SIBERIAN TRADE PROSPECTS DOUBTFUL

Inland Transportation Not Available, and Country Lacks Suitable Currency, Says Trade Official

THERE is no possibility of establishing an extensive trade with Siberia, according to a letter received by the Canadian Department of Trade and Commerce from A. D. Braithwaite, financial expert of the Canadian Economic Commission, Siberia. The letter, which is dated April 12th, says:—

"At the time of writing this report there is complete disruption of trade throughout Siberia, owing very largely to the disorganization of the railway system, caused partly by military requirements for transport of troops and supplies, partly by the vast number of passenger and freight cars requisitioned as dwelling places for Russian and allied officers and for government officials and refugees. This requisitioning not only withdraws that amount of rolling stock from the active operations of the railway, but fills up the sidings at all the principal stations, making it a very difficult matter to operate the road, even to the limited extent which is now being done.

"While the temporary Siberian (Kolchak) government claim to have some gold, there is no gold standard on which to base the issues of currency. There is no constitutional government whose pledges of revenues from the various sources, such as customs, inland revenue, railways, telegraphs, postal or taxes of any kind could be accepted as a security or basis for such issues, nor could concessions of lands, forests, mines, etc., be taken with any degree of safety. At the time of the revolution the Kerensky government, being faced with heavy expenditures, adopted the simple expedient of operating a printing press and turning out currency by the millions. Following the fall of the Kerensky government the plates were seized and the operations of the printing press continued by the Bolsheviks. There are also large issues of the old Romanoff currency outstanding—that is, issues made by the Imperial government before the revolution. None of these issues have any security in the way of gold reserves behind them, although it is well known that before the declaration of war Russian currency issues were amply secured by gold reserves, but as the notes now printed and being printed have no dates, series or numbers, it is impossible to say whether the notes were issued before or after the Bolshevik revolution, and it is difficult to even roughly estimate the amount of such issues.

"I am told each army has its own printing press. If regulations were ever made regarding the issues of currency, they are now entirely disregarded. The Siberian (Kolchak) government are also making issues to provide for their regular or usual requirements and for military purposes, and there are several municipal and local issues in various districts. Coupons of government bonds and stamps pass freely from hand to hand in lieu of small surrency.

"In an interview at Omsk on March 28th, Mr. Michayloff, Minister of Finance in the Siberian government, gave me the following estimate of currency outstanding. He stated there are now outstanding, according to figures furnished the government: (1) Of the Romanoff and large Kerensky issues—35 milliards of rubles. (2) Of the Kerensky issues of 40 and 20 ruble notes—70 milliards. (3) Of the Imperial, Kerensky and Bolsheviki bonds and Treasury bills—20 milliards. (4) Of the Siberian (Kolchak) government issues and Treasury bills—1½ milliards. A total of 126½ milliards of rubles. This is exclusive of local and municipal issues estimated at 200 millions.

"Mr. Michayloff also stated that the government has reserves amounting to 8 milliards, consisting of gold, platinum and silver, valued at the current rate of exchange. This is practically substantiated by Mr. Nicolsky, director for Department of Ministry of Finance in the State Bank, Vladivostok, who states that the State Bank holds for the government 700 million rubles in gold bars and coin taken from the Bolsheviks at Kagan, and 25,000 poods of siluer, say, 900,000 pounds, and some platinum. There is a very large amount of counterfeit money in circulation, chiefly of the Kerensky issues of 40's and 20's.

Ruble Quotation is Falling

"The value of the ruble has been rapidly decreasing. Whereas on my arrival at the end of February the ruble was roughly calculated at 10 to the dollar, to-day's quotation is 18.50, and it is impossible to buy exchange on foreign countries at any rate.

"Under such conditions as now exist, owing to the lack of railway transport, there are practically no exports and no means of creating foreign balances against which bills of exchange can be sold to pay for imports or to in any way help to stabilize the value of the ruble, so that should the Canadian manufacturer wish to sell goods in Siberia, he could only receive in payment a currency which is rapidly depreciating in local value, and is of no purchasing value outside of the country of issue, and in exchange for which he could not receive funds available in any market in the world, except perhaps to a limited extent in Japan and China; in fact I understand that the importation of the ruple is forbidden into England, France, the United States and Canada.

"The government sources of revenue are not in any degree sufficient to meet ordinary expediture, and great difficulties are experienced in the collection of taxes. In fact to sum the question up, owing to the lack of railway transport, the stoppage of exports, the consequent inability to purchase exchange, the rapid and continuous fall in the price of the ruble, the difficulties confronting the government in handling the Bolshevik insurrection, the prisoners of war and the refugees from all parts of Russia, the question of placing the finances of the country on a firm and stable footing seems quite hopeless.

Suggests Allied Intervention

"It appears to me that the first step must be for the allies to acknowledge and support the Siberian (Kolchak) government, if the various powers interested feel that their interests and investments are of sufficient importance to justify such action. Should the allies not take the necessary steps to that end, Siberia politically, financially and commercially must fall under the dominance of Germany, China and Japan, and in time it would naturally follow that European or older Russia would come under the same influence. The second step I would advise would be to create Siberia into a separate province, drawing the boundary line at the Ural mountains. It would not, I gather, be a very difficult task to restore law and order in Siberia, as apart from the western part of Russia. Then, if thought advisable, the parts could again come together, making a united Russia.

"The third step would be to create an allied advisory financial council, who would be in full control of all finances in Siberia, and in this conection I would advise the establishment of a Siberian State Bank, apart from the State Bank of Russia, with an authorized capital, supplied partly if possible by the people of Siberia and partly by the allies, of £10,000,000, of which £2,500,000 should be paid up and a further £2,500,000 subscribed before the bank opens for business. The shares should carry a double liability and the bank should have no powers to lend on real estate. The government should give the bank all its reserves and should deposit with it all its revenues. The bank should be the only bank authorized to make issue of notes in Siberia. Such issues would be secured: (1) By the government reserves. (2) By the subscribed and unpaid capital. (3) By the double liability of the shareholders. (4) By all the available assets of the bank and the resources of the government. The amount of the circulation to be limited and determined by an Act of government. The bank to be under allied control and to make monthly return of assets and liabilities, showing particularly amount of metallic reserves and circulation. And until such time as the country has been placed on a firm, stable basis, it would be advisable that the greater part of the reserves should be deposited outside of Siberia. It would also, I think, be desirable that a name other than that of the ruble, should be given to the new paper money to be put into circulation. The question of the redemption of the present issues should be decided upon by the financial council.