

## **Sergei Witte and the Russo-Japanese War**

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During the period spanning from the end of the 19<sup>th</sup> century to the beginning of the 20<sup>th</sup>, Sergei Witte, who served as Russian Finance Minister (1892-1903) and Chairman of the Council of Ministers (October 1905- April 1906), emerged as one of the most influential Russian policymakers, and as the architect of East Asian policy under Alexander III and Nicholas II.<sup>1</sup> Witte's involvement in Russia's East Asian policy put Russia on a collision course with both Europe and Japan over the fate of Ching China.

The construction of the Trans-Siberian Railroad emerged as the main impetus for Russia's expansionist policies in East Asia. The Committee of Ministers began to hold discussions on possible routes for this proposed Trans-Siberian Railroad following Alexander III's proclamation to this effect in May 1882. The official announcement regarding the construction of the Trans-Siberian Railroad was made in March 1891, with a ceremony to mark the actual onset of construction held on May 19 of that same year.<sup>2</sup> However, it was only in December 1892 with the appointment of Witte as finance minister, and his subsequent resolution of the project's shortage of funds, that the railway project began to gather steam. In December 1892 the Siberian Railroad Committee was established, with the heir apparent Nicholas appointed as chairman. The appointment of Nicholas as chairman of this committee resulted in the construction of the Trans-Siberian Railroad becoming a pet project for the future Tsar who

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would ascend the throne in 1894. Moreover, these circumstances allowed Witte to expand his influence. With his power suddenly expanded, Witte started to look outside of his finance ministry and involve himself in important government policy in other fields.

Witte also played an important role in forging the Russian position on the Treaty of Shimonoseki imposed on China by a victorious Japan that was signed on April 17, 1895.<sup>3</sup> Japan was forced to cede the Liaodong Peninsula and backtrack from the conditions set down in the Treaty of Shimonoseki as a result of the Tripartite Intervention (Russia, France and Germany). As Russia was perceived as the moving force behind this Tripartite Intervention, this incident was bound to have serious repercussions in terms of future Russo-Japanese relations. This intervention not only planted the seeds of future conflict between the two countries, but made it such that future problems would inherently be resolved through military means. The reports coming in from Russian commercial attachés stationed throughout East Asia resulted in Witte becoming increasingly aware of the rising economic and military power of Japan. Nevertheless, despite these reports to the contrary, Witte never put much weight on the growing economic power of Japan as a threat to Russia; moreover, Japan's rising economic might was not a factor in the formation of Russia's policy of economic expansion into East and Central Asia, a policy which was first drawn up by the Russian Finance Ministry in the middle of the 1890's. Witte's apparent disregard for the rise of Japan may have been caused by the onset of Russia's own economic expansion in 1893-94. While this rapid economic growth was accompanied by a significant increase in the value of Russian stocks, by 1895 the bottom had suddenly fallen out of the stock market.<sup>4</sup>

In 1895, Witte played a crucial role in loaning the 100 million rubles which China had to provide to Japan as war reparations through a Russian & French syndicate. In other words, the Russian government played the role of guaranteeing this loan for the Chinese government. That same year, the Russo-Chinese Bank was established.<sup>5</sup>

This Russo-Chinese Bank, along with the International Commercial

Bank of St-Petersburg, became the conduit through which Russian capital was funneled into East Asia. Furthermore, the Russo-Chinese Bank also bankrolled the Russian government's policies towards Manchuria and Korea.<sup>6</sup> Witte and Li Hung-chang engaged in two rounds of negotiations in 1896, in St-Petersburg as well as Moscow, during the latter's visit to Russia to attend the coronation of Nicholas II as Tsar of Russia. These negotiations resulted in the formation of a defense alliance between Russia and China designed to counter the growing power of Japan. As a result of the Chinese government's decision to cede the concession rights for the development of the Chinese Eastern Railway to the Russo-Chinese Bank during these negotiations, the Chinese Eastern Railway Company was established in December of that same year.

Witte's policies until the end of the 1890's were based on the attainment of clear objectives. He was of the mindset that Russia could catch up with the advanced industrial states of Europe within a decade, while also believing that Russia could also solidify its position in the markets of the near abroad, Central Asia, and East Asia during the same period. Witte thought that in order for Russia to achieve rapid economic growth, three things would have to happen: First, foreign loans would have to be secured; Second, domestic capital would have to be accumulated through such means as expanding the government's monopoly over the sale of alcohol and indirect taxes; And third, tariff barriers would have to be erected to protect Russian industries from competition emanating from the West, while also finding ways of fostering the expansion of Russian exports.<sup>7</sup> From 1889 to 1902 Russia's national debt increased by 200 million rubles, or 45%.<sup>8</sup>

By 1897, Witte's efforts to put forward a peaceful economic policy towards Manchuria and East Asia through the establishment of relevant diplomatic and financial policies and the reorganization of government organizations had been completed.<sup>9</sup> Such a situation led VK Plehve to utter that 'Witte's state' had been established in the Far East as a result of the establishment of the 2400 versty-long (1 versta=1.067 Kilometers) Chinese Eastern Railway. One of the most vociferous critics of Witte at

that time, VL Gurko, spoke out as follows:

“Witte has created a perfectly independent state for himself in East Asia. This state even comes replete with its own military, such as border guards in the form of the *armurski*, a cavalry named after his wife Matilda, and a naval fleet. Above all, he has established his own fiefdom within the finance ministry.<sup>10</sup>

Witte also placed much importance of the Chinese market. This is evidenced by his reaction to a report which General Kuropatkin submitted to Nicholas II in 1900. Witte was opposed to Kuropatkin’s suggestion that Russia should limit its influence to Northern China on the following grounds:

“Russia’s expansion into Southern China will prove to be an event of historical proportions; as such, there is no reason for us to pitch our fences in Manchuria. All of China should be included in our expansion policy as the bulk of China’s wealth is concentrated in the south. Therefore, all of China will be ours someday”<sup>11</sup>.

Although Russia’s rapid growth during the 1890’s resulted in it nearly catching up to the western nations in terms of industrial development, it found itself unable to forge ahead of the West as Witte had planned. At the end of 1898 signs of a looming financial crisis began to appear in Europe, with a full-fledged calamity overtaking the continent the next year. This world crisis eventually made its way to Russia in 1900. The crisis proved that Witte’s plan of securing large-scale foreign capital from such places as Paris, Berlin, London and New York was an unrealistic one.

Witte had appeared to have luck on his side until the outbreak of this global crisis. This period had seen Russia expand its influence into the Far East and Central Asia by beating out its main competitors. However, such efforts to expand Russia’s economic influence into these areas placed a burden on the Russian treasury that was alleviated by raising taxes on the Russian populace, and would also led to increased conflicts between Russia- England and England-Japan in the future; all of which were

important factors in speeding up the advent of war with Japan. By 1902 Russia was already experiencing problems balancing its budget. Moreover, by this point Witte had lost favor with the Tsar. Plehve suddenly became the Russian Minister of the Interior following Dmitry Sipyagin's assassination in April 1902. Plehve's ascension to the post of Minister of the Interior corresponded with the rise of the influence of the ministry over domestic policymaking and in Plehve's, whose background was in the police force, own power within the government becoming increasingly significant. By contrast, Witte's finance ministry, which had grown in power over the last decade, began to gradually lose its grip. Witte began to be criticized by not only Plehve but by A.M. Bezobrazov's group as well. This group led by the above-mentioned Bezobrazov, consisted of nationalist individuals who promoted the advent of a more aggressive policy in East Asia, and especially in Korea.<sup>12</sup> This faction, which was formed in 1898 and backed by Grand Duke Aleksandr Mikhailovich, became the most vocal critics of Witte's policy. The conflict which emerged between Witte and the Bezobrazov group worsened following the series of special meetings held from March-May 1903 to discuss Russia's East Asia policy. During one of these meetings held on May 7, 1903 in the presence of Tsar Nicholas II a heated debate broke out between Witte and the foreign minister Lamsdorf on one side and Bezobrazov's group on the other. In the end, Witte and Lamsdorf were unable to carry the day and the decision was made to establish a special commission to deal with the East Asian issue, with the majority of the duties related to Russia's East Asian policy transferred to this commission.<sup>13</sup> On August 16, 1903 Witte was removed from his position as finance minister and appointed to the ceremonial position of Chairman of the Committee of Ministers. As a result, Witte suddenly found himself completely excluded from the East Asian question.

Following his removal as finance minister, Witte headed back to the Sochi area near the Black Sea with his family. Thereafter, on the night of February 8, 1904 the Japanese navy attacked the Russian fleet anchored in Port Arthur (Lushun) and proceeded to sink two battleships and a

cruiser. Two days later Japan officially declared war on Russia, and one year after that, the Russian Revolution broke out.

Witte, who had returned to St-Petersburg following the outbreak of war, soon began to involve himself in politics once again. Realizing that his position was stronger than it had been immediately following his removal from power, Witte made the deduction that his current status as Chairman of the Committee of Ministers would be enough to guarantee him a say in policymaking matters. As discontentment with the Tsarist system spread amongst the general population and high-ranking officials, Witte's name began to be increasingly on people's lips. Witte's house on Kamennoostrovsky Street in St-Petersburg (which because it was made of white marble was referred to as the White House) became the focal point of meetings held amongst those opposed to the Tsarist structure. Witte used this opportunity to clamor for the position of the Chairman of the Committee of Ministers to be changed to that of the new position of Chairman of the Council of Ministers.

Witte's return to St-Petersburg coincided with a series of defeats which the Russian military suffered at the hands of the Japanese. This period also saw the finance ministry collect large amounts of documents and reports concerning Russia's East Asian policy. Among the documents made available by the finance ministry were secret files that Witte had submitted to Nicholas II following his tour of Manchuria and the Liaodong Peninsula.<sup>14</sup> In these secret files, the contents of which were made available to other ministers and the media, Witte described the situation in the Far East and raised the following question, "Do we want war or peace?" He then went on to assert that if the goal was in fact peace with Japan and China, then Russia should abide by its agreement to withdraw its troops from Manchuria by September 1903; however, if Russia's intention was to hold on to Manchuria and advance into Korea, then it should in no way decrease its military presence in Manchuria, but rather reinforce the ground and naval forces already there so as to always have 200,000 troops in place. Of particular interest here is the fact that Witte's report to the Tsar was all but identical to the one General

Kuropatkin submitted following his own tour of Japan prior to the outbreak of war. Moreover, the opinions which Witte and Kuropatkin submitted were in stark contrast with those of Admiral E.I. Alekseev who was able to persuade the Tsar that there was little chance that Japan would have the gall to start a war with Russia. Therefore, Russia's defeat at the hands of the Japanese and the outbreak of the Russian Revolution of 1905 had the effect of setting off a heated debate with Russia over who was to blame for the outbreak of the war. Witte was one of those who most actively participated in this debate. Witte went to great lengths to assure that his position regarding the outbreak of the war would prevail, using his friendships with authors to influence the media. Moreover, he also published a slue of books on the topic in his own name, under assumed ones, and in the name of scholars. Witte's contention was that it was in fact the Bezobrazov group which should be held accountable for the outbreak of the Russo-Japanese War. Moreover, he chided this group for their adventurism and irresponsibly aggressive tactics. In this regards, the timber concessions secured by the Bezobrazov group on the Korean side of the Yalu River were identified as one of the mains cause of this conflagration.<sup>15</sup> This debate over who should assume responsibility for the outbreak of the war and the Russian Revolution of 1905, while first emerging during the war, continued almost unabated within Russia until the death of Witte. Witte's personal opinions on the causes of both of these events are well laid out in his memoirs. These memoirs have had an overarching influence on the research that has been conducted on the war since its outbreak. In fact, to date, Professor Romanov has been the only one to strongly criticize Witte's assertions in his studies. Romanov has argued that Witte's policy in fact served to heighten tensions in East Asia and that this policy was for all intents and purpose no different from the Bezobrazov group's own unrefined approach.<sup>16</sup>

Witte was one of the major proponents within the government of the early conclusion of the Russo-Japanese War. His attempts to get the Tsar to bring the war to an end rapidly were based on the following reasoning: First, there was a very real possibility that the revolutionary movement

might continue to spread throughout Russia; Second, given that the French political and financial circles wanted to assure that a strong Russian government remained in place, as the government was the main guarantor of the French loans that had been made to Russia and the backbone of the Russo-French alliance, if the war was not brought to an end quickly there was a very real possibility of tensions arising between Russia and France. While the French government was willing to provide Russia with emergency funds (to be used for such ends as war reparations), such aid was conditioned on the latter's peaceful conclusion of the war. In July 1905, the issues of the provision of loans and of Russia's financial situation became intricately related with the outcome of the Treaty of Portsmouth, in which Witte attended as the representative of the Russian government.

The Russo-Japanese War proved to be a tremendous drain on the Russian treasury, as evidenced by the fact that the 4 million rubles which Witte had left for his successors in the ministry of finance soon evaporated. The new finance minister Vladimir Kokovtsov actively sought out Witte for help in securing foreign loans for Russia. However, it was not in Witte's nature to offer free advice without getting anything in return. As such, Witte suggested that the issue of securing foreign loans be brought under the auspices of the Committee of Ministers of which he was the chairman. Moreover, he provided the same stock answer to all other ministers who implored his help. As a result, the Committee of Ministers, which had only existed on paper for several decades, suddenly became a powerful entity. For his part, Vladimir Kokovtsov found himself unable to secure long-term loans for Russia because of the opposition of the Rothschild group. Meanwhile, Hottinger, a financier active in Paris, traveled to St-Petersburg where he agreed to provide Russia with a loan of 500,000 million rubles worth of bonds which would have to be redeemed within five years at 5% interest per annum. These bonds were to be provided by the Banque de Paris et des Pays Bas and the Credit Lyonnais. As France had officially declared itself neutral in the ongoing war between Russia and Japan, no official mention of this loan was made and



the bonds were sold to the banks' customers at 99 rubles for every 100. Moreover, the syndicate demanded a 1.5% brokerage fee for itself as well. Although this loan was not a particularly large one, it was nevertheless doled out in two installments. The Russian government simultaneously proceeded to issue bonds in the amount of 150 million rubles at 3.6% interest per annum. These bonds were issued by domestic banks in six installments of 25 million rubles. However, the high cost of war meant that the Russian government found itself constantly having to scramble to secure more funds, and as a result the emperor, a *contre coeur*, turned to Witte for help. This period also coincided with concerns over whether Germany would renew its commercial treaty with Russia, a task which the Tsar delegated to Witte. However, Witte was well aware that even if such a treaty was reached the conditions would not be advantageous to Russia; and furthermore, that any new deal would have to involve the injection of large-scale capital from German financial markets into the Russian economy. Against all odds, Witte was able to successfully secure such a treaty with Germany. Witte secured an agreement from the German government to establish a bank syndicate consisting of Mendelssohn, S. Bleichroder, Discontogesellschaft and Berliner Handelsgesellschaft, and also secured two different loans. One of these loans was a so-called 'Russo-German loan' consisting of 500 million German mark at 4.5% interest per annum. In return for this first loan, Russia had no choice but to finally acquiesce to conditions set down by the German government, conditions which the Russian government had never agreed to before. First, the German government reserved the right to change the conditions attached to the issuing of the bonds as well as the right to cash in their bonds before maturity; thus strengthening the rights of the bond holder. The holder also reserved the right to demand that Russia pay back the loan at face value on January 1, 1911, or when the original six-year term expired. Moreover, a clause was included which stated that from January 1, 1914 onwards the Russian government would have to inform the bond holders of the bond yield every six months. What's more, a condition was also set which stated that in Russia's case, it did not have the right to

convert or buy back the bonds it had issued before the end of 1916. The actual value of the bond was set at 95% of the face value, with the relevant banks securing a 4.5% commission for themselves. The second loan was a 10-year 200 million ruble loan set at 5% annual interest, with Russian banks having to issue 50 million rubles worth of such bonds. The above-mentioned bank syndicate would be paid an annual fee and interest of 1%.<sup>17</sup>

During the period in which Witte returned to Russia after having concluded his negotiations with Bulow in Norderney, discussions were being held amongst high ranking policymakers regarding the establishment of a parliamentary system in Russia. As there was no official body in which such discussions could be held, the decision was made to bring the matter before the Council of Ministers of which Witte was the chairman. However, under the prevailing circumstances, in which a military victory now appeared impossible to achieve in the Russo-Japanese War, members of the Tsar's inner circle began to question the feasibility of such a legislative assembly. The defeats at Liaoyang and Port Arthur were met with subsequent losses in Shahe and Mukden. However, the East Sea-bound Second Pacific Squadron led by Z.P. Rozhdestvenskii still remained operational. The editor of the *Stock Exchange Gazette*, the renowned S.M. Propper stated that a few days before the outbreak of the battle of Tsushima, Witte had shown him some secret documents in which it was written that the Russian government has drawn up a list of 600 people who would be arrested if Russia won this battle, with Witte's name at the top of this list (Propper was himself included on the list of those on which an eye should be kept).<sup>18</sup> The atmosphere within Russian society during this period was very intense. Upon hearing about the defeat of Russia in the Battle of Tsushima, Witte called Propper to inform him that the decision to have him arrested had been rescinded. Soon thereafter, Theodore Roosevelt offered to mediate a settlement between Russia and Japan that would bring the war to an end. The main issue within Russia thus became that of who should be appointed as the main negotiator to these peace talks. In this regards,

Foreign Minister Lamsdorf submitted a list of potential candidates to the Tsar, at the top of which was none other than Witte. The Tsar promptly erased Witte's name from the list, which only led to increase the latter's criticism of the Tsar. In the initial report which Lamsdorf submitted there were two potential candidates for the task: Witte and A.I. Nelidov, who was at that time the Russian Ambassador to France. However, Nelidov was also excluded because the Tsar felt that he did not possess enough knowledge of the East Asian situation. In Lamsdorf's second report Witte was once again atop the list, followed by Ambassador to Italy M.N. Muravyov, who declined to accept the position for health reasons. As the news spread that Japan would make four major demands of Russia in exchange for ending the war: large-scale war reparations; the return of Sakhalin, which Russia had seized from Japan in 1875; the removal of the Russian military base in Vladivostok; and the complete withdrawal of the Russian navy from the Pacific; it became increasingly evident that no one wanted to volunteer for the humiliating task of having to give in to these Japanese demands. Amongst the inner circles of power a plot was hatched to have Witte negotiate this humiliating Russian surrender, thus linking his name to this debacle and making it possible to do away with what they perceived as a threat to the royal family and the aristocracy.

Thus, Witte came to be appointed as the Russian representative to the peace negotiations. Baron von Rosen, who had been the Russian Ambassador to Japan until the outbreak of the war was sent to second Witte with the negotiations. Witte also chose to appoint one of the directors from the finance ministry, I.P. Shipov, who would later go on to become finance minister and of commerce and industry, as well as the Governor of the State Bank, as his personal secretary. Witte was also accompanied by EJ Dillon, a correspondent for the *Daily Telegraph*, who provided Witte with invaluable help. Following Dillon's schemes and tactics, Witte earned a strong reputation for himself in the U.S., which in turn, played a role in the outcome of the negotiations.<sup>19</sup>

In his memoirs Witte described the warm welcome that awaited him when he returned to St-Petersburg. However, the publisher of the *Stock*

*Exchange Gazette* Mr. Propper had the following to say about Witte's return:

“When the train that was carrying Witte back from Portsmouth pulled into the Varshavasky station in St-Petersburg, there were only twenty people there on the platform to welcome him. Although the date and time of his arrival had been published, no government figures, local governors, or members of the royal family were on hand. An unknown low-level official came up to Witte and delivered a welcoming speech in which he thanked him for his efforts, and claimed that because of Witte's successful conclusion of the Treaty of Portsmouth, the sons of Russia would no longer have to shed their blood. While his speech was delivered in a highly laudatory manner, there was an awkward moment of silence after he had completed it... Witte was obviously disappointed by this cold reception and appeared to be looking around for someone he knew.”<sup>20</sup>

Witte did not even attempt to conceal his shame. He had been lauded around the world for his excellent skill in negotiating the treaty and treated with respect by all the world leaders he had come across. Moreover, Kaiser Wilhelm had gone as far as to invite Witte to visit Rominten as a guest of the nation, even taking his own car to go out and meet Witte. As such, Russia was the only place where Witte was not received as a hero. It was only when the news broke in Russia that the Kaiser had treated Witte so regally in Germany that the latter received a note while staying in Pskov from the royal envoy Frederiks, a note which stated that the Tsar intended to meet him in the Bay of Finland.

Propper claimed that the coldness which the Tsar exhibited towards Witte was not a new phenomenon. Rather, the Tsar and Tsarina were known to have publicly criticized those who had signed this shameful treaty on numerous occasions. The royal couple was especially irate at the fact that Russia had been forced to secure a treaty at a time when their

troops were beginning to gain the upper hand against the Japanese. Moreover, the Tsar would tell all those who would listen that he felt deceived by the fact that Russia had to cede half of Sakhalin in this treaty, while pointing out the deceitful nature of the Japanese who had refused to accept war reparations. The Tsarina was even blunter with her criticism. According to French diplomats, the power circles in St-Petersburg and within Russian industry were unhappy with the treaty of Portsmouth. In fact, the stock market was the only one which openly welcomed the treaty, a treaty which had the effect of raising the value of the market by four points. The Russian newspapers, with the exception of *The Citizen* (Grazhdanin) and the *Stock Exchange Gazette*, had a tendency to shy away from discussing this treaty. Even liberal newspapers who welcomed the treaty were hesitant to discuss it publicly. According to Korostovec, Witte himself stated right after the conclusion of the treaty that the Tsar had acted wisely by giving in to Roosevelt's suggestions and signing this necessary treaty. Nevertheless, Witte regarded the Russo-Japanese War as a clash of races and nations that had unfolded in the Pacific region.<sup>21</sup> Up until the outbreak of the war Witte continued to hold on to a rosy outlook of the future that was based on the belief in the integration of the yellow and white races, while being essentially unprepared to deal with any alternative outcomes from the future. Moreover, Witte never doubted for a moment that Russia would play a leading role in creating this integration of these two races.<sup>22</sup>

Witte's handling of some of the problems which sprung up during the negotiation process is well depicted in B.A. Romanov's work.<sup>23</sup> Romanov's work proves that Witte, through his disposal of diplomatic formalities, was the one who made possible the reaching of a treaty which Russia could live with. Furthermore, Romanov argues that although Witte claimed that he was not a diplomat, his actual influence on Russian foreign policy during his tenure as finance minister had been great; moreover, Romanov argues that there can be no doubt of Witte's influence on Russia's East Asia policy following Lamsdorf's appointment as foreign minister in 1900.<sup>24</sup>

Witte provided an in-depth depiction of the negotiation process in an interview he conducted with Propper upon his arrival in St-Petersburg.<sup>25</sup>

Witte claimed during this interview that his experience as finance minister (1892-1903) helped to convince Japan to abandon its demand for war reparations, which was considered to be the main obstacle to the conclusion of an agreement. In the article Propper stated that if a school teacher could be identified as the person who had won the Battle of Sadowa in 1866, then Witte, who established the gold standard in Russia, could be listed as the man who had won the Portsmouth Treaty. When the provisions of the treaty were made public, it became evident that the main reason why the Japanese had accepted to receive only half of Sakhalin, abandon its previous calls for the complete withdrawal of the Russian military base in Vladivostok, and drop its demands that the Russian fleet stay completely out of the Pacific (Witte argued that this provision was ironical to begin with, as in the aftermath of the battles of Port Arthur and Tsushima the Russian Pacific Fleet had all but been destroyed) was motivated by their desire to assure that their most important demand, that of war reparations, would be met.

Moreover Witte stated during the interview that he had begun to lose his cool during the last round of negotiations and that at one point, unable to contain himself any longer, had risen sharply from his chair in anger and begun to pace back and forth. Witte stated that:

“Komura and I were glaring at each other and communicating through the two interpreters which each of us had brought along with us.” Witte then went on, “We will gladly cover the costs which you incurred while looking after the Russian soldiers taken as prisoners of war. Moreover, we have no intention of having you provide meals for our soldiers for free. This is a matter of pride for us. Therefore, please hand over an estimate of all the costs associated with the Russian prisoners of war. We will of course deduct the costs which we have accrued from taking care of Japanese prisoners of war from this total. However, as far as war

reparations are concerned, let me make it clear that you will never get a single ruble or yen, whether in the form of gold, silver, or bonds from us.”

Witte then proceeded to tell Propper how he had trapped Komura into a corner:

“I went over to the table next to mine.... You, (Komura) have won the naval and ground campaigns. Our fleet has all but been destroyed. However, our military is continuously being reinforced in all strategic areas. You have the right to believe that your military would somehow emerge victorious over ours; I of course, do not believe this, but I have no intention of trying to change to your mind. Moreover, you can also make claims that all of Manchuria will fall into Japanese hands. Let me go even further and assume that Japan could even grab the Ussuri and Vladivostok areas. What would come next, I don't portend to know. Therefore, you must also be well aware of the fate that befell Napoleon after his seizure of Moscow in 1812. Of course, I am well aware that Vladivostok is not Moscow my honorable friend Count Komura; however, I would nevertheless like you to reflect on these facts. Do you really believe that your Japanese fleet is capable of doing what Z.P. Rozhestvensky did? That is, making its way into the Russian coastal areas, attacking our Baltic ports, overcoming Kronstadt and then seizing St-Petersburg? That will never happen. Thus, how do you see the future unfolding? This war could go on for many years to come. Shall we find out who can hold out longer?”

Propper described how a smile came across Witte's face as he placed two fingers on his vest (Witte must have learned this gesture while in the U.S.) after having sat down on his armchair. Witte then went on some more about what had transpired at Portsmouth:

“Count, you are talking to a person who has served as the minister

of finance for the better part of the last ten years. If after having come so close to getting a peace deal done, negotiations break off over money, and both sides' soldiers must continue to spill their blood because of our inability to agree on money matters, then you and I will both find ourselves unable to secure foreign loans from anybody. Neither the U.S. nor Europe will give us any rubles or yen: and this holds as true for your ally the English as for ours the French. Both of us now have the financial wherewithal to keep the war going for some time; however, these funds will run out before long. In this regards, both of us might be able to get high interest loans. With regards to the money you borrowed from England, in the case of the 1<sup>st</sup> and 2<sup>nd</sup> loans you had to put the funds you earned from tariffs up as collateral. In the case of the last two loans, it was the revenues you earned from the sale of tobacco products that had to be put up as collateral. On the other hand, we have never had to put up any collateral. We have been able to secure foreign loans without ever having to provide anything as collateral. In the end, the simple fact is that we have a wide range of resources at our disposal that could be put up as collateral. What else do you have which could earn you hard currency loans? My honorable Count, you may of course raise the issue of the domestic financial resources which you have at your disposal. Great. Let us stop and compare our domestic financial situations. Would you like to compare the amount of hard currency that our respective central banks, who have the right to mint money, have at their disposal? How much gold do your banks have to call upon if necessary? I estimate about 130 million rubles or so. How much gold do you think our banks have at their disposal? Approximately 1.5 billion rubles. Therefore, who do you think will emerge victorious in the end, you or us?"<sup>26</sup>

Komura remained silent for some time, seemingly thinking over what Witte had said. Some 25 minutes later, he raised his neck and a forced



smile came across his obviously perturbed face. He then picked up a pen that was on the table and wrote one very significant word: 'consent'. This was how Witte told Propper the peace treaty between Russia and Japan had been reached. According to Witte, when he told the Kaiser about these negotiations during his meeting in Rominten, the latter slapped his knees and burst into laughter. Thereafter, he presented Witte with the Order of the Prussian Black Eagle and gravely stated, "I am very sorry that you were not born in Germany. However, Bulow is already in place as our foreign minister." The response which Witte told Propper he gave to the Kaiser's comments clearly proves the true nature of the man, "I am also very sorry that you are not the Tsar of Russia. For then, I could say that I serve the greatest leader of them all." Witte preserved the order he had received from the Kaiser in a special glass case alongside all the other awards he received.<sup>27</sup>

When Witte arrived in the Bay of Finland to meet the Tsar, an unexpected event occurred in that, Nicholas showed himself to be much more appreciative of Witte than what the latter had been prepared for. Nicholas bestowed the highest honor upon Witte possible by making him a count. According to Propper, Witte's behavior after having accepted the title of count was very arrogant and ungentlemanly, as from that point on, he would admonish anyone who dared to address him without properly affixing the title of count. Witte even became incensed when a Russian labor representative failed to address him as count while discussing his role in the Portsmouth Treaty with others.

Witte suddenly found himself favored by the Tsar, such that, when the two sat down for a meal together, the Tsar proceeded to discuss the domestic situation with Witte. Moreover, the Tsar also asked Witte to look over the draft proposal that had been submitted for a State Duma and to subsequently submit a report on this matter. The next morning the Tsar and his children accompanied Witte back to his ferry, thus indicating that the decision to make Witte the first Chairman of the Council of Ministers had already all but been made. Witte's statement that, "when our descendants gaze upon the life of Count Witte, they will inevitably

remember me as the person who established the gold standard, who built the Trans-Siberian Railway, who successfully concluded the Treaty of Portsmouth, and who established a parliamentary system in Russia”<sup>28</sup> is a clear indication of his desire to be seen as the savior of Russia.

In the fall of 1905 Witte attempted to have the name of the street he lived on changed from ‘Kamennooostrovsky Street’ to ‘Count Witte Street’ so that he could leave his name for posterity. Witte asked Propper, who had by then become an influential member of the liberal camp, to raise this issue within the Duma. However, Witte’s reputation amongst the general population had already by this point begun to take a turn for the worse as even the conservative camp within the Duma exhibited an increasing amount of hostility towards him. While there was no way that his demand that a street be named after him could be carried out under such circumstances, Witte, seemingly unaware of the events unfolding around him, nevertheless continued to push for such a denouement. Amongst the liberal camp, Lvxodskii, a professor at St-Petersburg University and the editor of a newspaper known as ‘*Our Life*’, and Shnitnikov, a famous lawyer, emerged as the most vociferous critics of Witte. Lvxodskii threatened to humiliate Witte by exposing his unscrupulous and reactionary nature if this issue was ever brought before the Duma. The mayor of St-Petersburg N.A Rezkov also stated that Witte’s request would never under any circumstances be allowed to be carried out. On the other side of the political spectrum, Nikitin, the leader of the conservative camp within the Duma, attacked Witte for flirting with the liberals. Moreover, he stated that the *Starodum* (conservative camp) would veto any attempt to celebrate Witte’s achievements that was brought before the Duma.<sup>29</sup> In the end, Witte’s efforts to immortalize himself before his death turned into an ignominious failure.

What’s more, Witte also became engaged in a fierce debate with his replacement as finance minister Kokovtsov over who should take credit for saving Russia from experiencing a financial meltdown during the Russo-Japanese War and the first Russian Revolution. In his memoirs, Witte pointed out that Kokovtsov had told the State Duma that he had a

hard time securing the loans for which an agreement was finally reached in 1906, thus making it appear as if he alone should take credit for securing these loans. Witte's memoirs include the following passage, "Honorable Vladimir Nikolayevich, as neither the parliament nor the Russian people knew the exact manner in which such an important task as the securing of these loans was carried out, gave people the impression that he was the one who should be lauded as the savior of Russia." In reality, Witte also had a hand in the securing of these loans.<sup>30</sup> In the last part of his memoirs dealing with these loans Witte cited a passage from a letter which the Tsar had written to him, "The securing of this loan agreement represents another one of your great exploits..."<sup>31</sup>

The Russo-Japanese War was a watershed event in the history of Imperial Russia that provided the spark which led to the collapse of the Tsarist structure both internally and externally. This conflict also provided Witte, who had been fired from his powerful position of finance minister, and who had been deeply involved with Russian East Asian policy before the outbreak of the war,<sup>32</sup> with the opportunity to temporarily return to the center of power in his capacity as the individual who negotiated the treaty that brought the war to an end, as the first Chairman of the Council of Ministers, and as the man who would reform the political system.<sup>33</sup> Witte would go on to make another unsuccessful attempt to return to power at the time of the outbreak of WWI in 1914.

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## Notes :

- 1 For more on Russian expansion into East Asia, please refer to *David Schimmelpenninck van der Oye. Toward the Rising Sun. Russian Ideologies of Empire and the Path to War with Japan.* Northern Illinois University Press. 2001.
- 2 With regards to this issue, please refer to *Steven G. Marks. Road to Power. The Trans-Siberian Railroad and the Colonization of Asian Russia, 1850-1917.* Cornell University Press, 1991.
- 3 *Б.А.Романов. Витте как дипломат (1895-1903 гг.) // Вестник*

- Ленинградского университета.1945.No. 4-5. С.153.
- 4 Записка П.Л.Барка "О Финансовых и биржевых кризисах за последние 20лет "7/20 мая 1914 г. // РГИА. Ф.583. Оп.19. Д. 95. Л.1-6.
  - 5 For more on the Russo-Chinese Bank, please refer to *Б.А. Романов. Россия в Маньчжурии (1892-1906). Очерки по истории внешней политики самодержавия в эпоху империализма.* Л., 1928; *R. Quedstedt. The Russo-Chinese Bank: a multi-national financial base of tsarism in China.* Birmingham, 1977 .*И.В.Лукоянов. Русско-Китайский банк (1895-1904 гг.)* // *Нестор* 2000, No 2. (Ред. С.Г.Беляев). *Банки и финансы Российской империи.* СПб.-Кишинев, 2000. С. 177-202.
  - 6 With regards to Russia's financial situation at the end of the 19<sup>th</sup> century, please refer to *С.К. Лебедев. С.-Петербургский Международный коммерческий банк в второй половине XIX века: европейские и русские связи.* М.: РОССПЭН, 2003.
  - 7 With regards to the drafts of the annual budgets which Witte presented to the Tsar and the actual annual budgets during his tenure as finance minister, please refer to *С.Ю.Витте. Собрание сочинений и документальных материалов: Т.2 : Налоги, Бюджет и государственный долг России.* Кн. 2. М.: Наука, 2003. С. 41-372; *С.К. Лебедев. Бюджет и государственный долг России при С.Ю.Витте,* - там же. С. 5 27.
  - 8 *А.Финн-Енотаевский. Капитализм в России (1890-1917 г.).* Т.1. М. : Финансовое изд-во НКФ СССР, 1925, С. 180.
  - 9 *Б.А.Романов. Витте как дипломат (189-1903 гг.).* С.152,157; *Б.В. Ананьич, Р.Ш.Ганелин. Сергей Юльевич Витте и его время.* СПб.,2000..78-79.
  - 10 Ibid
  - 11 *Б.А.Романов. "Лихунчангский фонд": Из истории русской империалистической политики на Дальнем Востоке // Борьба классов.*1924.No.1-2. С.90.
  - 12 This paper does not attempt to review the Tsar's policy towards China or Korea in any particular detail. With regards to this issue please refer to the following works by Romanov, 1) *Россия в Маньчжурии* 2) *Очерки*

- дипломатической истории русско-японской войны. 1895-1907. Изд. 2-е. М.-Л., 1955. With regards to the finance and naval ministries policies towards Korea, please refer to the work by Korean historian Ch'oe Tökkyu, *Чой Доккю*. Россия в Корее: 1893-1905 гг.; Зеро. СПб., 1996.
- 13 Please refer to *Б.В.Ананьич, Р.Ш.Ганелин*. Сергей Юльевич Витте и его время . СПб., 2000. С.132.
- 14 *С.Ю.Витте*. Собрание сочинений и документальных материалов. Т. 1: Пути сообщения и экономическое развитие России. Кн.2, ч.1. М.; Наука, 2004. С. 332-409, 623-629.
- 15 For more on the debate over accountability for the outbreak of the war please refer to, *Б.В. Ананьич, Р.Ш.Ганелин*. С.Ю.Витте-мемуарист. СПб. 1994. С.16-48.
- 16 *Б.В.Ананьич*. Мемуары С.Ю.Витте в творческой судьбе Б.А.Романова // Проблемы социально-экономической истории России. К 100-летию со дня рождения Бориса Александровича Романова. СПб., 1991. С.30-40; *Б.В.Ананьич, В.М. Панеях*. "Россия в Маньчжурии" Бориса Александровича Романова: Судьба книги // Россия в XIX-XXвв. Сборник статей к 70-летию со дня рождения Рафаила Шоломоновича Ганелина. СПб., 1998. С.10-23.
- 17 With regard to the problems related to Russia's securing of loans from 1905-1907, or during the Russo-Japanese War and the Russian Revolution, the financial relationship between France and Russia, Witte's domestic and foreign policy, and his own personal circumstances, please refer to *Б.В.Ананьич*. Россия и международный капитал. 1897-1914. Очерки истории финансовых отношений . Л ., 1970. С. 95-212; *R. Girault*. Emprunts russes et investissements franais en Russie. 1887-1914. Paris, 1973. P. 430-451 *Б.В.Ананьич, Р.Ш.Ганелин*. Сергей Юльевич Витте и его время . СПб., 1999. С. 312-334. With regard to the loans in 1906, please refer to *Русские финансы и европейская биржа в 1904-1906 гг.* М.-Л., 1926. *С.Ю.Витте*. Собрание сочинений и документальных материалов: в 5 томах. Т.2: Налоги, бюджет и государственный долг России. Кн.2. М.: Наука, 2003. С. 421-455, 471-472.: *В.Н.Кожовцов*. Из моего прошлого.

Воспо-минания. 1903-1919 гг. Кн. 1. М., 1992. С. 86-147.

- 18 In July 1909, Witte(the publication of Propper's position with regards to the events of October 1905 one month after the emergence of the list issue in the *Stock Exchange Gazette*, resulted in the relationship between Witte and Propper taking a serious turn for the worse) became very angry with Propper who had been his right-hand man in the past, describing him in his memoirs as a 'typical shameless Jewish media type'  
(Из архива С.Ю.Витте. Воспоминания. Т.2. Рукописные заметки. СПб., 2003. С. 251-254): .*Б.В.Ананьич, Р.Ш.Ганелин.* Сергей Юльевич Витте и его время . С. 412-420.
- 19 *Б.В.Ананьич.*С.Ю.Витте в Портсмуте: американское общественное мнение и еврейский вопрос // Проблемы всемирной истории. Сб. в честь Александра Александровича Фурсенко. СПб., 2000. С. 339 - 346.
- 20 *S.M. Propper.* Was nicht in die Zeitung kam. Erinnerungen des Chefredakteurs des "Birschewyja Wedomosti". Frankfurt a.M., 1929. S. 254.
- 21 *Б.А.Романов.* Очерки дипломатической истории. С. 570-571.
- 22 Всеподданней ший доклад министра финансов по поездке на Дальний Восток, в кн.: *С.Ю.Витте.* Собрание сочинений и документальных материалов. Т. 1. Кн. 2. Ч.1. С.334.
- 23 *Б.А. Романов.* Очерки дипломатической истории русско-японской вой ны. 1895-1907. 2-е изд. испр. и доп. М.;Л., 1955. С. 404-577.
- 24 Б.А.Романов Витте как дипломат(1895-1903 гг.)/Вестник ЛГУ. 1946. No.4-5.С. 152-153.
- 25 *S.M. Propper.* Was nicht in die Zeitung kam. Erinnerungen des Chefredakteurs des "Birschewyja Wedomosti". Frankfurt a.M., 1929. S. 255-258.
- 26 < Russia and Japan's Financial situation during the Russo-Japanese War>

(unit: billion marks)

	Russia	Japan
National income the year right before the outbreak of the Russo-Japanese War	4 277	467
War expenses until 1905	2 873	2 424
Ratio of war expenses to the national budget	67	519
Amount of state loans right before the outbreak of the Russo-Japanese war	14 350	1 170

Loans secured during the war	2 786	2 676
Ratio of military loans to state loans right before the outbreak of the war	19	229
Ratio of interest on the military loans to the national budget	3	29
Amount of gold held by the Central Bank in August 1905	2 450	260

Source: А.Гальперин. Англо-японский союз. ОГИЗ, 1947. С.217. requoted in: K. Helferich. Das Geld im Russisch-Japanischen Krieg. Berlin, 1906. S. 236). The size of Russia's trade (three times bigger than Japan's) and its favorable balance of trade resulted in Russian bonds being more highly valued than Japanese ones. А.Гальперин. Англо-японский союз. С.218.

- 27 *S.M. Propper*. Was nicht in die Zeitung kam. p. 259.
- 28 *Ibid*, S. 262.
- 29 *Ibid*, S. 264-265.
- 30 *С.Ю.Витте*. Воспоминания Т.3. М., 1960. С. 251.
- 31 *С.Ю.Витте*. Собрание сочинений и документальных материалов: В 5 томах. Т. 2.:Налоги,бюджет и государственный долг России. Кн. 2. С. 454. Ср.: Из архива С.Ю,Витте. Т.2 Рукописные заметки. СПб., 2003. С. 503.
- 32 Witte claimed that the reason he was fired was because he did not agree with the direction of the Tsar's policy towards East Asia, Из архива С.Ю.Витте. Воспоминания. Т. 1. Кн. 2. СПб., 2003. С. 617.
- 33 For more on the establishment of the Council of Ministers please refer to, *Б.В Ананьич Р.Ш.Ганелин*, Сергей Юльевич Витте и его время. СПб., 1999; Из архива С.Ю.Витте. Воспоминания. Рассказы в стенографической записки. Рукописные заметки. Тт. 1(в двух томах), 2. СПб., 2003; *Б.В.Ананьич, Р.Ш.Ганелин* С.Ю. Витте-мемуарист. СПб., 1994; Совет Министров Российской империи 1905-1906 гг. Документы и материалы. Л.Наука, 1990.