blessing for Russia.

As soon as democratic Russia finds herself—and she will find herself before long—she will need foreign capital for her development just as the United States needed it half a century ago. First of all Russia must develop her railroads. It is calculated in Russian economic literature that after the war Russia will have to build annually not less than 10,000 kilometers of railroad. The insufficiency of the existing railroad system in Russia can very well be seen by comparing the situation in Russia with that in this country. The United States in 1910 had 258,782 miles of railroad, whereas Russia, covering one-seventh of the total area of the globe and being about three times the size of the United States, had only 39,706 miles of railroad. At a time when the United States provided 29 miles of railroad for every 10,000 of population, Russia was only providing 3.2 miles for the same number of population.

The following table compares the railroad situation in Russia not only with that of the United States, but also with the principal countries of Europe:

|                       | The Length of the<br>Railroad System<br>(in miles) | To Each<br>100 Sq. Miles | For<br>Every 10,000<br>of Population |
|-----------------------|--|--------------------------|--------------------------------------|
| United States .....   | 258,782  | 1.9                      | 29.0                                 |
| All Europe .....      | 225,898  | 1.5                      | 5.0                                  |
| France .....          | 32,924   | 4.1                      | 8.4                                  |
| Germany .....         | 40,766   | 5.0                      | 6.2                                  |
| Austria-Hungary ..... | 29,582   | 2.9                      | 5.8                                  |
| Great Britain .....   | 25,053   | 5.3                      | 5.6                                  |
| Italy .....           | 11,304   | 2.6                      | 3.2                                  |
| Russia .....          | 39,706   | 0.5                      | 3.2                                  |

Russia now holds the last place, and the development of the railroad system in Russia is the preliminary condition for the industrial development of the country.

Being a preliminary condition for all industrial development, the building of railroads in itself presupposes industrial development. After the war Russia must build and undoubtedly will build not less than 10,000 kilometers of railroad every year. The "Torgovo-Promyshlennaya Gazetta," the official organ of the Russian Ministry of Finance, in the issue of April 5, 1916, calculated that for building these railroads more than double the amount of rails and other metals which Russia can produce will be needed. It is essential, therefore, that there should be an immediate development in the metallic industries in Russia as soon as her economic life is reestablished.

Up to the present time the Ural Mountains have been one of the chief sources of Russia's metallic supply, and there are vast deposits in the Ural Mountains. In order to develop mining in the Ural Mountains to a greater degree it is necessary to secure additional quantities of coal, as there is no coal in the Ural Mountains. This coal must be brought from Western Siberia, and the problem of securing the proper coal supply is one of the difficulties connected with the industrial development in Russia.

This problem will be largely solved by the development of the "Kusnetsky Basseyn," a part of the immensely rich Altay region.

Until lately the Altay region has been practically unknown, even in Russia. There had been a small mining development

in this region during the second half of the Eighteenth Century, and fairly large quantities of gold, silver and copper had been produced, but on account of the insufficient means of transportation mining in this region ceased, and it is only during recent years, with the beginning of railroad building in the Altay, that the immense quantities of its natural wealth have been opened for the country.

A. I. Konovalov, Minister of Trade and Industry in the Provisional Government, addressing the Moscow Stock Exchange on April 14, 1917, stated that the Russian budget after the war will amount to not less than 8-9 billion rubles, and it is impossible to cover such a budget by means of increased taxation. "The extent of taxation is limited by the country's productivity," said A. I. Konovalov, "and its increase is possible only in proportion to the increased value of the total production of the country's industries. The imperative demand for the development of our industries has compelled the Ministry of Trade and Industry to start searching for new sources of wealth in the country, for the purpose of developing them at the earliest possible moment. In this connection the Ministry has, in the first place, turned to the undeveloped riches of the North. Our Ministry has appointed a special committee for the purpose of studying the natural resources of our northern provinces, in order to develop their economic life in general, and above all to increase our lumber export."

This especial mentioning of the necessity for increasing Russia's lumber export is very significant. The development of Russia's timber industry means for Russia practically the solution of a very considerable part of her financial difficulties. Siberia contains half the forests of Asia. The amount of timber in the Amur region and in the Maritime Province alone is estimated at 509,000,000 acres. In exporting timber, Russia can take, and we are certain will take, the leading place in the world's markets. While, during the nineteenth century, the total amount of Russia's exports multiplied twenty-one times, the timber export multiplied one hundred and twenty-six times. It is interesting to observe that during the same period Russia's grain export multiplied only forty-four times.

In 1913 Russia exported timber materials to the amount of \$84,099,000. But this amount is negligible compared to the possible export of timber. In exporting grain Russia meets the competition of the United States, Argentina, Canada, the East Indies, Australia, Bulgaria and Roumania. But in exporting timber Russia certainly can take and is going to take the leading place in the world's market. If we take the countries which have not sufficient timber in one group and the countries which are able to export in another group, we have the following table:

| I.  |             | II.                                     |               |
|---|-------------|---|---------------|
| The Amount of Timber-Land<br>(In Acres)   |             | The Amount of Timber-Land<br>(In Acres) |               |
| Germany .....                             | 38,430,000  | Russia .....                            | 1,125,000,000 |
| Balkan States .....                       | 28,380,000  | Canada .....                            | 889,380,000   |
| France (without col-<br>onies) .....      | 27,141,000  | United States .....                     | 603,000,000   |
| Spain (without colonies) .....            | 17,844,000  | Sweden and Norway .....                 | 81,000,000    |
| Italy (without colonies) .....            | 11,256,000  | Austria-Hungary .....                   | 63,000,000    |
| Great Britain (without<br>colonies) ..... | 3,375,000   |   |               |
| Other European coun-<br>tries .....       | 6,426,000   |   |               |
| Total .....                               | 132,852,000 | Total .....                             | 2,701,380,000 |

This table shows that timber is needed in all the European countries, exclusive of Russia, Scandinavia and Austria-Hungary. The import into Europe from the United States is comparatively small. Canada, perhaps in the near future, may become a great exporter of timber, but most of this timber will go to the South American countries. Russia's chief competitors in the European timber market will be Scandinavia and the countries originally composing Austria-Hungary. But the export from these countries has been diminishing during the last years. Scandinavia showed a tendency to increase the export of paper. As for Austria-Hungary, for the last years her competition with Russian timber has also become weaker and weaker. During the period 1906-1910 Russia exported to Germany 48.8% of all timber imported by the latter country. Austria-Hungary held second place, having exported to Germany 31.4%. Since then, for the last three years before the war, Russia's export to Germany increased to 50% of the entire amount of timber imported by the latter. During the same

time Austria-Hungary's export to Germany diminished and became only one-half of the amount Germany imported from Russia.

The report of the Russian Consul in London, published three years ago, shows very clearly how wonderfully Russia advanced in the European timber markets during the past years. Until lately 70-75% of Russia's entire timber export went to Germany and England. During the last years it went to England more than to Germany. The per cent of timber imported in England from Russia, Scandinavia and the United States during the ten years before the war shows how successful was Russia's export for this period.

#### Imported in England.

|                           | 1903 | 1907 | 1909 | 1911 | 1913 |
|---------------------------|------|------|------|------|------|
| Russian timber .....      | 29%  | 37%  | 46%  | 47%  | 51%  |
| Scandinavian timber ..... | 23%  | 32%  | 25%  | 25%  | 25%  |
| United States timber..... | 33%  | 28%  | 27%  | 26%  | 22%  |

Withal, until now Russia has not really utilized her wonderful timber resources. If we compare the export of timber in 1913 from Russia, the United States, Scandinavia and Austria-Hungary, with the amount of timber land in these countries, we see that Russia, while richer in timber land, is behind the other nations in the amount of foreign trade in timber.

|                       | The Amount<br>of Timberland<br>(In Acres) | The Export<br>of Timber<br>(In Dollars) |
|-----------------------|---|---|
| Russia .....          | 1,125,000,000                             | 89,250,000                              |
| United States .....   | 603,000,000                               | 134,487,000                             |
| Scandinavia .....     | 81,000,000                                | 129,489,000                             |
| Austria-Hungary ..... | 63,000,000                                | 79,203,000                              |

There is no doubt that after the war all the belligerent countries will need large quantities of timber. The need of timber in the European market will open wonderful prospects for the Russian timber industry. By proper development of this industry, Russia will be able to deliver the bulk of the timber necessary for the European countries. It is very possible that in this line Russia will not meet serious competition either from Scandinavia or from the New World. As for Austria-Hungary, she will have her own needs, and aside from this, a great part of her rich timberlands in Galicia has been destroyed during the war.



The development of Russia's timber industry and the export of Russian timber to the European market means for Russia the practical solution of a very considerable part of her financial difficulties, the heritage of the war. The development of the timber industry will create a favorable foreign trade balance and will assist in the payment of the national debt.

The conclusion is evident. All of Russia's industries, the railroads, the metallic industries, coal, timber, must be developed immediately after peace is established. That is Russia's national task.

For the development of all of Russia's industries, above all, foreign capital will be needed. Before the war French, English, Belgian and German capital was invested in Russia. But now, after the war, these capitals will find enough work in their own countries.

Russia's eyes will turn to the United States. The United States is industrially so developed because the natural resources of the country for the last fifty years have been united with the creating power of foreign capital. As soon as normal conditions are reestablished it will be Russia's turn. During the war the United States, from a nation-debtor, has become a nation-creditor. It will be of benefit to both countries if American capital will take the same part in Russia's industrial development that foreign capital once took in the development of this country.

At this moment practically all business relations between the United States and Russia are at a standstill. This should not discourage American business interests. The American financial interests must **prepare** for financing Russia's industries, the American trade interests must **prepare** for future trade with Russia. The time will come—and it may come very suddenly—when everyone who is prepared will be richly rewarded. Those unprepared will be punished for their short-sightedness.

## II

Two things are essential for everyone interested in the Russian market. First, everyone must know his field and have a system of connections in this field; second, everyone must know the psychology of the Russian business man and have a clear idea of the best methods of approaching him.

The history of American-Russian trade relations, before the war, shows best what part in Russia's foreign trade can be covered by American activity. A study of the German methods in trade with Russia gives the best understanding as to how to successfully approach the Russian business man.

The present war has created many changes in the prospects for the development of a close economic cooperation between Russia and the United States, but prior to the war there was strong evidence showing the tendency towards economic cooperation between Russia and the United States. The changes effected by the present war are therefore only an emphasized continuation of the natural tendency towards an American-Russian economic rapprochement.

In Russian official statistics trade with the United States began to be registered in 1846. Until that time, beginning from 1827, no special place was devoted to Russian trade with the United States. There was a chapter devoted to Russian trade with "America," which included all the American countries taken together.

The most interesting figures in the Russian official statistics relating to trade with the United States may be represented in the following table:

| Years—         | —Russia's Import— |                   | —Russia's Export— |                 |
|----------------|-------------------|-------------------|-------------------|-----------------|
|                | Total Import      | Import from U. S. | Total Export      | Export to U. S. |
| 1878-1890..... | 243.39            | 15.5              | 297.22            | 0.4             |
| 1891-1900..... | 273.77            | 22.0              | 336.95            | 1.3             |
| 1901-1910..... | 393.27            | 28.3              | 547.21            | 3.0             |
| 1911-1913..... | 616.83            | 42.3              | 761.51            | 7.4             |

\*These figures are based on the normal exchange for the ruble, 51c.

This table shows that during the entire period the United States' export to Russia was greater than Russia's export to the United States. Nevertheless, Russia's export to the

United States during the past years has developed remarkably. Russia's export during the period 1901-1910 averaged 547.21 million dollars as compared with 297.22 million dollars for the period 1878-1890, an increase of about 84%. At the same time it shows that Russia's export to the United States increased from 0.4 million dollars average during the period 1878-1890 to 3.0 million dollars average for the years 1901-1910, an increase of about 650 per cent. Comparing data for the period 1911-1913 we find that Russia's export in general increased from 547.21 million dollars to 761.51 million dollars, about 39 per cent. During the same time Russia's export to the United States increased from 3.0 million to 7.4 million dollars, about 113 per cent.

The statistics relating to Russia's export to the United States are still more remarkable, according to the United States reports.

The most interesting figures of the United States statistics relating to trade with Russia may be represented in the following table, corresponding to the table given before:

Yearly Average in Millions of Dollars\*

| Years—         | United States<br>Total<br>Export | Export<br>to Russia | United States<br>Total<br>Import | Import<br>from Russia |
|----------------|----------------------------------|---------------------|----------------------------------|-----------------------|
| 1878-1890..... | 757.1                            | 11.9                | 636.3                            | 2.6                   |
| 1891-1900..... | 1,024.9                          | 7.5                 | 763.3                            | 4.7                   |
| 1901-1910..... | 1,616.2                          | 16.7                | 1,158.5                          | 11.9                  |
| 1911-1913..... | 2,325.3                          | 25.4                | 1,714.5                          | 21.1                  |

The United States statistical reports, just as the Russian reports, show the increase in Russia's export to the United States. It has been shown that Russia's export to the United States during the period beginning with 1878 increased faster than Russia's export in general. Now, on the other hand, we see that the United States' import from Russia increased more rapidly than the United States' import in general. During the period 1878-1890 the United States' import from Russia amounted to only 0.4 per cent. of the United States' total import. During the period 1891-1900 it amounted to 0.6 per cent. During the period 1900-1910 it had increased to 1 per cent., and for the period 1911-1913, 1.23 per cent.

Comparing Russia's export to the United States as shown by Russian and American statistics, the following table is obtained:

**Yearly Average in Millions of Dollars\***

| Years—         | Russia's Export<br>to U. S. According<br>to Russia's Statistics | Russia's Export<br>to U. S. According<br>to U. S. Statistics |
|----------------|---|--|
| 1878-1890..... | 0.4   | 2.6  |
| 1891-1900..... | 1.3   | 4.7  |
| 1901-1910..... | 3.0   | 11.9   |
| 1911-1913..... | 7.4   | 21.1   |

As a general rule, in cases of such discrepancy, preference should be given to the statistics of the country to which the goods are brought. Accordingly, the quantity of goods brought to the United States from Russia was about three times as great as that shown in the Russian official reports. This difference cannot be explained by saying that the United States set an estimate higher than that placed upon the goods in the Russian port. According to Section 19 of the Customs' Administrative Act of June 10, 1890, the United States estimate must be the same as the estimate set in the original port and only the cost of packing and loading is to be added to the original price.

"A great part of our export to the United States," says the report of the Russian Ministry of Finance, especially devoted to American trade, "appears in Russian statistics as export to other countries. Direct shipping connections between Russia and the United States are hardly developed. Our goods are reloaded in West European ports, and therefore in Russian statistics these goods are registered as exported not to the United States, but to Germany, Holland and Great Britain. Germany has been playing the great role of middleman in our export to the United States."\*

It is evident that Russia's export to the United States was even greater than shown in the United States statistical reports. A considerable part of Russian goods coming to the United States by way of Germany is registered in the United States Statistics as German goods. Germany has been accus-

\*In Russian official statistics, for instance, we have no data relating to Russia's export of furs to the United States. This export appears as export to Germany. At the same time in the United States statistics we find considerable data relating to the import of Russian furs.

tomed to export to the United States large quantities of the same goods that Russia exported, such goods as, for instance, hides, skins, seeds, sugar beet seed and licorice root.

The United States' export to Russia always has been greater than Russia's export to the United States. By comparing the Russian and the United States statistics, referring to the United States' export, the following table is obtained:

**Yearly Average in Millions of Dollars\***

| Years—         | U. S. Export<br>to Russia According<br>to U. S. Statistics | U. S. Export<br>to Russia According<br>to Russian Statistics |
|----------------|--|--|
| 1878-1890..... | 11.9   | 15.5   |
| 1891-1900..... | 7.5  | 22.0   |
| 1901-1910..... | 16.7   | 28.3   |
| 1911-1913..... | 25.4   | 42.3   |

In this table preference must be given to the Russian statistics. A great part of the goods en route from the United States to Russia was frequently reloaded in West European ports and therefore appeared in the United States statistics as export to Germany, Great Britain or Holland. The situation in the exporting of cotton to Russia will serve to illustrate the point.

In 1910 the United States reports gave 38.89 million pounds as the amount of cotton exported from the United States to Russia. On the other hand, Russian statistics reported 164.95 million pounds. And this does not at all cover the amount of cotton brought into Russia from the United States. Allowance must still be made for the cotton brought into Russia from this country, but which Russia registered as coming from Great Britain, Germany, Italy and Austria-Hungary.

A remarkable conclusion may be drawn by now comparing the United States' and Russia's statistics dealing with the United States' export of all kinds of goods, excluding cotton. During the period 1901-1905, the average export to Russia, according to American statistics, was 8.7 million dollars, and according to Russian statistics, 7.3 million dollars. During the period 1905-1910 corresponding figures are 13.1 million dollars and 9.3 million dollars.

It is strange to find Russia reporting lower figures than the United States. It is necessary to note that the estimate set

on goods coming to Russia from the United States covers in Russian official statistics not only the price of goods in the American port, but freight, insurance, loading expenses, and also frequently the profit of the West European middleman. Therefore in 1910, for instance, the average price of United States cotton imported in Russia was given as 14.7 cents per pound on this side, and according to Russian official statistics, 15.8 cents per pound.

If, under such circumstances, the Russian official statistics report totals lower than those given in the United States reports, then again the conclusion can be drawn that a very considerable part of American trade with Russia was undertaken by West European countries because of the undeveloped direct connections with Russia.

"The United States is playing a greater part in our trade," says the official report of the Russian Ministry of Finance, "than can be seen in our statistical reports. The real amount of our trade with the United States is not obvious, on the one hand, because of our undeveloped direct trade relations, and, on the other hand, because of the middleman's part played until now by Germany and Great Britain."

This official Russian statement maybe reversed to interpret the American side of the situation. Russia-played in the United States trade a considerably larger part than is shown in the United States statistics. The two countries had need of one another and therefore trade between them developed even under the most adverse circumstances. It is impossible to say what was the real amount of American-Russian trade, but assuredly considerably quantities of American goods were successfully brought into Russia.

Russia supplied the United States with raw materials, almost exclusively. In 1910 Russia's entire export to the United States, according to Russian statistics, amounted to 4.84 million dollars. Of this, 4.69 million dollars—about 97 per cent—was raw materials. Such products as hides and skins, wool, horse manes, horse tails and bristles held first place among these exports. Russian statistics accredit these goods with a yearly average of 2.22 million dollars for the

period 1906-1910 out of the 3.82 million dollars of Russia's entire export to the United States.

Second place must be given to licorice root. It is of interest to observe that the United States was almost the sole market for Russia's licorice root. In 1910, out of the 29.24 million pounds of Russia's total export of licorice root, 27.73 million pounds was exported to the United States.

Besides the products mentioned above, it is necessary to call attention to Russia's export of rubber waste, manganese ore, flax and hemp. According to United States reports, the export of these goods to the United States was greater than the Russian statistics show. During the period 1906-1910 the United States' import of rubber waste averaged 4.83 million pounds, according to Russian statistics, and 6.53 million pounds, according to the United States reports. As for manganese ore, Russia reported 24.3 million pounds and the United States reported 30.4 million pounds. The most noteworthy difference is found in the statistical reports relating to Russia's export of flax and hemp. According to the Russian statistics, the yearly average of Russia's flax exported to the United States during the period 1906-1910 amounted to 481,100 pounds. According to the United States statistics it amounted to 6,786,000 pounds. The corresponding figures for hemp are 241,800 pounds in Russian statistics, and 1,624,500 pounds according to the United States statistics.

According to the statistics of both countries, therefore, during the ten years previous to the present war there was a remarkable increase in the exportation to the United States of Russian raw materials, consisting chiefly of licorice root, hides and skins, furs, hair and bristles, wool, hemp, horses' manes, horses' tails, pulp and rubber waste. The American statistics show also that a considerable amount of flax and flax tow must be added to this list.

During the war, on account of the restrictions placed by the Russian Government on the movement of Russian raw materials to the United States, it has been difficult to secure a free importation from Russia to this country. There has been, however, a very steady increase in the demand for Russian raw materials of all kinds. This is particularly true

of furs and fur skins, of hides and skins, especially calf skins and goat skins, and also of Russian seeds. A typical illustration is the fact that prior to the war the United States purchased most of its sugar beet seed for planting purposes in Germany. Germany, in turn, secured the bulk of this seed from Russia. Since the beginning of the war direct relationships have been opened and the United States has imported large quantities of Russian sugar beet seed. Careful estimates show that there is a market demand in the United States for from 60 to 75 million dollars' worth of Russian raw materials, which forms a nucleus for a large reciprocal trade from America and to some degree discounts the idea that the trade between the United States and Russia is not supplemental in nature.

As for the United States' export to Russia, there is again a great difference in the Russian and the United States statistics relating not only to trade totals, but to individual articles of trade.

Cotton held first place in the United States' export to Russia. It has been noted before that the amount of cotton exported to Russia by the United States in 1910, according to statistics on this side, was 38.89 million pounds, whereas Russia reports 164.95 million pounds. And, undoubtedly, even Russian statistics do not cover the entire amount of cotton coming originally from the United States.

Machinery and technical supplies held second place in the United States' export to Russia. And here special mention must be given to agricultural machinery and implements. During 1901-1905, according to Russian statistics, the United States' entire export of machinery to Russia amounted to 3.23 million dollars, yearly average. Of this, 2.73 million dollars covered the United States' export of agricultural machinery and implements. Reports for the period 1906-1910 give 4.94 million dollars as the entire machinery export, of which 4.43 million dollars covers the export of United States agricultural machinery and implements to Russia.

It is interesting to note that in the United States statistics relating to the export of agricultural machinery and imple-



ments to Russia, larger figures are given than those above. Reports on this side give 3 million dollars as the annual average for the period 1901-1905, as against the 2.73 million dollars quoted by the Russian reports. Corresponding figures for the period 1906-1910 are 5.17 million dollars, according to American statistics, and 4.43 million dollars, according to Russian reports. For 1913 there is 5.31 million dollars, according to the United States statistics, and 4.7 million dollars, according to Russian reports. It is natural to expect the Russian figures to be higher than the American, because the Russian estimate is a combined estimate of the price in the American port plus freight, insurance, loading expenses, and even often including the profit of the West European middleman. The report of the Russian Ministry of Finance explains the situation very clearly. "Part of the American machinery," says the report, "after being reloaded in Germany, England or Denmark, is registered in our statistics as coming from these countries and not from the United States."

The same may be said about copper, which held third place among the goods imported in Russia from the United States. According to Russian statistics the United States copper imported averaged yearly 8.88 million pounds during 1901-1910. On the other hand, according to the United States statistics, the amount was 18.52 million pounds. It is evident that the amount of United States copper that entered Russia, according to American statistics, was more than double the amount given in Russian reports. The Russian Ministry of Finance gives again a very definite explanation of the situation. "We receive United States copper," says the report, "through Germany's and Great Britain's hands."

A remarkable discrepancy occurs further in the statistics relating to United States flour imported in Russia. According to Russian statistics, the yearly average import of United States flour of every kind, excluding potato flour, during the period 1906-1910 amounted to 15.7 million pounds. On the other hand, according to United States statistics, the yearly average export to Russia of only wheat flour for the same period amounted to 75.81 million pounds. The flour was exported mostly to Finland, and because of the lack of direct

connections with the United States, it was registered in Finland as brought from Germany. This fact has been mentioned more than once, even in the German official reports.

The following table shows the growth of the United States' export to Russia before the war, according to United States statistics:

**United States Average Yearly Export to Russia.**

(In Thousands of Dollars.)

|  | 1891-95 | 1896-1900 | 1901-05 | 1906-10 | 1911-13  |
|--|---------|-----------|---------|---------|----------|
| Cotton (raw) .....                             | 4,811.0 | 3,006.0   | 5,909.0 | 5,478.0 | 5,685.5  |
| Agricultural machinery<br>and implements ..... | 323.4   | 684.4     | 3,000.0 | 5,178.0 | 7,729.7  |
| Copper (unmanu-<br>factured) .....             | -----   | 822.0     | 1,632.0 | 1,112.0 | 1,322.7  |
| Wheat flour .....                              | 136.0   | 395.0     | 773.0   | 1,895.0 | *3,360.0 |
| Leather (prepared) .....                       | -----   | 1.3       | 1.8     | 162.0   | †1,075.3 |
| Machine oil and paraffin .....                 | 1.8     | 9.1       | 71.1    | 151.2   | †232.8   |
| Rosin .....                                    | 241.0   | 285.0     | 275.0   | 320.0   | 737.0    |
| Typewriters .....                              | -----   | 126.1     | 172.7   | 367.8   | 846.9    |
| Cash registers .....                           | -----   | -----     | 26.0    | 124.0   | †249.4   |
| Sewing machines .....                          | -----   | 28.1      | 36.3    | 232.0   | †768.3   |
| Scales of every kind.....                      | 29.4    | 70.5      | 54.0    | 57.0    | †58.6    |
| Twine, cord, etc.....                          | 11.7    | 28.5      | 299.9   | 753.0   | 1,646.4  |

\*This is the figure for 1911. No figures are given for 1912 or 1913.

†Figures for 1913.

The figures just quoted, together with the figures quoted previously regarding Russia's export to the United States, show quite clearly along what lines the American-Russian trade rapprochement had begun to develop before the war. Russia supplied and will supply this country with raw materials of the highest quality. The amount of Russian raw materials brought to this country was much greater than that shown in Russian or even United States statistics. By creating direct connections with Russia, by careful study of the conditions of the Russian market, by an active trade policy, the amount of raw materials brought to the United States from Russia can be multiplied many times to the benefit of both countries.

On the other hand, the United States supplied and will supply Russia with all kinds of machinery, with all kinds of products that presuppose a highly-developed industrial culture.\* By a proper and active policy, the United States can

\*The possibilities and prospects connected with the export to Russia of foodstuffs and raw materials, such as cotton, metallic ore, etc., must be discussed separately.

not only develop that line of her trade with Russia that showed a natural tendency to develop before the war, but even introduce into the Russian market some lines of merchandise never before brought into Russia from the United States.

It is well known that before the war Germany almost monopolized the Russian market. If we compare Russia's trade with Germany, and, for instance, with Great Britain, we see that from 1870 through 1913 Germany's export to Russia increased from 39.5% to 52.6%.† Germany's export to Russia in 1913 amounted to \$332,622,000—\$246,300,000 more than in 1870. In the meantime England's export to Russia decreased from 31% to 13.8%.

The same is true of Russia's export to both countries. During these 43 years Russia's export to Germany increased from 21.1% to 31.8%. At the end of this period Russia's export to Germany had increased \$176,100,000. During the same time Russia's export to England dropped from 47.2% to 18.8%.

A great part of Germany's success in Russia was due to the Russian-German Commercial Treaty existing before the war. This treaty favored German interests to such a degree that before the war, in Russian economic literature, the question was raised: "Should Russia be Germany's colony any longer?" But the Russian-German Commercial Treaty was only one of the conditions that made for Germany's success in dealing with Russia. The immediate reason for Germany's success was her wonderful method in trading.

English goods imported in Russia were always of better quality than German goods, but the English never considered the comparatively low buying power of the Russian population. English goods were always higher-priced and did not present as great variety and novelty as the German product.

In dealing with Russia the English almost never sold on credit. All contracts with Russian houses were closed with the condition *f. o. b.* English port. That was something that went against all the customs of the Russian market. The largest and most reliable Russian houses availed themselves of

†These and the following figures are taken with reference to the entire amount of Russia's export or import.

the credit system very largely in buying goods. To ask them for payment, as the English did, about a month and a half or two months before seeing the goods, was surely fatal for English trade with Russia.

The Germans did the opposite. There was almost no difference to a Russian dealing with a German or dealing with one of his own countrymen. German salesmen spoke Russian fluently, presented buyers with catalogues printed in Russian, with goods marked according to the Russian system of measuring, with prices marked in rubles and kopeks. In addition to this, they gave Russian houses large and long-time credit. All this built German success in trade with Russia.

Even during the war Germany endeavored to keep up her trade with Russia through neutral European countries. The Swedish electric industry was successful in developing an important market in Russia. According to the correspondent of the "Torgovo-Promyshlennaya Gazetta," in the issue of February 17, 1916, the Germans had opened a large electric plant in one of the Swedish cities. By using a Swedish name this German plant sold its own products in Russia.

The same correspondent reported that many German industrial products were sold from Sweden to Russia in masquerade form. German pencils (Johann-Faver) were sold in Russia with various French, English, Swedish and Danish markings, and these markings breathed a real national spirit. The Danish mark, for instance, was Heimdal—the name of the famous Danish hero. In the same manner were other goods sold in Russia. Perhaps the most interesting illustration is the method employed by a German firm for selling German razors in Russia. The razors were wrapped in a paper bearing an English name, and the razor itself was marked "Mussel Razor Works," followed by the Russian words meaning "To a Brave Russian Soldier for Distinguished Service." These German razors were sold in large quantities in Russia, to everybody who desired to send a gift to a friend at the front.

All this is now a matter of the past, and the world is looking forward to the epoch of durable, if not permanent peace. Peace in Europe and throughout the world is impossible with-

out peace in Russia, and that means that sooner or later the world's democracies will turn against the Bolshevik menace as they have previously turned against the menace of German militarism.

As soon as normal conditions are reestablished in Russia, and Europe comes to peace, a feverish upbuilding movement will start all over Europe, and Russia will lead this movement. She will build railroads, highways, develop her natural resources, build up industries and trade, which will bring her to the foremost ranks of the civilized nations. The United States is designated by history to participate in this upbuilding of the young democratic nation. Every business man in this country should be **prepared** for his future activities in Russia, so that the two sister democracies may be fully benefited by this possible and, under the circumstances, necessary cooperation.



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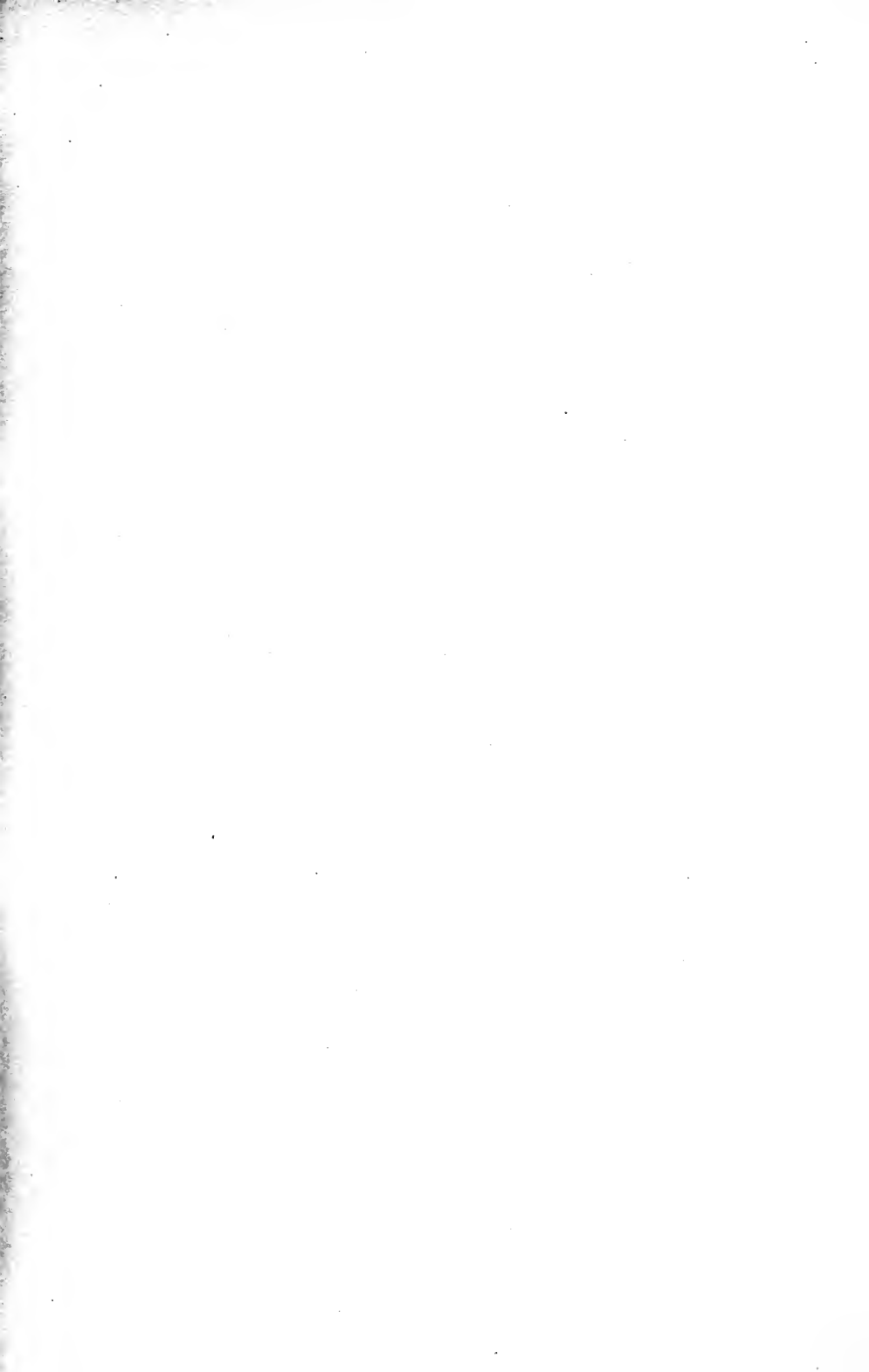
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