

Relationships between Russia and Latvia in 19th century:
How Latvian economy was always dependent on the USSR.

Anastasija Cumika

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Douglas Egerton

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Outline

Thesis: Although Latvia had really good economic development in the agrarian sector during its first independence years, it would be impossible to achieve such a high economic level without the Soviet intervention with its people, money and raw material resources to enhance industrial power.

I. Introduction: Relationships between Latvia and Russia

A. Since Latvia got independence, its economy was still depended on Soviet Union

B. Soviet Union used Latvian territory for self-development but Latvia got a lot of benefits from these relationships.

II. How Latvia got its first independence, its people and progression.

A. "The War of Independence"

1. The Latvian People used weakening of the Russian Empire during World War I to become independent from them.

B. John Roche view on the changes in the beginning of the Latvian independence

1. In five years Latvia was a fully developed country basically from nothing.

III. Actually the USSR had a crucial role in developing the Latvian Country, because they wanted Latvia be the part of USSR.

A. Once Latvia got independent the Soviet Union stopped using Latvian ports and closed their market for Latvia, hoping that Latvia will surrender but they did not.

B. The USSR and Latvia signed a treaty trade agreement, which led to industrial growth in Latvia, but it got economically dependent on the USSR.

C. The USSR manipulated economically small Latvia but they did not surrender.

Anyways the Soviet Union still made their plan happen, just less peaceful way.

IV. The era of the Latvian socialistic republic.

A. There were two main reasons why USSR decided to build industry in Latvia.

1. High level of literacy along with high education and cultural development.

2. Great geographical position – right between the USSR and Europe

a. It is super beneficial for industry export and raw materials import.

b. Latvia were made as a face of the Soviet Union for the West.

B. Benefits that Latvia got from being the part of USSR.

1. The USSR invested money and different resources, including people, cheaper natural resources and cheaper raw materials.

2. Huge money investments made a higher standard of living in Latvia comparing to the rest of the USSR.

V. Conclusion: Latvia was always dependent on Russia, even during its independence years, so without the Soviet Union help they would never achieve such a high economic level.

A. The USSR would not let Latvia to be by themselves because they knew how to use the Latvian advantages in their favor.

Relationships between Russia and Latvia in 19th century:
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Relations between countries is always a difficult question and relationships between Latvia and Russia were never easy. Latvia got freedom from the Russian Empire only after World War I. During the first independence period Latvia made a good progression in infrastructure and economics and kept growing. However, even during independence years' industrial growth would be impossible without the Soviet Union's help and their market. Many people might say that the Soviet Union's occupation stopped Latvian rapid growth and just used Latvia for its interests. The Soviet Union used the advantage of Latvian geographical position, high cultural and educational development, and a well-developed economy and infrastructure for self-development. This help is not just one sided. Although Latvia had really good economic development in the agrarian sector during its first independence years, it would be impossible to achieve such a high economic level without the Soviet intervention with its people, money and raw material resources to enhance industrial power.

The history of the Latvian people is very long, however, the history of Latvia is very short compared to other countries. The fight for independence started in 1917 when "Russian's military campaigns in World War I were a series of colossal disasters" which lead to "the sudden collapse of the regime and the abdication of Tsar Nicholas II on 2 march 1917." ¹ A Latvian National Council was established just several days after the end of World War I on November seventeenth 1918. "The following day the council declared Latvian independence".² Basically Latvia used the weakening of the Russian Empire during World

¹ Andress Kasekamp, *The Baltic States* (New York: Palgrave Macmillan, 2010), 95.

² Kasekamp, *The Baltic States*, 99.

War I to finally get their independence. However, the War of Independence only started, as Russia invaded Latvia at the end of the 1918.³ The People of Latvia were highly motivated to fight for their independence because they wanted to live in an independent country where the government promised them land. The Latvian people were under Russian rule for too long and this was their only chance to be free. The Latvians used the chance and won the war for independence. “A peace treaty was concluded on 11 August 1920.” The final phase was “The Entente powers . . . *de jure* recognition on 26 January 1921.”⁴ The Latvian people got what they were fighting for – an independent country but with freedom comes responsibilities.

The Latvian government had to build a new country from the scratch. Latvia started as a very agrarian country, far behind all the western countries. The author John Roche compares the changes happened in the next five years with the miracle. He says that “the economists will tell you that the requirements for the reconstruction of an economy after destructive war . . . are as follows”: there must be infrastructure (buildings, factories, road, power stations and so on, food supplies, a flow of capital, supply of raw materials, skilled workers and specialists, and good leadership at all levels and institutions.⁵ When Latvia gained its independence it did not have almost anything on that list. Everything was destroyed by war or has never existed. For example, Latvia never had an actual independent government. The author mentioned some “intangible factor as workers’ morale, work incentives, and, more vaguely, character.”⁶ Many authors refer to the fact how strong the Latvian people character is. Knuts Lesins says: “The Latvian people have a strong, resisting, quiet, and the same time sensitive character. . . . fully conscious that the only way to get a

³ Kasekamp, *The Baltic States*, 100.

⁴ Kasekamp, *The Baltic States*, 104-105

⁵ John Roche, “The Use of Oral Data on Life and Thought in Independent Latvia,” *Journal of Baltic Studies* 6:1 (1975): 51, accessed 26 October 2016.

⁶ Roche, “The Use of Oral Data,” 52.

reward is by hard work.”⁷ The character and hard-work is one of the main factors that helped the Latvian people to build a progressive country from nothing in just several years. When Roche came to Latvia in 1927 he saw a well-developed country that continued growing economically and politically.⁸ On the other hand, when Latvia finally got free from Russia, people could actually see what was going on in Western Europe. Some very literate people, like the poet Rainis, returned from foreign exile as soon as Latvia got its independence. “Between 1919 and 1925, 220,000 refugees returned to free Latvia.”⁹ These people were able to see how western countries live, so they brought western ideas and standards to Latvia. Surprisingly, Latvia even beat the West – “unemployment in Latvia was negligible by comparison with Britain” and working conditions were much better.¹⁰ Even though Roche saw the changes in Latvia as a miracle, in this world nothing happens without any reason.

The secret of the miracle was the trade treaty with the USSR. “Before the First World War almost twenty-one percent of all Russian imports and twenty-eight percent of all Russian exports passed through the Latvian territory alone.”¹¹ Along with that in Riga, the capital of Latvia, there were many factories. The raw materials Latvia got from the West which were brought on trading ships that came to get Russian commodities. Most of the output was sold in the Russian market. When Latvia just got their independence, the Soviet Union turned their back, hoping that the Baltic countries would not survive economically and would surrender. They stopped using their ports and closed their market to Baltic countries. All the industry was destroyed by the war and Russia took away all the equipment that was left because it belonged to them.¹² As Russia stopped using the ports, there were no more such a big amount

⁷ Knuts Lesins, *The Wine of Eternity: Short Stories from the Latvia* (Minneapolis: University of Minnesota Press, 1957), 10, accessed 26 October 2016.

⁸ Roche, “The Use of Oral Data,” 52.

⁹ Lesins, *The wine of eternity*, 17.

¹⁰ Roche, “The Use of Oral Data,” 55.

¹¹ Edgar Anderson, “The USSR Trades with Latvia: The Treaty of 1927,” *Slavic Review* 21:2 (1962): 296, accessed 1 November 2016.

¹² Anderson, “The USSR Trades,” 297.

of British ships coming to the Latvian ports, so that source for the raw material was not anymore an option. All these facts forced Latvia to go to the agrarian industry and sell their production to the west.¹³ The agrarian system plan and the great hard-working character of the Latvian people helped them to survive but the Soviet Union was looking forward to getting the Baltic land to be part of the Soviet Union again as during Russian Empire, so they came up with a new plan.

The idea of the Soviet Union's new plan was to show Latvia how they were dependent on Soviet Union and cut down the British market from the Latvians. The economic relationships were renewed in 1921 when a transit agreement was concluded between Latvia and Russia. This agreement led to the industrial growth in Latvia and this is what Roche saw when he arrived in Latvia in 1927. By 1930, "20,000 Latvian workers were dependent on the Soviet treaty in one way or another." This was one third of all the labor force in Latvia.¹⁴ This means that at this point the Latvian economy was very dependent on the USSR.

Everything was going according to the Soviet plan and their next steps hit Latvian economy. They started to export agrarian production to Britain which was cheaper than Latvian because Russia had cheaper working labor.¹⁵ This step affected Latvian agriculture in a bad way, because Britain was their primary export country. The other step was to cut down Soviet Union imports from Latvia and it affected the Latvian economy a lot. Most of the Latvian industry was built to fulfill the Soviet Union's treaty requirements, so that step made them bankrupt and many people lost their jobs.¹⁶ It is easy to see how Latvia was dependent on the Soviet Union and it was hard for the economy to survive without the Soviet Union, especially in the industrial sector. It is hard for the small country that just gained their independence to fight a big, developed and respected country in the world market. The Soviet

¹³ Anderson, "The USSR Trades," 298.

¹⁴ Anderson, "The USSR Trades," 319.

¹⁵ Anderson, "The USSR Trades," 319

¹⁶ Anderson, "The USSR Trades," 320.

Union was always a step ahead. Latvia used the time right after WWI to develop their agrarian imports and it was not hard to do it fast because of the small size of the country. As soon as USSR figured out all their problems they started to manipulate the small Baltic countries as they wanted to. Their primary goal was to make the Baltics be the part of USSR and they were trying to do so in a peaceful way – make them surrender. The Latvian people were not ready to give up no matter what, they were prepared to struggle on their own, so the USSR decided on some less peaceful ways to make their plan happen.

After World War II in 1945 the first era of the independent Latvia ended and the era of the Latvian socialistic republic as a part of the Soviet Union started. Baltic countries were always a better place to live than the rest of the Soviet Union. In Latvia and Estonia, the standards of living were always much higher than all the rest USSR.¹⁷ Such a difference was because of the two main factors. The Baltics were made like a face of the USSR, so when people from Europe would visit Soviet Union they would probably go to Baltics where they saw a beautiful country with enough food, good conditions, industry and economy, and well developed culture. Along with that, the Soviet Union had a lot of industry going in these countries and used their ports, so a lot of money was invested there. The Soviet Union decided to build industry in the Baltics because of two main reasons: geographical position, high educational development and literacy level.

In order to have fast growth in productivity there must be people with some good knowledge to innovate manufacturing to get the best profit. Since Latvia got their independence the government started a rapid education and culture development program because through education they built a new nation and Latvian culture. Even before independence “the Latvians were one of the most educated and literate nations of the defunct

¹⁷ Armin Bohnet and Norbert Penkaitis, “A Comparison of Living Standards and Consumption patterns between the RSFSR and The Baltic Republics,” *Journal of Baltic Studies* 14:1 (1988): 35, accessed on 27 October 2016.

Russian Empire.”¹⁸ Independence meant that now there were no constraints as there had been in the Russian empire. Now Latvia could teach and develop their own culture approaching some western standards. In the early years of the Latvian Republic “many national institutions, such as a national theater, library, archives, museums, as well as national school system” had been established.¹⁹ From 1920 till 1933 the number of elementary schools almost tripled up to 2,057 schools.²⁰ The educational system was very nationalized but the government realized that their new generation needed to know English language in order to trade with Britain. “The institute of English has been established in 1920, and by 1935 the English language was compulsory in school”.²¹ The knowledge of English language by the Latvian people was also very beneficial for the Soviet Union to build an industry for western exports in Latvia. Along with education there was a very intense cultural development. Poets and authors that came back from exile published their books. Most non-modern Latvian books were written throughout the first independence years. According to Roche, Riga had one of the best Ballet in Europe ²² and Lesins mentioned that the Latvian Opera was well known in Europe.²³ Such a great cultural and educational development led to the growth in population literacy. The education level of people in factories is important because their knowledge helps to develop new technologies and gain a greater and more qualitative production output in the shorter period of time. Although high literacy is important for developing industry, the Latvian geographical position was its greatest advantage.

The geographical position was the main reason why the USSR decided to develop industry in Baltic states especially Latvia. Baltic countries had a really auspicious

¹⁸ Gaston Lacombe, “Nationalism and Education in Latvia, 1918-1940,” *Journal of Baltic Studies* 28:4 (1997): 310, accessed 28 October 2016.

¹⁹ Lacombe, “Nationalism and Education,” 310.

²⁰ Lesins, *The wine of eternity*, 17.

²¹ Roche, “The Use of Oral Data,” 53.

²² Roche, “The Use of Oral Data,” 52.

²³ Lesins, *The wine of eternity*, 17.

geographical position by being right in between two major world powers as Soviet Union and West Europe. Basically they served like a bridge. However, the most important is the exit to the Baltic sea. “[The Baltic] territory has long been the key to the domination of the Baltic sea.”²⁴ The Baltic sea is extremely important because it is the shortest, fastest and the cheapest way to the most developed countries like Britain and France, along with the rest European countries. The geographical position makes the Baltic countries to be the most profitable place for the Soviet Union industry because they can export products to the West to sell them as well as to the East to their country for the internal use. There are the same benefits from geographical position with the reception of the raw materials – they can get them from the West by the ships and from the East by the railroads. Back in 19th century the railroads in Russian Empire was not well developed but by 1950 the infrastructure was already on a good level because Trans-Siberian railroad made it possible to deliver products all across from Moscow to Vladivostok. The Latvian geographical position was always the key factor why Moscow wanted Latvia to be part of the USSR. Latvia was serving like a bridge between USSR and Europe, however, that was not the only geographical function of Latvia.

Besides being a bridge, Latvia was a face of USSR and Riga was like the “Soviet Union’s unofficial capital of the Western area.”²⁵ Many representatives from different countries came to Latvia because most international conferences, meetings, forums and exhibitions were held in Riga. Along with all the meetings, there were many ministries and administrative offices located in the capital of Latvia.²⁶ When Latvia was independent it was open for new development and it got western standards of organization, that is why Latvia was chosen to be the face of the USSR. Moscow wanted other countries to see the USSR as a

²⁴ Lesins, *The wine of eternity*, 9.

²⁵ Vilis Linins, “The Two Baltic Regions: The Natural One and The Artificial One,” *Journal of Baltic Studies* 18:3 (1987): 255, accessed on 28 October 2016.

²⁶ Linins, “The Two Baltic Regions,” 255.

great nation so they needed life in Latvia to look tremendous, even though it was not like that in the rest of the Soviet Union.

To make Latvia look so good and work well the USSR invested money and different resources, including people, natural resources and raw materials. The percentage of Russians in 1934 was eight percent. This number increased up to almost twenty-seven percent in 1959 and kept increasing. In numbers the populations of Russians increased by about 400 thousand people.²⁷ All these people were mostly meant to work in the factories, simple manpower, because for such a big industry plans there were not enough people in Latvia after WWII.

In order to have a very profitable industry raw materials should be as cheap as possible. The Soviet Union is an extensive country with a huge variety of natural resources and different types of big and small industry. “All three Baltic republics exported food to the USSR, but each depended upon the USSR for fuel, fertilizer, seed, and fodder.”²⁸ This means that Latvia got basically all the resources from the Soviet Union and without them it would be impossible to achieve such a high industry level. The Soviet Union provided different types of machinery and it would be very expensive to buy it from Europe or the Soviet Union, if Latvia remained independent. Another benefit of being part of the Soviet Union was cheaper fuel, especially gas. As the Soviet Union was the main country to deliver natural gas for different countries around the world, for Latvia it would be the only option. The natural gas was a very important component to increase the profit in Latvian manufacturing because “the new gas supplies replaced the expensive Donbass coal and thereby reduced fuel costs in Latvia.”²⁹ Being part of the Soviet Union automatically reduced gas costs for Latvia

²⁷ Peteris Zvinrins, “Changes in The Ethnic Composition in Latvia,” *Journal of Baltic Studies* 23:4 (1992): 364, accessed on 26 October,

²⁸ Jack Reardon and Paulis Lazda, “The Development of Market System in the Baltic Republics,” *Journal of Economic Issues* 27:2 (1993): 539, accessed on 1 November 2016,

²⁹ Henry Ratnieks, “Soviet Hydrocarbon Exports and the Baltics,” *Journal of Baltic Studies* 15:4 (1984): 285, accessed on 1 November 2016,

compared to the prices that European countries had because it was in Soviet interests to get the most profit out of the Latvian industry.

Investment and cheap raw materials made it possible to build such a rapid growing production in Latvia. If Latvia was still an independent country, it would not have such a support from the west and they would get much less support from the East, so production would be more expensive. As a consequence, less countries would be interested in Latvian products because of the higher prices and the Soviet market would not be the priority for Latvian exports. Therefore, Latvia had a very beneficial position as being one of the leading industry and transportation sector of the USSR along with being the Soviet Union representative for the west. It also had a lot of privileges such as better working conditions, wages and overall standard of living comparing to the rest of the USSR.

The standard of living, or in other words the quality of life, shows how well the economy is developed in the country: "In market economies, the rapid growth in production, productivity, and surpluses may be responsible for raising the standard of living."³⁰ Bonhet and Penkaitis collected important data that includes comparisons among Baltic countries and RSFSR in different regions of economy. Basically in all regions Latvia and Estonia were higher than Lithuania and RSRFS. For example, national income per capita in Latvia and Estonia was fifteen percent higher than is all the rest Soviet Union.³¹ Basically there was more money in Latvia relatively to their population. Food was one of the main problems in the USSR and people had to stand in huge lines to get necessary products. Latvian agriculture production was on a very high level, so Latvia was self-sufficient in food, especially meat, so there was much more food in Latvia then RSFRS. Latvia has a pretty small territory and in Soviet Union times there was high density of population, nevertheless the living space per

³⁰ Bonhet and Penkaitis, "A comparison of Living Standards," 33.

³¹ Bonhet and Penkaitis, "A comparison of Living Standards," 35.

inhabitant in Latvia was higher in both urban and rural population.³² There is such a difference because the USSR invested a lot of money for infrastructure in Latvia and part of it were spent to build houses for workers to establish better conditions and boost up the economy. These were just several examples of how life in Latvia differed from life in different parts of USSR. More or less the Latvian standard of living was significantly higher than RSFSR's because it was high even before Latvia lost their independence. However, even during the independence the Soviet Union had a major influence on the Latvian economy. Along with that the USSR was eager to improve Latvian quality of life to boost up the production and make Latvia look good in eyes of the west, so they get an impression of USSR as great country with a very high standard of living.

The path of the Latvian people was never easy but their hard-working character helped them to prove that they can build their own country. However, historically Latvians were always part of Russia and when they got their independence it was hard to build a big industry without Soviet help. Even more, Moscow showed Latvia that they were still dependent on the Soviet market and world market decisions. The USSR knew all the advantages that Baltic lands had and how to use them in their favor. Soviets also knew they would get the most out of Latvia if Latvia was part of the USSR. Since Latvia lost its independence the Soviet Union invested even more money and different types of resources to boost up the production. With all the respect for Latvian people and what they accomplished during independence years, they were always too dependent on the Soviet Union and would not have been able to reach such a high economic level without Soviet intervention with its people, money and raw materials resources to enhance industrial power.

³² Bohnet and Penkaitis, "A comparison of Living Standards," 44.

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