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RUSSIAN TRADE

Overview Trade was very important source of revenue for Russia, and it became the backbone of the Russian economy for centuries. Throughout its history, Russia's large rivers served as profitable routes for Russian traders to transport their goods to foreign countries from the Baltic Sea to the Black Sea, from the Far East to the West. Russia was a landlocked country, and it was only with Peter the Great that Russia gained a warm water port on the Black Sea. It was always in the Russian rulers' interests to reach the shores of a sea, and the Tsars of Russia had always aimed to reach warm water ports in the south to establish their control over the world economy. It was also always the Soviets' strategy to establish naval supremacy in the Indian Ocean to show the world who was a super power in the world.

ANCIENT PERIOD

Foreign trade was undoubtedly the primary factor in shaping the policy of all the empires in the Pontic steppes, from the Scythians down to the Khazars.

For the Scythians trade was as important as tribute in the Scythians' acquisition of manufactured goods. From the 6th century BCE they began to trade with the Greek colonies along the northern Black Sea coast for precious metals, wines, olive oil, and metalwork in bronze, silver and gold. The Scythians also had services to sell, particularly military services, serving as mercenaries for cash payments or prestige goods.

The Sarmatians were also traders. During the winter the Sarmatians lived in the southern Russian steppes between the Black and Caspian Seas and close to the large rivers for trading purposes. In the spring they would migrate north to find summer pastures.

Even before the beginnings of Kievan Rus, foreign and domestic trade was important for the future Rus lands; even the Proto-Slavs had commercial contacts with the peoples of the Mediterranean.

POST CLASSICAL PERIOD

Varangian Trade Routes: Even before the establishment of Kievan state, foreign and domestic trade was important. In the 8th and 9th centuries after the Varangians gained control over numerous trade routes, they combined their tribute gathering with international trade, and the trade routes running across Russia from the Baltic to the Azov and Caspian seas, and from the Dnieper to Constantinople gained importance. In the 10th century the Dnieper river way soon became the main route for Russian commerce, and its main southern exit was Constantinople. Therefore, the Black Sea played a very important role in Russian trade; but for Russians the Caspian Sea was a fairly significant route for trade as well. Tmutarakan, an ancient town in Taman peninsula was also an important trading post and outlet for Kievan Rus to reach the Black Sea. Trade in the east with the Volga Bulgars and peoples of the steppe (Cumans) also remained important. In the north, Novgorod emerged as an important Baltic trading post.

Trade in Kievan State: Foreign commerce was the backbone of the Kievan economy. However, the role of domestic trade was also important; while the wealth of the upper classes came from foreign trade, domestic commerce was also important for the welfare of the population. Once a week, usually on Fridays, farmers brought their produce for sale in the markets (bazaars) of major Russian cities. They would sell weapons, metal ware, metals, salt, clothes, hats, furs, cloth, pottery, timber, wood, wheat, rye, millet, flour, bread, honey, wax, frankincense, horses, cows, sheep, meat, and ducks. In the major cities the merchants transacted business on a national scale, in the smaller towns only local merchants operated. Novgorod was an important trading city and the Novgorodian merchants operated their agencies throughout Russia. The Novgorodian trade was partly a transit trade. Basic goods such as furs, wax and honey were exported from Novgorod and Smolensk to western Europe.

Russia's foreign trade depended on exported raw materials and manufactured goods and metals received from foreign countries. In the 10th century, the Russians exported furs, honey, wax, and slaves to Byzantium, and grain was exported from Russia to the Byzantine Empire in the 12th century. Meanwhile, from Byzantium between 10th – 12th centuries the Russians imported mainly wines, silk fabrics, and objects of art, such as jewelry, icons, glassware and also fruit. Christian slaves were no longer sold abroad by the Russians; but the Cumans sold Russian prisoners as slaves to overseas merchants. Russia exported to the Orient furs, honey, wax, walrus tusks, woolen cloth and linen, while from the Oriental countries they imported spices, precious stones, silk and satin fabrics, weapons, and horses; precious stones, spices and rugs were transported through Novgorod to western Europe. In the 10th and 11th centuries Byzantine silk fabrics were transported to northern Europe through the Baltic. From Europe a number of manufactured goods were imported, such as woolen cloth, silk, linen, needles, weapons, and glassware. Through the Baltic, besides wine, beer, salt and herring, Russia imported iron, copper, tin, and lead.

Mongol Period: The Mongol invasion that lasted till the 15th century greatly hindered Russia's economic development. With the establishment of new and secure trade routes, and with the encouragement of the Mongol Khans and local governors to to trade with the East, the Mongols were able to transport precious silks and spices from China and India through Central Asia to the lower Volga and beyond, and across the Black Sea to European markets.

EARLY MODERN PERIOD

During the 16th and 17th centuries, Russia lacked ports on the Baltic Sea, therefore Russian had to export, for example, flax, linseed, hemp, hides, furs, and sometimes rye through three major routes linking the Russian markets with Western Europe: an overland route through Poland and Germany; through the towns of the Baltic seaboard and the Baltic Sea; and another sea route across the White Sea from the port of Archangel. In return, Russia imported through the Baltic ports broadcloth, salt, herrings, wine, and groceries.

Trade in Muscovite State: While in the mid-16th century Moscow's trade with foreign merchants increased, in 1646, due to growing resentment against foreign merchants' trading privileges, the government had stop duty-free trade for all foreign merchants, and in 1667, through the *New Trade Regulation*, the Tsar curtailed all other foreign traders and increased foreign duties.

In addition to Novgorod, Astrakhan, Pskov, Archangel also gained importance and became a major port for importing weapons. The Tsar monopolized some trade, but market conditions determined most prices. Most of the trade was done by Russian merchants and traders for their own benefit. In 1725, most Russian foreign trade passed through St. Petersburg and Riga, and Archangel began to lose its importance. Astrakhan became a center for the less important trade with Persia and Central Asia. Peter the Great fostered trade by building canals going from the Baltic to the Caspian, roads, and bridges.

In the mid-17th century Russian merchants had a stronger position than foreign traders. Water transport was vital for foreign and internal trade, and many Russians made their living on or near the water.

By the last decade of 18th century, Russian exports greatly outnumbered imports, with Great Britain being the chief trading partner. Protective tariffs of up to 75% on the value of imported goods were introduced during the reign of Peter the Great.

NINETEENTH CENTURY

In the 19th century trade was conducted in open markets, in shops by peddlers, and traders in the cities that were linked to a trading network of wealthier merchants. Peddlers also traveled by horse-drawn carriages or by wagons to sell their products in rural areas. However, most Russian trade was conducted by ships and boats. In 1850's there were 200 steamboats transporting goods, and Russia's leading trade partner was Great Britain.

Russian foreign trade was in the hands of foreign traders, much as it had been in the 18th century. Russia exported food products (exports of grains became particularly important) and raw materials, and imported manufactured and luxury goods. Later, with the development of cotton and sugar industries they imported modern machinery, raw cotton and sugar.

TWENTIETH CENTURY

Imperial Domestic and Foreign Trade: In the 20th century, Russia's domestic trade expanded, and trade fairs grew in number. However, foreign trade expanded more than domestic trade, and in 1913 it constituted slightly more than 4 percent of world trade. The government always attempted to maintain the level exports at a higher level than imports. There were new products to export such as wheat, eggs, butter, sugar, and petroleum. In addition, machines and machine tools were imported, and in 1913, because of the textile industry's need for cotton, five times as much cotton was imported. Russia's new trading partner became Germany, replacing Great Britain.

Soviet foreign trade and state monopoly: The role of foreign trade and the dependence on Western imports in the Soviet economy (except grain, high-technology equipment, and phosphates used in fertilizer production) was negligible. The government of the Soviet Union introduced a state monopoly on all foreign trade, but after the death of Joseph Stalin in 1953, the government eased some restrictions on foreign trade activities.

People's Commissariat of Foreign Trade: The trading activities of the Soviet Union increased in 1921, with the establishment of the *People's Commissariat of Foreign Trade* when the monopoly on internal and external trade was eased, and the *New Economic Policy* (NEP) which abolished central control over the economy and established other corporations to deal directly with foreign countries.

However, during Stalin, trade was restricted again, since he was afraid of the disruptive influence of foreign market forces such as demand and price fluctuations. During the First Five-Year Plan, with the exception of factory equipment essential for industrialization, imports were drastically reduced.

Trade through representatives: During World War II the activities of the Soviet and foreign trade corporations halted. The Soviet trade representatives in Britain and Iran, and the Soviet Buying Commission in the United States were conducting trade. When the war ended, the United States, Britain and other West European countries introduced new restrictions on trade with the Soviet Union. Therefore, Soviet foreign trade was restricted to only Eastern Europe and China.

Ministry of Foreign Trade: Foreign trade demonstrated significant changes in the years following Stalin's death. Foreign trade corporations (or foreign trade associations), now known as all-union foreign trade organizations, increased in number due to the expansion of foreign trade and the growth of industry following WWII. In 1946 the People's Commissariat of Foreign Trade was transformed into the Ministry of Foreign Trade, which had right to negotiate and sign contracts with foreign corporations.

Council for Mutual Economic Assistance (Comecon): The Soviet Union formed the Council for Mutual Economic Assistance in 1949 in response to the American Marshall Plan, to link the Eastern bloc countries economically. The Comecon discouraged Eastern European countries from participating in the Marshall Plan.

The State Committee for Foreign Economic Relations: In 1955 the State Committee for Foreign Economic Relations was formed for the purpose of carrying out two main tasks. One was the management of all Soviet foreign aid programs, and the second was the export of complete factories through the various foreign trade organizations that were under it. However, this committee did not not have total monopoly on Soviet foreign trade since some ministries were authorized to use their own foreign trade partners to conduct direct trade with foreign partners.

By the late 1980s the Soviet Union's foreign trade was conducted primarily with fourteen socialist countries that were divided into four groups: Comecon; China; Yugoslavia; and three developing communist states in Asia, Laos, Cambodia, and North Korea. In addition, military equipment and arms sales were a significant economic sector; in 1985 they constituted 20% of all sales to the Third World.

Nevertheless, in the same year only 4% of the Soviet Union's gross national product was the result of imports and exports, an extremely low level in comparison with the western countries. However, this small percentage was the result of both a deliberate, historical policy of economic self-sufficiency, and the Soviet Union's vast energy and raw material resources that made imports of these unnecessary.

Despite their relatively small volume, the value of Soviet exports increased in the 1970s and 1980s as world prices, particularly for oil after 1974, increased. In the first half of the 1980s half of all Soviet imports from the Third World consisted of food and agricultural goods, primarily grain.

Ministry of Foreign Economic Relations: The administration of Soviet foreign trade policy and foreign aid agreements came under the authority of the *Ministry of Foreign Economic Relations*, which replaced the *Ministry of Foreign Trade* and the *State Committee for Foreign Economic Relations* in January 1988. The creation of this new ministry was followed by legislation permitting joint enterprises. These moves were intended to make the Soviet foreign trade bureaucracy more efficient while maintaining the government monopoly on external trade.

General Agreement on Tariffs and Trade: By the second half of the 1980s it was clear that the Soviet Union was moving to normalize its foreign trade with other countries. The Soviet Union became an observer at the General Agreement on Tariffs and Trade in 1987, and began to express interest in participating in other international economic organizations and establishing relations with regional economic organizations. In 1988 the European Economic Community and the Soviet Union signed a normalization agreement.

Domestic Trade - Gostorgs: During the Soviet period over 70% of domestic trade was conducted by a mix of governmental, cooperative and private enterprises. Distribution of goods was primarily under the authority of *Gostorgs*, internal state trading organizations. *Gostorgs* were organized on a local, regional, or republic-wide basis and imported manufactured and agricultural goods from abroad which were then sold to retailers and consumers. Domestic goods and products for export were also purchased by the *Gostorgs*.

Discussion/Questions

1. Why did Kievan Rus' enjoy its greatest commerce during the 11th century?
2. What made the Muscovite state a favorable location for trade?
3. When was the Soviet foreign trade monopoly loosened? Why did the Soviet government take this step?

Reading

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