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# Repudiation of debt at the Russian Revolution - Parts I to IV

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## Part 1: 1905

### Repudiation of debt at the heart of the revolutions of 1905 and 1917



*February 23, 1917: Womens protest in Petrograd*

In February 1918, the repudiation of the debt by the Soviet government shocked international finance and sparked off unanimous condemnation by the governments of the great powers.

This decision of repudiation was intrinsic to this first big movement for social emancipation which rattled the Russian Empire in 1905. This huge revolutionary uprising was caused by the conjunction of many factors: the Russian debacle in its war with Japan, the wrath of peasants demanding land, the rejection of autocracy, workers' demands... The movement began with strikes in Moscow in 1905 and soon spread throughout the empire like wildfire, adopting different forms of struggle. **Out of the process of self-organization by the masses emerged councils, or soviets in Russian: peasants' councils, workers' councils, soldiers' councils and so on.**

Trotsky, who presided over the soviet of St Petersburg (capital of Russia until March 1918), explained in his autobiography that the arrest of its entire leadership on December 3, 1905 was triggered by the publication of a manifesto in which the elected members of the council appealed for the repudiation of debts contracted by the Tsarist regime. He also explained that this 1905 call for the non-payment of the debt was finally realized in early 1918 when the Soviet government adopted a decree for the repudiation of the tsarist debts:

*"The arrest took place a day after we had published our so-called financial manifesto, which proclaimed that the financial bankruptcy of Czarism was inevitable, and issued a categorical*

warning that the debts incurred by the Romanovs would not be recognized by the victorious nation. [1] [2]



*Trotsky (holding the brief case) among the members of the Petrograd Soviet, during their trial*

“The manifesto of the Soviet of Workers’ Delegates plainly declared: ‘The autocracy never enjoyed the confidence of the people, and was never granted any authority by the people. We have therefore decided not to allow the repayment of such loans as have been made by the Czarist government when openly engaged in a war with the entire people.’

“The French Bourse answered our manifesto a few months later with a new loan of three-quarters of a million francs. The liberal and reactionary press poured sarcasm over the important threat of the Soviets against the Czar’s finances and the European bankers. In later years, the manifesto was successfully forgotten but it recalled itself to mind. The financial bankruptcy of Czarism, prepared for by its whole past history, coincided with the military debacle. And later, after the victory of the revolution, the decree of the Soviet of People’s Commissars, issued on February 10, 1918, declared all the Czarist debts annulled. This decree remains in force even to this day. [3] It is wrong to say, as some do, that the October Revolution does not recognize any obligations: its own obligations the Revolution recognizes to the full. The obligation that it took upon itself on December 2, 1905, it carried out on February 10, 1917. The Revolution is fully entitled to remind the creditors of Czarism: ‘Gentlemen, you were warned in ample time.’

“In this respect, as in others, the year 1905 was a preparation for the year 1917.” [4]

In the book entitled *1905* Trotsky described the development of events that led to the adoption of the Financial Manifesto through which the Soviet, the supreme organ of revolutionary democracy, called for the refusal of payment of debts contracted by the Tsar:

*“A tremendous field of action was opening up before the Soviet. Everywhere a vast expanse of new political ground was waiting for the deep plowshare of revolution. But time was short. The reaction was feverishly forging its weapons, and the blow was expected from hour to hour. Amid the mass of day-to-day business the Executive Committee hurried to put the Soviet’s resolution of November 27 into action. It issued a proclamation addressed to the troops (see The November Strike) and, at a joint meeting with representatives of the revolutionary parties, approved the text of a “financial” Manifesto (...). [5]*

“On December 2 the Manifesto was published in eight St Petersburg newspapers, four socialist ones and four liberal ones. Here is the text of this historic document:

“The government is on the brink of bankruptcy. It has reduced the country to ruins and scattered it with corpses. The peasants, worn out by suffering and hunger, are incapable of paying taxes. The government gave credits to the landowners out of the people’s money. Now it is at a loss as to what to do with the landowners’ mortgaged estates. Factories and plants are at a standstill. There is unemployment and a general stagnation of trade.

“The government has used the capital obtained by foreign loans to build railways, warships and

fortresses and to store up arms. Foreign sources have now been exhausted, and state orders have also come to an end. The merchant, the supplier, the contractor, the factory owner, accustomed to enriching themselves at the treasury's expense, find themselves without new profits and are closing down their offices and plants. One bankruptcy follows another. Banks are failing. All trade exchanges have been reduced to the barest minimum.

'The government's struggle against revolution is causing daily unrest. No one is any longer sure what the morrow will bring.

'Foreign capital is going back home. 'Purely Russian' capital is also seeping away into foreign banks. The rich are selling their property and going abroad in search of safety. The birds of prey are fleeing the country and taking the people's property with them.

'For many years the government has spent all its state revenue on the army and navy. There is a shortage of schools. Roads have been neglected. In spite of this, there is not enough money even to keep the troops supplied with food. The war was lost partly because military supplies were inadequate. Mutinies of the poverty-stricken, hungry troops are flaring up all over the country.

'The railways are economically sick through the government's fault. Many millions of roubles are needed to restore the railway economy.

'The government has pilfered the savings banks, and handed out deposits to support private banks and industrial enterprises, often entirely fictitious ones. It is using the small saver's capital to play the stock exchange, where that capital is exposed to risk daily.

'The gold reserves of the state bank are negligible compared with the existing claims of government loans and the demands of trade turnover. It will be reduced to nothing if gold coin is demanded for every transaction.

'Taking advantage of the absence of any control of the state finances, the government has long been issuing loans which far exceed the country's means of payment. With these new loans it is covering the interest on old ones.

'Year after year the government issues false accounts of expenditure and revenue, showing both to be less than they are in reality and robbing indiscriminately to show a surplus instead of an annual deficit. Officials are free to rob the treasury which in any case is already exhausted.

'Only the Constituent Assembly, after the overthrow of the autocracy, can halt this financial ruin. **It will carry out a close investigation of the state finances and will draw up a detailed, clear, accurate, and certified balance sheet of state revenue and expenditure (budget).**

'Fear of popular control which would reveal to all the world the government's financial insolvency is forcing it to keep putting off the convening of the people's representative assembly.

'In order to safeguard its rapacious activities the government forces the people to fight unto death. Hundreds of thousands of citizens perish and are ruined in this fight, and industry, trade, and means of communication are destroyed at their very foundations.

**'There is only one way out: to overthrow the government, to deprive it of its last strength. It is necessary to cut the government off from the last source of its existence: financial revenue.** This is necessary not only for the country's political and economic liberation, but also, more particularly, in order to restore the financial equilibrium of the state.

'We have therefore decided:

'To refuse to make land redemption payments and all other payments to the treasury. In all transactions and in the payment of wages and salaries, to demand gold, and in the case of sums of less than five roubles, full-weight hard cash (coinage).

'To withdraw deposits from savings banks and from the state bank, demanding payment of the entire sum in gold.

'The autocracy has never enjoyed the people's confidence and has never received any authority from the people.

'At the present time the government is behaving within the frontiers of its own country as though it were ruling conquered territory.

**'We have therefore decided not to allow the repayment of loans which the government contracted while it was clearly and openly waging war against the entire people'.**

(End of the Manifesto text.) "



*January 22, 1905: Red Sunday in St Petersburg*

Under the manifesto published in the press on December 2, 1905 appeared the list of the following organizations who supported this appeal to refuse the payment of Czarist debt and asphyxiate the autocracy financially:

"The Soviet of Workers' Deputies

The Main Committee of the All-Russian Peasants' Union

The Central Committee and the Organization Committee of the Russian Social-Democratic Workers' Party

The Central Committee of the Party of Socialist Revolutionaries

The Central Committee of the Polish Socialist Party."

Trotsky added a final commentary:

*"It goes without saying that this manifesto could not, in itself, overthrow Tsarism and its finances.*

***"The Soviet's financial manifesto was nothing other than an overture to the December rising. Reinforced by a strike and by fighting on the barricades, it produced a powerful echo throughout the country. Whereas during the month of December in the previous three years deposits in savings banks had exceeded payments by 4 million roubles, in December 1905 the excess of payments over deposits equalled 90 million: during a single month the manifesto extracted 94 million roubles from government reserves! When the insurrection had been crushed by the Tsarist hordes, equilibrium in the savings banks was once more restored."***

The denunciation of the illegitimate and odious character of the Tsarist debt played a fundamental

role in the revolutions of 1905 and 1917. The call not to repay debts was finally realized in the decree for the repudiation of debt adopted by the Soviet government in February 1918.

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## Part 2: 1917

### **From Tsarist Russia to the 1917 revolution and the repudiation of debt**

The Napoleonic wars ended with Russia emerging as a great European power and participating in the Holy Alliance of three European monarchies, founded on September 26, 1815 in Paris, at the behest of Tsar Alexander I. The Alliance had won over the Napoleonic Empire and they wanted to consolidate their positions and protect themselves from revolutions. Originally, the Russian Empire, the Empire of Austria and the Kingdom of Prussia were the constituents, while France (where the monarchy had been restored) joined in 1818 and London extended its support.

### **Tsarist Russia: a great European power**

The Russian Empire was part of the Troika which placed a Bavarian prince on the Greek throne in 1830 and enslaved the country to a debt, at once odious and unsustainable. The Ottoman Empire's gradual dismantling was a very important issue for Moscow, because Russian interests in the Balkans as well as movement between the Black Sea and the Mediterranean were at stake.

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*Europe in 1815, after the Vienna Congress (click to enlarge)*

Until the 1870s, London's bankers were the Tsar's main sponsors. German bankers replaced them once the German Empire came into being and defeated France in 1871. From that moment, Germany replaced London as Russia's main trading partner. On the eve of the First World War, 53% of Russia's imports came from Germany while 32% of their exports went there. On the other hand, at the financial level, French bankers took the place of their German counterparts at the end of the 19<sup>th</sup> century. On the eve of the First World War, "investors" in France held 80% of Russia's external debt and most of the existing Russian loans had been issued on the Paris market.



### *The Russian Empire in 1905*

In short, the capitalists of France lent to Russia and invested there (Belgian capitalists, especially the "industrialists", also invested heavily in Russia [6]), while German capitalists exported part of their production and imported raw materials for their own stocks.

When the Petrograd Soviet adopted a financial manifesto for the repudiation of the Tsarist debt, Russia was preparing to issue a huge new loan, with the help of the French bankers and the

government of France. The Paris bankers paid no heed to the Soviet's warning. The loan came through. It was repudiated twelve years later.

## **First World War**

The First World War was waged between two conflicting camps of capitalist powers: on one side were the German Empire and its allies— the Austro-Hungarian Empire, Bulgaria, and the Ottoman Empire. Great Britain, France, the Russian Empire, Belgium, Romania, Italy, Japan and, from February 1917, the United States, were in the other camp.

Germany, France, Great Britain and Tsarist Russia had been preparing for war for a long time. Germany, with its thriving economy, wanted to spread its territory both in Europe and in the colonial world.

France wanted to take revenge on Germany, and particularly, to conquer Alsace and Lorraine annexed by Germany following France's defeat in 1871. Great Britain, France and Russia also wanted to extend their colonial domain, notably on the ruins of the Ottoman Empire.

The Left in various belligerent countries had denounced the preparations for this war several years before.

At the Stuttgart Congress (1907) of the Socialist International, [the unanimously adopted resolution](#) had stated:

*"In case war should break out anyway, it is their (the socialist parties') duty to intervene in favor of its speedy termination and with all their powers to utilize the economic and political crisis created by the war to rouse the masses and thereby to hasten the downfall of capitalist class rule."*

In 1913, the Extraordinary Congress of the Socialist International in Basel pronounced a solemn warning to the governments: *"Let the governments remember that with the present condition of Europe and the mood of the working class, they cannot unleash a war without danger to themselves"*. [7]

Jean Jaurès, a great French socialist leader, crisply summed up this message in the concluding sentence of his speech at the Basel Congress: *"In sharpening the danger of war, the governments should see that the peoples can easily make the count: their own revolution would cost fewer dead than the war of others"*. [8]

At the decisive moment, in August 1914, several major socialist parties (the Social Democratic Parties of Germany, Austria, Belgium, France and Great Britain) voted with the bourgeoisie for war credits to finance the war. The cost in human life was enormous. Total deaths due to the global conflict amounted to 18.6 million: 9.7 million soldiers and 8.9 million civilians. The Tsar's participation in the First World War caused 3,300,000 deaths in Russia between 1914 and February 1917: 1,800,000 soldiers and 1,500,000 civilians. [9]

## **From the revolution of February 1917 to the October Revolution**

When revolution broke out in February 1917, spearheaded by a massive women's strike (which started on February 23, 1917 [10], the International Day for Women's Rights [11]), the Russian people wanted to get rid of the autocratic tsarist regime. They wanted bread, an end to the war, access to land for tens of millions of deprived peasants who were forced to risk their lives in a war whose objectives were totally alien to them.

The new regime, led by the moderate socialist Kerensky [12] succeeding the Tsar, refused to distribute land to the peasants, wanted to carry on with the war, and could not feed the people. It also pledged to repay the debts contracted by the tsarist regime to foreign creditors and contracted new loans to continue the war.

Dan, one of the prominent Menshevik leaders opposed to the Bolshevik party, described the revolutionary zeal in the months preceding October 1917 thus: the masses *"began more and more frequently to express their discontent and their impatience with impetuous movements, and ended (...) by turning to communism (...). Strikes followed one after the other. The workers sought to answer the rapid rise in the cost of living with wage rises. But all their efforts failed with the continuous drop in value of paper money. The Communists launched in their own ranks the slogan of 'workers' control' and advised them to take the running of the factories into their own hands, in order to stop the 'sabotage' of the capitalists. At the same time, the peasants started to take over the big properties, to chase out the land owners and to set fire to their manor houses....."* [13]

## **The October Revolution 1917**

Kerensky's policies triggered dissatisfaction, which in turn led to a second revolution in October 1917 (November 7, 1917, according to the new calendar adopted later). The new government [14], supported by the congress of the Soviets, pledged to restore peace, distribute land and, in a bid to revive the country's economy, repudiate debt and nationalize the banking sector [15].

## **The repudiation of debts**

At the beginning of January 1918 the Soviet government suspended foreign debt servicing and in early February 1918 it decreed the repudiation of all tsarist debts as well as the debts contracted by the Provisional Government, so that the war could be continued from February to November 1917. Simultaneously, it decided to confiscate all the assets of foreign capitalists in Russia and restore them to the national estate. Russian public debt amounted to £ 930 million (roughly 50% of GDP) in 1913. Between the beginning of the war and Bolsheviks' accession to power with their left-wing Socialist Revolutionary allies, the debt soared to £ 3,385 million, about 3.5 times what it had been.

By repudiating debt, the Soviet government implemented the Petrograd Soviet's decision of 1905, which had been supported by various parties. The capitals of the great allied powers responded with unanimous protest.

## **Peace Decree**

The Soviet government proposed peace without annexations and without indemnities. It also called for enacting the right to self-determination of peoples. All this involved the implementation of thoroughly innovative or revolutionary ideas regarding inter-State relations.

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## **Part 3: Civil War**

### **The Russian Revolution, Debt Repudiation, War and Peace**

In early January 1918, the Soviet government suspended payment on foreign debt, and in early February 1918 it decreed that all Tsarist debts were repudiated as were those contracted to continue the war by the provisional government between February and November 1917. At the same time, it decided that all assets of foreign capitalists in Russia would be confiscated and returned to the national heritage. In repudiating these debts, the Soviet government was implementing a decision made in 1905 by the soviet (people's council) of Petrograd (St Petersburg) and the various parties that supported it. This triggered a wave of unanimous protest from the capitals of the major allied powers.

#### **Decree on Peace**

The Soviet government proposed peace with neither annexation nor compensation or reparations. It also added a clause enacting the self-determination of peoples. This was the application of totally innovative and revolutionary principles to relations between States. It turned out that the Soviet government's policy simultaneously confounded and influenced that of the US president Woodrow Wilson [16] who had made the right to self-determination of peoples a central element of US foreign policy. [17] Certainly, the Bolsheviks and the United States had different motives. The US, not having significant colonial territories, saw an interest in weakening the British and German Empires and the powers of Belgium, the Netherlands and France, in order to step into their shoes, though using other methods. Their strongest diplomatic and humanitarian argument was the right to self-determination of African, Caribbean and Asian peoples still under the colonial yoke. As for the Bolsheviks, they wanted to have done with the Tsarist Empire that they denounced as a prison of peoples.

The desire for peace was one of the basic causes of the revolutionary uprising of 1917. The great majority of Russian soldiers were set against pursuing war. Almost all were peasants who wished to go home and work on the land. Moreover, for many years, since long before the start of the war, the Bolsheviks, who had been members of the Socialist International until its betrayal of the working classes in August 1914, had opposed the policy of preparation for war. They maintained that what was needed was a common struggle to bring capitalism and its imperialist phase and colonized territories to an end.

To bring this orientation to bear, the Soviet government was forced to enter separate negotiations with Berlin and its allies as in 1917, London, Paris and Washington wished to carry on with the war. The Soviet government did endeavour to bring these capitals of the allied nations to the negotiating table but to no avail. Having signed an armistice with the German Empire in mid-December 1917, it managed to drag out the negotiations with Berlin over five months in the hopes of seeing several populations of Europe, especially the German people, rise up against their governments to demand peace. It also vainly hoped that President Wilson would support Soviet Russia against Germany [18]. The Soviet government also wanted to show international public opinion that it wished for universal peace embracing East and West and that only as a last resort would it agree to sign a separate peace treaty with Berlin.

From December 1917, the Soviet government began to make public numerous secret documents revealing how the major powers were preparing to share out territories and populations with scant regard for their right to self-determination. One of the most sensitive of these was an agreement between Paris, London and Moscow dating from 1915 which established that at the time of victory, the Tsarist Empire would be entitled to take Constantinople, France would recover Alsace-Lorraine



and London could take control of Persia [19]. Early in March 1918, the Soviet government signed the Treaty of Brest-Litovsk with Berlin. The cost was high, with the German Empire taking a large portion of the western territory of the Russian Empire: part of the Baltic countries, part of Poland and Ukraine. In short, the treaty would deprive Russia of 26% of its population, 27% of cultivated areas and 75% of its steel and iron production.



### **Intervention of the Allied Powers against Soviet Russia**

The Soviet government's call for worldwide revolution combined with its desire to end the war, its repudiation of debts demanded by the Allied Powers and its nationalization measures convinced the Western leaders that they should launch a massive attack against Soviet Russia to bring down the revolutionary government and restore capitalist order. The foreign intervention began in the summer of 1918 and finished at the end of 1920 when the Western capitals took stock of their failure and were obliged to acknowledge that the Red Army had taken back control of the territory. Fourteen countries sent troops to take part in this attack. France sent 12,000 soldiers (to the Black Sea and the North), London sent 40,000 (mainly to the North), Japan 70,000 (in Siberia), Washington 13,000 (in the North with the British and the French), the Poles 12,000 (in Siberia and Murmansk), Greece 23,000 (to the Black Sea), Canada 5,300 [20]. The Japanese intervention was to last until October 1922. According to Winston Churchill, Minister of War in the British government, there was a total of 180,000 allied foreign troops.

The French government was the most bitterly hostile towards the Soviet government, right from the start. There were several reasons for this: firstly, it was feared that the revolutionary movement initiated by the Russian people might spread to France as much of the French population was vehemently opposed to carrying on with the war; secondly, the Soviet decision to repudiate debt affected France more than any other country since Russian loan bonds had been issued in Paris and were mainly held in France.

It is now known that in 1917 the French government had begun secret talks with Berlin hoping to conclude a peace treaty that would allow the German Empire to spread eastwards to the detriment of revolutionary Russia, on condition that Alsace and Lorraine be returned to France. Berlin's refusal to make this concession to Paris brought negotiations to an end [21].

The armistice of 11 November 1918 signed between the Western capitals and Berlin made provision for German troops to stay temporarily in the Russian territories that they were occupying. According to article 12 of the armistice, Germany was to evacuate all former Russian territories as soon as the Allies deemed it opportune, in view of the internal situation of those territories [22]. The

idea was to help the imperial army prevent the Soviet government from rapidly regaining control over the territories they had conceded to Germany under the Brest-Litovsk treaty. The Allies meant to enable anti-Bolshevik forces to take over these territories which would then serve as a rear-base while they overthrew the government.

The British historian E. H. Carr shows how unpopular the intervention against Soviet Russia was: "In January 1919 when the allied statesmen, assembled in Paris for the peace conference, discussed the occupation of Russia by allied troops, the British Prime Minister [Lloyd George] bluntly assured his colleagues that 'if he now proposed to send a thousand British troops to Russia for that purpose, the armies would mutiny, and that, 'if a military enterprise was started against the Bolsheviks, that would make England Bolshevik and there would be a Soviet in London'. Lloyd George was talking for effect, as was his manner. But his perceptive mind had correctly diagnosed the symptoms. Serious mutinies in the first months of 1919 in the French fleet and in French military units landed in Odessa and other Black Sea ports led to an enforced evacuation at the beginning of April. Of the troops of several nationalities under British command on the Archangel front the Director of Military Operations at the War Office reported in March 1919 that their morale was 'so low as to render them a prey to the very active and insidious Bolshevik propaganda which the enemy are carrying out with increasing energy and skill'. The details were disclosed much later through official American reports. On March 1, 1919, a mutiny occurred among French troops ordered to go up to the line; several days earlier a British infantry company 'refused to go to the front', and shortly afterwards an American company 'refused for a time to return to duty at the front'. It was in the light of such experience that the British government decided in March 1919 to evacuate north Russia, though the evacuation was not in fact completed till six months later." [23]



### *The Russian Civil War 1917*

Winston Churchill was one of the main hawks in the Western camp. Taking advantage of the absence of Lloyd George and President Wilson at a summit meeting held in Paris on 19 February 1919, Churchill intervened to persuade the other governments to complete their intervention by directly supporting the army of the White Russian generals. He suggested sending them "volunteers, technical experts, arms, munitions, tanks, aeroplanes, etc." and "arming the anti-Bolshevik forces" [24].

The Allies tried to persuade the new (pro-Western) German government to take part in the action against Bolshevik Russia. Despite strong pressure from the Western capitals, in October 1919 the Reichstag (the German parliament), where socialists (SPD) and liberals held the majority, voted unanimously against Germany's participation in the blockade on Soviet Russia decreed by the Allies. To give the full picture, it should be added that at the same time certain German generals like Ludendorff, and especially Von der Goltz, who led the last organized remnants of the former imperial army, supported military actions in the East to help out the anti-Bolshevik White Russian generals. This, with the support of the Western capitals [25].

It is quite clear that both the Western governments and those of the defeated central powers (the German Empire and Austria-Hungary) feared that revolution would spread to their own countries. Lloyd George wrote in a confidential memorandum early in 1919 : The whole of Europe is filled with the spirit of revolution. There is a deep sense not only of discontent but of anger and revolt amongst the workmen against pre-war conditions. The whole existing order in its political, social and economic aspects is questioned by the masses of the population from one end of Europe to the other [26]. This fear of revolution was by no means fanciful and largely explains the violence of the attacks against Bolshevik Russia.

Foreign intervention backed up the White Russian generals' attacks and prolonged what was an extremely bloody civil war (it caused more deaths than the World War in Russia [27]). The cost of the foreign was considerable, in terms of human lives and of material destruction; the Soviet government later demanded that this be taken into account in the international negotiations regarding debt repudiation (see below).

### **The economic and financial blockade against Soviet Russia and the blockade on Russian gold**

From 1918, the Allied powers led a blockade against Soviet Russia. The Soviet government was prepared to pay in gold to import goods of absolute necessity, but none of the major banks or any government in the world could accept Soviet gold without crossing swords with the Allied governments. In fact Paris, London, Washington, Brussels all considered that they had a right to Russian gold to compensate Russia's expropriated capitalists and repay debts. This became a huge obstacle to Soviet trade. In the United States any person or company wishing to use gold for any transaction or to take gold into the country had to sign an official statement that the gold in their possession had nothing to do with the so-called Bolshevik government and that they guaranteed that the US had a right on it without any reservation [28].

It should be mentioned that after the German capitulation of November 1918, France managed to recover the heavy ransom in gold that Berlin had got from Russia in application of the Brest-Litovsk peace treaty signed in March 1918 [29]. France refused to return this gold to Russia, considering it as part of the reparations Germany owed Paris. The blockade of Russian gold was carried on to some extent for years. This was how France again managed in 1928 to get the Washington authorities to prohibit a payment in Russian gold for a contract between Russia and a private US company.

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## **Part 4: Right to Self-determination**

### **The Russian Revolution, Peoples' Right to Self-determination, and Debt Repudiation**

The Versailles Treaty was eventually signed on 28 June 1919 without Soviet Russia being involved. Even so, this treaty cancelled the Treaty of Brest-Litovsk. Under Article 116 of the Versailles Treaty, Russia could claim compensation from Germany; yet, consistent with its demand for peace without any annexation or any claim for compensation, it did not do so. What mattered most to Soviet Russia was that the Treaty of Brest-Litovsk should be cancelled and the territories that Germany had annexed in March 1918 be given back to the peoples to whom they had belonged (the Baltic, Polish, Ukrainian and Russian peoples), in accordance with the principle of peoples' right to self-

determination upheld by the new Soviet government.

### **Treaties with the Baltic Republics, Poland, Persia and Turkey**

This principle was also called upon in the first article of each of the peace treaties signed between Soviet Russia and the new Baltic States in 1920: Estonia on 2 February, Lithuania on 12 July and Latvia on 11 August. The peace treaties resembled one another and the independence of those States – that had been forceably integrated into the Tsarist Empire – was systematically asserted in the first or second article. Through such treaties, Russia reasserted its opposition to the domination of financial capital and its determination to repudiate Tsarist debts. Indeed the treaty that was signed with Estonia on 2 February 1920 states: “Estonia will bear no responsibility for any of Russia’s debts or other obligations (...). All claims of the creditors of Russia for the share of the debt concerning Estonia should be addressed to Russia only.” Similar dispositions appeared in the treaties signed with Lithuania and Latvia. As well as asserting that peoples did not have to pay illegitimate debts that were contracted in their names though not in their interest, Soviet Russia also acknowledged the oppressive role played by Tsarist Russia towards minority nations within the Empire.

To be fully consistent with the principles it upheld, Soviet Russia went even further. In those peace treaties, it committed itself to restoring to the oppressed Baltic nations all property and articles of value that had been removed by the Tsarist regime (especially cultural and academic property such as schools, libraries, archives, museums) as well as personal goods that had been removed from the Baltic territories during the First World War. As compensation for war damage resulting from the involvement of Tsarist Russia, Soviet Russia stated that it would grant fifteen million gold roubles to Estonia, 3 million gold roubles to Lithuania and 4 million gold roubles to Latvia, as well as concessions for those three States to exploit Russian forests across the borders. While Russian State loans to citizens of the Baltic states were transferred to the newly independent governments, the peace treaties signed with Lithuania and Latvia stipulated that claims against smallholders against the former Russian agricultural banks since nationalized should not be transferred to the new governments but “purely and simply cancelled”. The same measures also applied to Estonian smallholders under article 13 of the Peace Treaty with Estonia, which stated that “if, when such Treaties are concluded, Russia grants to any one of these new States or to its subjects special exemptions, rights or privileges, these shall be extended in full immediately and without special agreement to Estonia and its subjects.”

By signing these treaties, Soviet Russia meant to try and break out of the isolation to which it had been confined by the imperialist powers since the October Revolution, while at the same time implementing principles the new state wanted to uphold.. The Baltic States were the first to breach the blockade imposed upon Russia, and those peace agreements opened the way to trade contracts between the various parties. In March 1921, a similar peace agreement was signed between Russia, the Ukraine and Belarus on the one hand and Poland on the other. This document released Poland from the obligation to pay any share of the debts of the former Russian Empire, committed Russia to restoring property that had been removed by Tsarist Russia, and specified that Russia and the Ukraine would pay 30 million gold roubles in compensation to Poland. This treaty was even more significant than the one with the Baltic States, as Poland was seen by the allied capitalist powers as key to the isolation of Russia.



The friendship treaty signed between Soviet Russia and Persia on 26 February 1921 is a further token of Soviet Russia's determination to contribute to the emancipation of oppressed people and to their right to self-determination. In this treaty Russia officially broke away from the tyrannical policies of Tsarist Russia's colonizing governments and gave up all its territories and economic interests in Persia. The very first article declares all treaties and conventions between Persia and Tsarist Russia, which denied the rights of the Persian people, to be null and void. Article 8 unambiguously cancelled debts owed by Persia to the Tsarist regime: the new Russian government definitively "renounced the economic policy pursued in the Orient by Tsarist regime, which consisted of lending money to the Persian government, not for the economic development of the country but rather for its political subservience." [30] Consequently it cancelled all Russian claims on Persia.

A few weeks later the Soviet government similarly renounced all liabilities, including monetary, that Turkey had towards Russia as a consequence of agreements signed by the Tsarist government. [31]

**Eric Toussaint**

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**P.S.**

\* <http://www.cadtm.org/Russia-Repudiation-of-debt-at-the>

Translated by Sushovan Dhar in collaboration with Vicki Briault and Christine Pagnouille

\* <http://www.cadtm.org/From-Tsarist-Russia-to-the-1917>

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\* <http://www.cadtm.org/The-Russian-Revolution-Debt>

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## Footnotes

[1] <https://www.marxists.org/archive/trotsky/1930/mylife/ch14.htm>

[2] Translators' note: the passages quoted from Trotsky's works are left as in the original translation.

[3] Trotsky wrote this in 1930.

[4] <https://www.marxists.org/archive/trotsky/1930/mylife/ch14.htm>

[5] <https://www.marxists.org/archive/trotsky/1907/1905/ch20.htm>

[6] In 1914 Belgian companies operated trams in 26 Russian cities. Belgian Minister Henri Jaspar spoke in the Belgian parliament on Belgium's interests in pre-war Russia: "our cast iron manufactured in Russia represented 1/3<sup>rd</sup> of the total production of Russian iron; beams, laminates, cross bars accounted for 42% of the total Russian production; chemical products manufactured by the Belgians in Russia represented 75% of the amount manufactured in the whole of Russia; ice accounted for 50% of Russian production, sheet glass for 30%". (Trans. CADTM) According to the minister, 161 Belgian companies operated in Russia before the war.

Sources (in French): Annales parlementaires, Chambre, 1921-1922, p. 883-884; Session of May 23, 1922. Also see Documents parlementaires, Sénat, 1928-1929, no. 88, Rapport de la Commission des Affaires étrangères, pp. 37-38. Jean Stengers quoted from these documents in his article "Belgique et Russie, 1917-1924: gouvernement et opinion publique" in *Revue belge de philologie et d'histoire*, 1988, Volume 66, No.2, pp. 296-328 [http://www.persee.fr/doc/rbph\\_0035-0818\\_1988\\_num\\_66\\_2\\_3628](http://www.persee.fr/doc/rbph_0035-0818_1988_num_66_2_3628)

[7] Jean Longuet, *Le mouvement socialiste international*, Paris, 1931, p. 58. (in French). Also see <https://www.marxists.org/history/international/social-democracy/1912/basel-manifesto.htm>

[8] Ernest Mandel, October 1917: Coup d'État or social revolution? IIRE, *Notebooks for study and research* no.17/18, 1992, Amsterdam, p 14, <https://fileserv.iire.org/nsr/NSR17.pdf>

[9] The countries most affected, besides Russia, were the German Empire (casualties of 2 million soldiers and 420,000 civilians); France and its colonies (1.4 million soldiers and 300,000 civilians); Austria (1.1 million soldiers and 470,000 civilians); the United Kingdom and its colonies (885,000 soldiers and 110,000 civilians); the Ottoman Empire (800,000 soldiers and 4.2 million civilians); and the Kingdom of Serbia (1,250,000 victims, including 800,000 civilians, or 1/3<sup>rd</sup> of its population). Source: [https://fr.wikipedia.org/wiki/Pertes\\_humaines\\_de\\_la\\_Premi%C3%A8re\\_Guerre\\_mondiale](https://fr.wikipedia.org/wiki/Pertes_humaines_de_la_Premi%C3%A8re_Guerre_mondiale)

[10] In 1917, Russia still used the Julian calendar, which is about 13 days "behind" the Gregorian calendar adopted in 1918 and which corresponds to the Western calendar. So the revolution of February 1917 actually occurred on the international day of struggle for women's rights: March 8 in the current calendar. Similarly, the October Revolution took place on November 7. In the rest of the text, the dates correspond to the current (i.e. Gregorian) calendar.

[11] Leon Trotsky, 1930, *History of the Russian Revolution*, Haymarket Books, Chicago, 2008, Chapter 7.

[12] Alexander Fyodorovich Kerensky (1881-1970), lawyer, Laborist (his party was called Trudovik) headed the provisional government in 1917.

[13] Martov-Dan: *Geschichte der russischen Sozialdemokratie*, Berlin 1926, pp. 300-301. Quoted



by Ernest Mandel in October 1917: Coup d'état or social revolution? IIRE, Notebooks for study and research no.17/18, 1992, Amsterdam, P 9 <https://fileserver.iire.org/nsr/NSR17.pdf>

[14] The government was an alliance of the Bolshevik Party and the leftwing Socialist Revolutionaries.

[15] Edward H. Carr. 1952. *The Bolshevik Revolution 1917-1923*, vol 2. The Macmillan Company; First edition (1952).

[16] Thomas Woodrow Wilson, born in Staunton on 28 December 1856 and died in Washington, D.C. on 3 February 1924, was the 28<sup>th</sup> president of the United States. He was elected for two successive mandates, from 1913 to 1921.

[17] See W. Wilson's declaration of February 1918: 'every territorial settlement in this war must be made in the interest and for the benefit of the population concerned, and not as part of any mere adjustment compromise of claims amongst rival states'. See also his declaration made at the signature of the pact founding the Society of Nations in 1919: 'The fundamental principle of this treaty is a principle never acknowledged before' that the countries of the world belong to the people who live in them'. These two citations are due to Odette Lienau, *Rethinking Sovereign Debt: Politics, Reputation, and Legitimacy in Modern Finance*, Harvard University, 2014, p. 62-63.†<http://www.hup.harvard.edu/catalog.php?isbn=9780674725065>

[18] In January-February 1918, President Wilson adopted an apparently benevolent public attitude towards Soviet Russia. See especially point 6 of his declaration in 14 points to the US Congress on 8 January 1918. [https://en.wikipedia.org/wiki/Fourteen\\_Points](https://en.wikipedia.org/wiki/Fourteen_Points) However in the end Wilson did not give any aid to the Soviets.

[19] See Edward H. Carr. 1952. (A History of Soviet Russia), *The Bolshevik Revolution (1917-1923)* Vol. 3, Norton Paperback Editions, New York, 1985 (Macmillan, 1953) chapter 21, pp; 12-13, note 3.

[20] See in particular, [https://en.wikipedia.org/wiki/Allied\\_intervention\\_in\\_the\\_Russian\\_Civil\\_War](https://en.wikipedia.org/wiki/Allied_intervention_in_the_Russian_Civil_War)

[21] Lloyd George reported these talks in his memoirs: Lloyd George, *War Memoirs*, IV, 1934, 2081-2107. See Edward H. Carr. 1952. (A History of Soviet Russia), *The Bolshevik Revolution (1917-1923)* Vol. 3, Norton Paperback Editions, New York, 1985 (Macmillan, 1953) chapter 22.

[22] See Edward H. Carr. 1952. (*A History of Soviet Russia*), *The Bolshevik Revolution (1917-1923)* Vol. 3, Norton Paperback Editions, New York, 1985 (Macmillan, 1953) chapter 28, p. 308.

[23] See Edward H. Carr. 1952. (*A History of Soviet Russia*), *The Bolshevik Revolution (1917-1923)* Vol. 3, Norton Paperback Editions, New York, 1985 (Macmillan, 1953) chapter 23, pp. 126-7.

[24] Ibid., chapter 23, p. 111.

[25] E. H. Carr, Vol. 3, p. 308.

[26] Quoted by E. H. Carr, vol. 3, p.128.



[27] On the Russian Civil War, see among other scholarly studies Evan Mawdsley, *The Russian Civil War*, Pegasus Book, 2007.

[28] See *The New York Times*, 2 April 1921 quoted by Alexander N. Sack, 'Diplomatic Claims against the Soviets† (1918-1938)î, in *New York School of Law Contemporary Law Pamphlets Series 1 No.7*, N Y University Quarterly Review, 1938.

[29] See: Alexander N. Sack, 'Diplomatic Claims against the Soviets†(1918-1938)î, in *New York School of Law Contemporary Law Pamphlets Series 1 No.7*, N Y University Quarterly Review 253, 1938-1939.

[30] Quoted in Jeff King. 2016. *The Doctrine of Odious Debt in International Law: A Restatement*, Cambridge University Press, p. 84.

[31] Edward H. Carr. 1952. (*A History of Soviet Russia*), *The Bolshevik Revolution (1917-1923)* Vol. 3, Norton Paperback Editions, New York, 1985 (Macmillan, 1953) pp. 311-312.