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SOVIET TRADE AND FINANCIAL ORGANIZATIONS IN MANCHURIA (1920S): HISTORICAL AND ECONOMIC ASPECT

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Abstract

The article examines the activities of Soviet trade and financial organizations in the territory of Manchuria in the 1920s. The urgency of the problem is seen in the close economic cooperation of modern Russia with the countries of near and far abroad, the presence of domestic trade and financial institutions there. Particular importance is attached to the historical experience of relations with China, one of the key trade partners of the Russian Federation today. The main attention in the article is paid to the historical and economic aspects of the indicated problem. The structure of the Soviet trade and financial system in China is indicated, the economic activity of the most famous economic enterprises in Manchuria is analyzed. In the course of the study, it was found that the economic interests of the economic organizations of the USSR in Manchuria were closely intertwined with the political ones, this should have contributed to the growth of the authority of the Soviet state in the region. To achieve this goal, the Soviet leadership in a directive form required its economic entities to work in the Northeast of China, regardless of any financial losses. A number of shortcomings in the activities of Soviet trade and financial organizations are revealed, associated with both tough competition in the markets of Manchuria and with the low professional level of training of Soviet specialists, as well as their desire for personal enrichment.

Keywords: Export, foreign trade, import, trade representations

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1. Introduction

At the present stage, foreign trade is one of the dominant modules of the world's economic system, in which the Asia-Pacific region [APR] and its Russian Far East occupy a special place. Thanks to the rapid development of information technologies, the efficiency of international trade interaction is increasing, the volume of trade is increasing, and partner economic relations are strengthening. Taking into account the geopolitical features, the presence of a wide range of unique mineral resources, the government of the Russian Federation is forming a strategy for the development of the Far Eastern region, in which its trade relations with Northeast China are of great importance. Today, the history of this interaction requires a rethinking and reconstruction of the general paradigm of the experience of the Soviet trade and financial organizations in the territory of Manchuria in the 1920s.

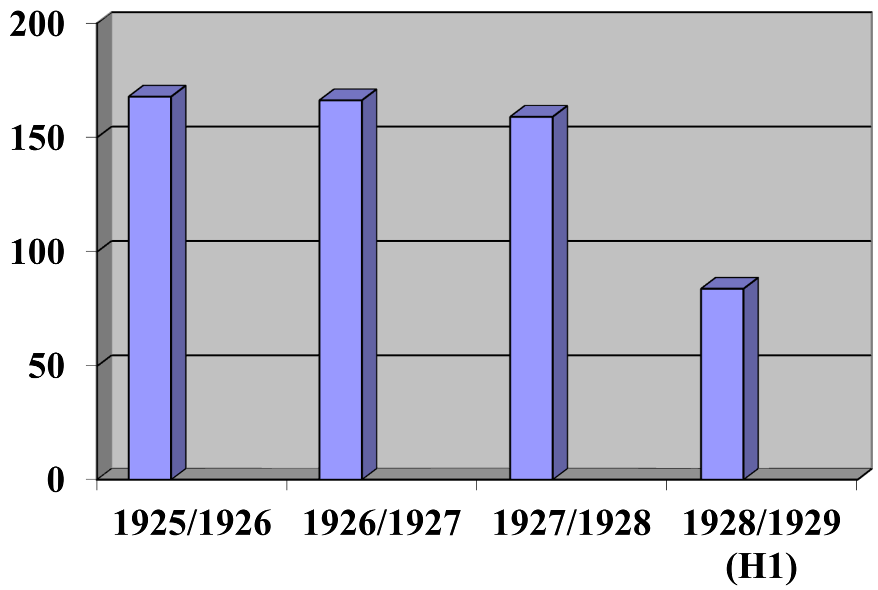

Figure 1. The dynamics of harvesting beans and other grain crops by Dalgostorg in the second half of the 1920s. [in thousand tons] (Archived documents on Manchuria, 1930, Log. P-2. Reg. 1. Doc. 178. P. 7)

2. Problem Statement

In Soviet historiography, the theme of the activities of Soviet trade and financial organizations in Manchuria was most fruitfully reflected in the works of Avarin (1934), Sladkovsky (1977) and others. In the recent period, this topic was touched on fragmentarily, while simultaneously highlighting the socio-economic aspects of the development of the Far East. The issues of state trade of the Soviet Far East with China were reflected in the works of Gallyamova (2018), Tkacheva (2009a, 2009b), Yakhimovich (2012), Zalesskaya (2008) but require a closer look at certain aspects of the problem.

3. Research Questions

The subject of the article is the economic relations of the Soviet trade and financial organizations of the 1920s in the conditions of the Manchuria market.

4. Purpose of the Study

The purpose of the article is to study the activities of Soviet trade and financial organizations in Northern Manchuria by analyzing data on trade turnover, the state of institutions, conditions and features of commercial activity. The chronological period covers the 1920s, that is, the time of the most active trade and economic interaction between Soviet Russia and Manchuria.

5. Research Methods

Research methods: Problem-chronological, statistical analysis, structural and functional.

6. Findings

During the repeated structural reorganizations of the early 1920s, in the RSFSR/USSR, a well-coordinated centralized apparatus for managing an important sector of the Soviet economy—foreign trade—was formed. One of the leading tasks of the Soviet government was to strengthen and regulate the state monopoly of foreign trade. As a result, in 1920 the exclusive right to conduct trade transactions with foreign states was vested in the USSR People's Commissariat for Foreign Trade [NKVT], which carried out commercial export-import operations abroad through trade missions. In particular, since 1918 in Harbin there were agents of the All-Russian Society of Consumer Cooperatives [Tsentrosoyuz], who were selling furs, maral horns, purchasing Chinese goods (Archived documents on Manchuria, 1930; Decree of the All-Russian Central Executive Committee, 1923; Resolution of the Council of People's Commissars of the RSFSR, 1920; Resolution of the Presidium of the All-Russian Central Executive Committee, 1922; Sladkovsky, 1977). The money they received went to the national monetary fund.

In the Far East, the process of the formation of the Soviet system of economic management, restoration of socio-economic ties with the central provinces of the country began in 1922 after the end of the Civil War and foreign intervention. In the conditions of the emerging new economic policy, the Soviet state attributed special importance to the Far Eastern region, which had natural access to the markets of China, Japan and other APR states. It had its own recent experience of creating and operating trade and financial structures within the Far Eastern Republic [the most significant of which were the corresponding ministries of trade and finance, as well as their subordinate institutions]. The management of the national economy was concentrated in the jurisdiction of the Far Eastern Industrial Bureau, which in March 1924 received the right to carry out export supplies with access to the foreign market. Trade in the Far Eastern region was mainly carried out with China and Japan **(**88%**);** the rest fell on the share of other states of the Asia-Pacific region.

The revival of trade ties with Manchuria began in the fall of 1921, and at the beginning of the next year, with the assistance of interested Chinese business circles, the first state trade organization of Soviet

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Russia, Sibdalvneshtorg, was opened in Harbin. On October 24, 1921, the Trade Representation of the NKVT of the RSFSR was established in China with a staff of 21 people. However, it began work only after the conclusion of the "Agreement on General Principles for the Settlement of Issues between the USSR and the Republic of China" on May 31, 1924, when diplomatic and consular relations were established between the two countries. The first official Soviet trade representative included in the diplomatic corps was Klyshko. In September 1925, an office of the USSR Trade Mission was opened in Tianjin with branches in Shanghai, Harbin, Kalgan [now Zhangjiakou], and Canton. This was the main office, since the trade representative and employees of the commercial part worked in it. At this time, the staff of the Trade Mission was 50 people (Sladkovsky, 1977).

Under the leadership of the Trade Mission, the organization of the activities of the network of economic organizations of the USSR in China began with their orientation towards a single goal—increasing the welfare of the Soviet state.

At that time, Soviet trade emissaries and various organizations had been working in various regions of China for several years. Only in Shanghai and Harbin there were about 20 of them. In particular, the Far Eastern branch of the state import-export trading office under the NKVT Commissioner for the Far East [Dalgostorg] is one of the largest Soviet trading institutions in China. The leading direction of his activity was the procurement of legumes in Manchuria, which created a counterbalance to the expansion of Japanese capital in this territory and at the same time stimulated the direction of freight traffic through the Chinese Eastern Railway [CER] to the Vladivostok port of Egersheld (GHK. Log. P-2. Reg. 1 Doc. 48. P. 39). Despite the impressive volume of procurement and import of legumes in the USSR, in the second half of the 1920s, Dalgostorg incurred significant losses in this area [2 673 241 rubles for 1926-1928] due to unfavorable market conditions [Figure 1].

However, the continuation of operations for the purchase of beans from Chinese peasants and firms also had a political motive to promote the authority and influence of the USSR in Manchuria, therefore financial losses from the point of view of the Soviet leadership were of secondary importance (Archived documents on Manchuria, 1930, Log. P-2. Reg. 1. Doc. 178. P. 8). Commercial activities were also carried out by the Dobroflot transport office, which in 1925 became part of the branch of the joint-stock company "Sovtorgflot", which carried out freight forwarding operations. In addition, the export of cotton fabrics and textile products from the USSR was carried out by Tekstilsindikat, which from 1925 to 1927 supplied products for 4 million 427 thousand rubles; oil products were exported by Oil Syndicate, which by 1929 occupied the leading position on the Manchurian market (35%) [followed by American Standard Oil (30%) and other smaller firms]. On the whole, Soviet business entities felt themselves in Manchuria in the 1920s. quite confidently (Archived documents on Manchuria, 1930, Log. P-2. Reg. 1. Doc. 157. p. 44; Sladkovsky, 1977).

A significant role in promoting state economic interests was played by the Soviet joint stock company Far Eastern Bank, which entered the markets of neighboring Manchuria in June 1923. All organizational work was carried out at the expense of the fixed capital [over 1 million rubles] of this financial institution. The main vector of activity of the Dalbank branch in Harbin was lending to import-export operations for the exchange of goods between Manchuria and China in general with the USSR. In particular, funding was received by Soviet organizations that exported timber, kerosene, coal, fish and seafood, tobacco products, and railway accessories to China, by Chinese firms that imported tea, cereals, meat, wool, bean oil, sugar, bags, and paper to the Soviet Far East; as well as by Russian commercial and industrial enterprises located in China. Trade and transit operations in Northern Manchuria also brought profit. For instance, 90% of the free cash of the CER was stored in the Harbin branch of Dalbank, which in October and December of 1924 alone transferred about 850 thousand gold rubles to the head bank in Khabarovsk from the income from the activities of the CER (Yakhimovich, 2015).

In 1924, 6 branches of the bank were opened in China in the cities of Shanghai, Hailar, Manchuria, Tianjin, Kalgan, and Beijing, that is, in large trade and financial centers (Bazhenov, 2012). The importance and influence of Dalbank grew in direct proportion to its free balance: from 19.8 million yen on July 1, 1925 to 36 million yen on January 1, 1926, or by 45%. The volume of accounting and loan operations of the Harbin branch of Dalbank was 7.5 million rubles [8.7 million yen], working capital by the end of December 1925 reached 19 million yen, or approximately 16.3 million rubles (Zalesskaya, 2008). As a result, a credit apparatus was created that served the interests of not only the Far Eastern region, but the entire Soviet Union. After the Japanese occupation of Manchuria in 1931-1932 and the sale of the Chinese Eastern Railway to Manchuku-Di-Guo in 1935, the Harbin branch of Dalbank ceased to exist.

The number of employees at various levels in the Soviet commercial establishments of Northern Manchuria was small. At the beginning of 1929, there were 35 people in the state of Dalgostorg, 30 in Oil Syndicate, 21 in Tsentrosoyuz, 3 in Gosstrakh, 16 in the Commercial Agency of the Ussuriysk Railway at the CER, 16 in the Harbin Agency of Sovtorgflot, 12 in Tekstilsindikate, 126 in Dalbank (Archived documents on Manchuria, 1930, Log. P-2. Reg. 1. Doc. 157. pp. 43–44, 46–49).

Among of the main problems faced by many Soviet trade and financial organizations operating in Manchuria were a private change in management and a shortage of qualified specialists who had the skills of commercial work, the ability to coordinate their actions with the USSR Trade Mission and did not always understand the essence of Soviet trade policy for abroad. The lack of timely control over the activities and profitability of economic organizations by the employees of the Trade Mission in Harbin led in 1927 to an increase in the overhead costs of the Tobacco Trust to 57%, while the inventories were several times less [later, the Tabaktrest representative office was liquidated], and to the emergence of competition between the Harbin offices of the Trade Representation, Joint Stock Company "Transport" and Sovtorgflot. These organizations incurred significant financial losses, the leaders were prosecuted (SAChK. Log. P-2. Reg. 1. Doc. 48. PP. 23, 26-27).

In the offices of the Trade Mission and Soviet economic entities, illegal trade operations, currency speculation with a gold duct in order to make up for losses from their activities, and bribes were often practiced. There were frequent cases of internal financial irregularities caused by the desire for a luxurious life at the expense of institutions. For example, funds for some business trips, which were not necessary, actually served as a supplement to wages; expensive train tickets were purchased; large bills were provided for the use of cabbies, cars, porters, that is, the law on business trips was violated. The sums of advances for 1925-1929 reached enormous proportions. Among those who borrowed were responsible workers and heads of institutions [in Tsentrosoyuz alone, by January 1, 1929, up to 4 thousand rubles were issued]. Taking advantage of the fact that the cash balance of the institution was not

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reflected in the general accounting documents, many administrative employees received money at the cash desk, only by writing a receipt, which was listed there as cash. This phenomenon was widespread (Archived documents on Manchuria, 1930, Log. P-2. Reg. 1. Doc. 157. PP. 41–42). The lack of distinction between secret and ordinary office work led to the leakage of commercial classified information, which competitors used for blackmail, and sales agents transferred it to other firms. So, in 1927, a sales agent of the Oil Syndicate of the Harbin office was dismissed for ties with a rival American firm, Standard Oil. The use of the services of dummy merchants, who had no authority in trade circles and the ability to provide material support for transactions when concluding contracts, had a negative impact, as a result of which Soviet enterprises suffered large financial losses in export. Soviet economic organizations abroad often took long-term loans not only for their own needs, but also for transferring them to small private trading firms in China. So, in 1927, Podoroisky's firm worked at the expense of using the funds of Rezintrest Archived documents on Manchuria, 1930, Log. P-2. Reg. 1. Doc. 48. PP. 26-27).

At the end of 1927, due to the aggravation of political relations with China, the Trade Mission of the USSR temporarily suspended its activities. In September 1935, the branch of the Soviet trade mission in Harbin was closed. This continued until 1939, when relations between the two countries began to improve and a Soviet-Chinese trade agreement was signed (Sladkovsky, 1977, p. 15).

7. Conclusion

Thus, the activities of Soviet trade and financial organizations on the territory of Manchuria were carried out in an atmosphere of intense market competition. The staff of these enterprises did not always have the proper qualifications or a high level of corporate ethics, which hindered the effectiveness of the organizations in local conditions. In addition, the obvious losses of a number of large trade and financial enterprises were covered by the desire of the USSR leadership to continue their work in order to exercise political influence in Northeast China through them. In general, despite a number of shortcomings, the Soviet trade and financial structure in Manchuria in the 1920s took its rightful place, but the permanent escalation of political tension in the region resulted in an almost complete curtailment of their activities.

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