

# Witte's Program of Eurasian Development

by William Jones

The industrial take-off of the United States in the aftermath of the Civil War had shown to the world the superiority of the American System of political economy over the British “free-trade” model, which had long served as the straitjacket in which Anglo-Dutch finance maintained its stranglehold over the world economy. The success of the American System was most clearly manifest in the 1876 Centennial celebrations in Philadelphia, where all the achievements of U.S. industry were placed on exhibit. This helped to spur other nations to imitate this most successful model. In 1878, German Chancellor Otto von Bismarck decided to break with the “Manchester school” of free trade, then endemic in German academic circles, and practiced in Germany, by instituting a protective tariff. In this way, he returned to the policies so brilliantly utilized earlier in the century by the German-American economist Friedrich List, in bringing the independent states of Germany into a customs union, the Zollverein (1834), which provided the first major step toward German unification. The great Russian chemist Dmitri Mendeleev visited the 1876 Centennial and returned to Russia to encourage a productive tariff policy in order to promote the nascent Russian industrialization. In the Far East, Japan conducted the Meiji Revolution, unifying the nation, and, under the guidance of E. Peshine Smith, who had been sent to Japan by American economist Henry Carey for that purpose, and began to implement American System policies that would transform Japan into an industrial power. Similarly, in China, there were elements clearly aware that the imperial world of the Qing Dynasty would, one way or another, have to adapt to the new industrial paradigm. A young Sun Yat-sen was then being groomed by American missionaries in Hawaii for realizing that transition.

These various threads of transformation toward an industrialized economy on the Eurasian continent would be taken in hand by one individual, Russian Finance Minister Sergei Yulevich Witte, who would attempt to weave them together into a community of interest that might be able to withstand the attempts by the hegemonic Anglo-Dutch financial elites to sabotage that industrialization.

## Witte's Grand Design

The son of a civil servant, the descendant of a Baltic German family on his father's side and a Russian mother, who was related to the prestigious Dolgoruky family, Witte stud-

ied mathematics, but quickly became interested in railroad building, then at its peak in Russia. There was a general understanding that holding the loose fabric of this vast empire together would require the sinews of the “iron horse.” The successful completion of the U.S. Transcontinental Railroad in 1869 sparked a keen interest in Russian industrial circles and led, in the 1880s, to a series of visits by Russian experts to study the technology of railroad building.

As operational chief of the Southwestern Railroad, Witte soon came to the attention of the Tsar, Alexander III. Quickly rising within the Railway Department, he became in February 1892 Minister of Ways and Communications, with prime responsibility for the construction of the Trans-Siberian Railroad. The Trans-Siberian would become the main element of the Russian railway net. Its construction would be the prime stimulant for the development of the metallurgical industry. More importantly, the Trans-Siberian would be the linchpin of Witte's grand conception of uniting the nations of the continent around a Eurasian land-bridge.

Such a “land-bridge” would effectively curtail the might of the Anglo-Dutch financial interests, with their primary spokesman and enforcer being the British King, Edward VII. British financial influence was bolstered by its monopoly of the seas. The British Navy was the strongest in the world, not be outdone by the United States until World War I. The control of the seas meant the control of trade—and the financing of trade—which was largely ocean-going. The creation of a railroad over the 5,800 miles from Moscow to Vladivostok would considerably cut the costs—and the time—of shipping goods from the Atlantic to the Pacific. Trade within the continent would then shift from sea to land, and Russia, finding itself in the middle of that route, would benefit immensely from the increase of this world trade. Two problems had to be broached if this were to succeed: The railroad had to be financed, and the diplomatic path smoothed so that this new Russian involvement in the Far East would not create a conflict with either Japan or China.



*Count Sergei Witte*

## Financing the Land-Bridge

With his appointment as Minister of Finance in October 1892, Witte was in a position to realize his plans. Consolidating the finances of the Russian Empire and creating a “gold ruble,” the capital-starved country became a subject of prime interest for international investors. The financial capital needed for building this, the largest, railroad in the world, would have to be garnered from the international markets, but the use of the funds would be in the hands of the Finance Ministry. Witte had already seen to it that the railroads, which, until then, had been in private hands, were now made

state enterprises. Much of the matériel would be supplied by Germany, Russia's largest trading partner, although the locomotives would be purchased from the United States. The tenuous relations between France and Germany in the aftermath of the Franco-Prussian War of 1870, as a result of which Germany annexed Alsace-Lorraine, threatened to poison Witte's plans. His primary diplomatic efforts in the early 1890s were to provide a bridge between these two former enemies, and to create a bulwark of the three continental powers against any attempts by the Anglo-Dutch to upset his land-bridge project.

The diplomacy in the East was likewise complicated. Anxious to bring both China and Japan into the benefits of the new trade route, Witte proposed building the final eastern extension of the railroad not through Russian territory, but, by means of agreements with the Chinese Empire, along a shorter route to the sea through the Chinese province of Manchuria.

Although China was ruled by the tottering Qing Dynasty, there was a realization among government officials that China had to modernize. Their bitter defeat in the Sino-Japanese War of 1894 had brought that lesson home. Witte established relations with Li Hung-chang, an advisor to the Qing Empress, who had already launched a program of ship and railroad building in China. Li agreed to allow the Russians to build their railroad through Manchuria and to give them a long-term lease of the railroad, after which time it would be turned over to China. Russia, in turn, agreed to assist China in maintaining its territorial integrity against any outside interference, effectively establishing a defensive alliance.

The other power in the region which had to be integrated into the Witte program was Japan. When Japan, in accordance with the treaty ending the Russo-Japanese War, attempted to annex the Liaotung Peninsula in Manchuria, Witte succeeded in mobilizing France and Germany in threatening Japan, if they would proceed with annexation. Witte clearly saw that this would quickly lead to a dismemberment of China by the European powers and the dissolution of his plans. Faced with a superior forces, Japan backed down. At the same time, in order to smooth ruffled feelings, Witte began a diplomatic offensive to convince Japan of the benefits which would accrue to it through the expanded trade facilitated by the railroad.

But Witte was by no means the only actor on the scene. The British, aware of the mortal threat the Witte project would pose for the Anglo-Dutch financial hegemony, were already hard at work at undermining Witte's policy by fomenting war and revolution.

Edward VII was intent on encircling Germany, the major industrial power of Europe, thus realizing Bismarck's feared "nightmare of coalitions." The creation of the hostile coalitions virtually guaranteed the outbreak of war, on a far grander scale than the world had ever previously experienced. By 1904, Edward had succeeded in undercutting Witte's influence in France and established the first stage of what would

become the First World War's Triple Entente among France, Britain, and Russia, by the signing of the Anglo-French Entente.

In the Far East, the British used their influence among Japanese military and naval circles to create the first modern conflagration of the century, the Russo-Japanese War of 1904-05. The defeat of Russia in that war would pave the way for the 1905 Revolution and then the 1917 Bolshevik Revolution.

## The Seeds of Revolution

Within Russia, the British had already established the forces needed for such a revolution. With the assassination of Witte's colleague and friend, Minister of Interior, D.S. Sipyagin, in 1902, V.I. Plehve, a conservative opponent of the Witte policy, was brought in to head the all-important Interior Ministry. Plehve transferred Sergei V. Zubatov—the former *Narodnaya Volya* (People's Will) terrorist who had headed the Moscow Okhrana since 1896 and was the Okhrana's master of "in-the-street" provocations—to St. Petersburg, where he would be in charge of the entire Okhrana network.

Zubatov's policy was to create a police-controlled workers' movement, ostensibly billed as a means of thwarting the development of any independent political movement among Russian workers. In effect, they were laying the groundwork for revolution. Witte, who had previously been in charge of the factory inspectorate, now taken over by Plehve, saw the threat this posed to his policy, and tried to prevent this insanity, ultimately without success. Plehve himself ended up being assassinated by one of Zubatov's agents, after he sacked Zubatov for launching the mass strike of 1903.

Witte's appeals to the young Tsar, Nicholas II, who had come to power in 1896, were to no avail, however. The British had already succeeded in undermining Witte's credibility with the new Tsar by playing on the latter's anti-Semitism. The publication of the concocted "Protocols of the Elders of Zion" in 1902 portrayed a conspiracy by "World Jewry" to take over the world by its control of international finance. Given that many of the loans that Witte had negotiated in order to finance his railroad project had been taken from Jewish banker friends in Paris and London, it was clear that he was the target of this operation. The result of the Zubatov policy was the Revolution of 1905, in which Witte again emerged, this time as Prime Minister, in a final attempt to prevent chaos and revolution from engulfing Russia. Although achieving something of a respite, the permanent war and revolution policy of the Anglo-Dutch oligarchy rolled on, until its fruition in the conflagration of World War I in 1914 and the subsequent 1917 Revolution.

In one of those ironies of history, that revolution was hijacked by a Russian intellectual with his own program, V.I. Lenin. Under new management and an entirely different garb, Russia would proceed in the general direction of the Witte industrial policy in the new Soviet state.