

THE UNIVERSITY OF CHICAGO

SMUGGLER STATES:  
POLAND, LATVIA, ESTONIA, AND CONTRABAND TRADE  
ACROSS THE SOVIET FRONTIER, 1919-1924

A DISSERTATION SUBMITTED TO  
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## Abstract

### **Smuggler States: Poland, Latvia, Estonia, and Contraband Trade Across the Soviet Frontier, 1919-1924**

What happens to an imperial economy after empire? How do economics, security, power, and ideology interact at the new state frontiers? Does trade always break down ideological barriers?

The eastern borders of Poland, Latvia, and Estonia comprised much of the interwar Soviet state's western frontier – the focus of Moscow's revolutionary aspirations and security concerns. These young nations paid for their independence with the loss of the Imperial Russian market. Łódź, the “Polish Manchester,” had fashioned its textiles for Russian and Ukrainian consumers; Riga had been the Empire's busiest commercial port; Tallinn had been one of the busiest – and Russians drank nine-tenths of the potato vodka distilled on Estonian estates. Eager to reclaim their traditional market, but stymied by the Soviet state monopoly on foreign trade and impatient with the slow grind of trade talks, these countries' businessmen turned to the porous Soviet frontier. The dissertation reveals how, despite considerable misgivings, their governments actively abetted this traffic. The Polish and Baltic struggles to balance the heady profits of the “border trade” against a host of security concerns shaped everyday lives and government decisions on both sides of the Soviet frontier.

Drawing on government archives, business records, and periodicals from seven countries, the dissertation uncovers the changing composition and scale of these “semi-contraband” (and fully-contraband) flows that Soviet authorities struggled to stem. It reveals the centrality of cross-border Jewish networks to this trade, and the implications of this centrality for Polish and Latvian Jews. It traces (and maps) the proliferation of hundreds of government-sanctioned “barter stations” along

Poland's, Latvia's, and Estonia's Soviet frontiers, and profiles their operators and visitors. While these bustling shops supplied smugglers with goods, they supplied the Bolsheviks with a tangible, everyday manifestation of hostile capitalist encirclement. In the end, the dissertation suggests that by linking Soviet consumers with the outside world against Moscow's wishes, the ports and distilleries of Riga, Tallinn, and Tartu and the cloth factories of Łódź inadvertently fashioned the foundations of the interwar Iron Curtain.

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## Introduction

### *Prologue*

On a late summer day in 1922 Warsaw, an official at the Polish Ministry of Internal Affairs prepared a memorandum for his counterparts at several other branches of the young Republic's government. "We are witnesses to a phenomenon in which previously unknown and godforsaken corners of the eastern borderlands are turning into a realm of animated activity by the most substantial elements of Polish manufacturing and trade," he marveled. "We can attest that along the entire borderline are represented at present not only the major associations and unions of Polish merchants and the most powerful associations of our industry, such as the Bialsko-Bielsk and Łódź industries" – the latter city, long known as the "Polish Manchester," was the seat of Poland's major industry, textiles – and "the producers of alcoholic articles, etc., but also dozens of smaller firms and associations, established there exclusively for the purposes of trade with Russia and Ukraine." "We can attest that broad masses of local inhabitants and of newcomers have become involved in the trade with Russia," the official concluded, and "that already today trade with Russia is becoming the source of the welfare of the border areas and constitutes a serious contribution to the strengthening of Polish manufacturing."<sup>1</sup>

The intense interest of Polish business circles in the "godforsaken corners" of the country's eastern borderlands was remarkable enough in itself. More remarkable still was that the Soviet trade boom igniting their enthusiasm unfolded even as the Polish Ministry of Industry and Trade (*Ministerstwo Przemysłu i Handlu*, or MPiH) described "the attitude of the government of the

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<sup>1</sup> "Ministerstwo Spraw Wewnętrznych, Departament III. Notatka w sprawie ruchu granicznego na wschodzie i [u]lg dla sąsiedniego obrotu handlowego z Rosją, Ukrainą, i Białorusią," date based on content, Archiwum Straży Granicznej (ASG) 915, unnumbered file.

Soviet republics towards Polish trade” as “unfavorable,” and dismissed the resultant volume of exchange conducted with the People’s Commissariat of Foreign Trade as “utterly infinitesimal.” The MPiH acknowledged, however, that “trade with Russia is mainly effectuated by bypassing official Soviet institutions, that is, via the unofficial route.”<sup>2</sup>

This bureaucratic euphemism, which surely would have infuriated the Polish bureaucrats’ counterparts at the People’s Commissariat of Foreign Trade in Moscow, served as a convenient catchall for the kaleidoscope of clandestine and semi-clandestine trade practices that had blossomed in the Soviet borderlands over the preceding months and years. The objects, methods, and routes of this contraband commerce were as diverse as its protagonists. All these trades, however, were driven by the same force that shaped the everyday lives of millions across Soviet Eurasia in the aftermath of nearly a decade of wartime devastation, social upheaval, imperial collapse, international isolation, and aggressive state intervention in the economy: scarcity.

For the Soviet state’s neighbors, scarcity meant opportunity. It was especially significant for those new nations for whom the price of independence had been the loss of the Imperial Russian market. This dissertation explores how the governments and inhabitants of three such nations, whose eastern frontiers together comprised much of the young Soviet state’s western border – Poland, Latvia, and Estonia – struggled to balance their fears of Bolshevik subversion and of the hungry Russian hordes against the powerful pull of profit in the East.

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<sup>2</sup> *Ibid.*

## **Places and Sources**

This dissertation forms part of a broader study of contraband trade across the Soviet borders, from the Bolshevik seizure of power through Stalin's First Five Year Plan.<sup>3</sup> The dissertation covers the foundational period from the Civil War through the maturing of the New Economic Policy. It focuses on the young Soviet state's western frontier – then the chief locus of Moscow's revolutionary aspirations and security concerns – but it looks east rather than west.

The objective of the broader study is to show how smuggling and the struggle against it both reflected and shaped the Soviet experience, from the frontier to the Kremlin. The aim of the dissertation is subsidiary to this larger inquiry. It uncovers how contraband trade was seen and managed not from the Soviet capital, but from Warsaw, Riga, and Tallinn; supplied from Łódź, Tartu, and the American South and Southwest; financed from London, Antwerp, and New York; and administered and practiced from the towns, shtetls, and villages lining the western side of the Soviet frontier from the Baltic Sea to the Black.<sup>4</sup> The reasons for taking this distant detour from Moscow are both methodological and substantive.

Even as the fall of the Iron Curtain, the acceleration of globalization, and the reach of the internet have led many to imagine a borderless world, these developments' dark undersides – including the trafficking of people, drugs, weapons, terrorism, and, most recently, an inadvertently-smuggled virus – have prompted states to assert increasingly muscular control over their borders. Over the past two decades, scholars across the social sciences have sought to

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<sup>3</sup> For an early overview of this larger project, see A. A. Shlyakhter, "Ekonomicheskai kontrabanda i bor'ba s nei v SSSR, 1917-1941 gg.: proekt issledovaniia i predvaritel'nye vyvody," in *Istoricheskie chteniia na Lubianke, 1997-2007* (Moscow: Kuchkovo pole, 2008), 66–84.

<sup>4</sup> While the Soviet-Romanian frontier that stretched south to the Black Sea is not a focus of this dissertation, the smuggling of Polish textiles into Soviet Ukraine via Romania is addressed in Chapter Four.

illuminate this process; historians have helped to contextualize it in time and space. Their research has demonstrated the pivotal role that the policing of peripheries has played in the formation and governance of modern states, from the Dutch Empire in Indonesia to Mexico and the United States along the Rio Grande.<sup>5</sup> Thus, repurposing Charles Tilly's dictum that "states make war and war makes states," the political scientist Peter Andreas, the doyen of this burgeoning field, has argued in his study of the American experience with contraband trade that while "the state makes smuggling, smuggling in turn remakes the state."<sup>6</sup> In other words, while states define – and foster – smuggling by prohibiting certain transactions, the struggle against smuggling gradually transforms the state itself.

That struggle also forms state archives. Contrary to the oft-repeated (and often promotional) claim about "the difficulty of researching an illegal activity such as smuggling,"<sup>7</sup> the proliferation of recent studies demonstrates that archives around the world are bursting with records of frontier apprehensions, tallies of confiscated contraband, and court files of convicted smugglers. With sprawling bureaucracies dedicated to fighting smuggling (e.g., the border guard and customs apparatuses), the challenge is typically one of too many records, rather than too few.

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<sup>5</sup> See, *inter alia*, Peter Andreas and Timothy Snyder, eds., *The Wall Around the West: State Borders and Immigration Controls in North America and Europe* (New York: Rowman & Littlefield, 2000); Peter Andreas and Ethan Nadelmann, *Policing the Globe: Criminalization and Crime Control in International Relations* (Oxford and New York: Oxford University Press, 2008); Peter Andreas, *Border Games: Policing the U.S.-Mexico Divide*, 2nd ed. (Ithaca and London: Cornell University Press, 2009); Eric Tagliacozzo, *Secret Trades, Porous Borders: Smuggling and States Along a Southeast Asian Frontier, 1865-1915* (New Haven: Yale University Press, 2008); Peter Andreas, *Smuggler Nation: How Illicit Trade Made America* (Oxford and New York: Oxford University Press, 2013); Michael Kwass, *Contraband: Louis Mandrin and the Making of a Global Underground* (Cambridge, Mass.: Harvard University Press, 2014); Andrew Wender Cohen, *Contraband: Smuggling and the Birth of the American Century* (New York and London: W. W. Norton & Company, 2015); George T. Diaz, *Border Contraband: A History of Smuggling across the Rio Grande* (Austin: University of Texas Press, 2015); Peter Leary, *Unapproved Routes: Histories of the Irish Border, 1922-1972* (Oxford and New York: Oxford University Press, 2016); Philip Thai, *China's War on Smuggling: Law, Economic Life, and the Making of the Modern State, 1842-1965* (New York: Columbia University Press, 2018).

<sup>6</sup> Andreas, *Smuggler Nation*, 2; Charles Tilly, *Coercion, Capital, and European States, AD 990-1990* (Oxford: Blackwell, 1990).

<sup>7</sup> Oscar J. Martinez, "Praise for *Border Contraband*," in Diaz, *Border Contraband* front inside flap of dust jacket.

At the same time, historians' heavy reliance on "policing" documents – the core source base of most histories of smuggling – is inherently problematic. This is not merely because, as Eric Tagliacozzo notes, James Scott's adage that "the job of peasants ... is to stay out of the archives" applies even more forcefully to smugglers, since "[m]ost state records of smuggling are chronicles of failure."<sup>8</sup> Smugglers succeed before they fail; indeed, continued success is often what renders them careless, or attracts the attention of the authorities. The archival files are not filled with the stories of unrepresentative incompetents. Nor are histories of smuggling that are based largely on police records unable to hear the subaltern speak.<sup>9</sup> To avoid "seeing like a state"<sup>10</sup> and lift its bureaucratic blinders, historians have successfully mined intercepted letters, eyewitness accounts, songs, and even the occasional smuggler's memoir.<sup>11</sup> Getting to know smugglers – particularly long-dead ones – is not the problem.

Instead, the chief challenge is to write a history of smuggling that does justice to the cornerstone concern of the discipline: change over time. The primary roadblock to this effort lies at the intersection of criminology and politics, both popular and (especially) bureaucratic. The criminological conundrum is one that is common to the study of most activities whose participants fervently hope to stay out of the archives. Do more frequent seizures of contraband indicate more smuggling or more policing – or both? Do fewer seizures suggest that smugglers have become less numerous, or that they have become more practiced at avoiding detection? Does growing concern

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<sup>8</sup> Tagliacozzo, *Secret Trades, Porous Borders*, 6; James C. Scott, *The Art of Not Being Governed: An Anarchist History of Upland Southeast Asia* (New Haven; London: Yale University Press, 2009), 34.

<sup>9</sup> To paraphrase the title of the influential essay, Gayatri Chakravorty Spivak, "Can the Subaltern Speak?," in *Marxism and the Interpretation of Culture*, ed. C. Nelson and L. Grossberg (Basingstoke: Macmillan Education, 1988), 271–313.

<sup>10</sup> James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven: Yale University Press, 1999).

<sup>11</sup> For the use of memoir, see the discussion of Sergiusz Piasecki's bellettrized autobiography in Chapters One and Four below; for the use of songs, see Diaz, *Border Contraband*.

about smuggling reflect an underlying reality, or the groundless swell of moral panic? Not surprisingly, with vast (but always scarce) state resources at stake, the interpretation of smuggling statistics often becomes freighted with the institutional concerns of the bureaucrats doing the interpreting.<sup>12</sup>

The Soviet state suffered no shortage of either statistics or bureaucrats. If contraband trade was the anarchic antithesis to the Bolshevik ideal of economic planning, then statistics were the apt antidote. Soviet bureaucrats inherited a robust statistical tradition that emerged out of the modernizing reforms of the latter part of the nineteenth century. A faith in the power of numerical oversight undergirded the Bolsheviks' transformational aspirations. "Socialism – above all, it is accounting," Lenin had proclaimed upon taking power in November 1917.<sup>13</sup> Soviet customs officials embraced this view with abandon. If they could not prevent smuggling, they could at least tally the contraband goods that customs agents, border guards, and other policing organs were able to catch.

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<sup>12</sup> On this pervasive problem, see Peter Andreas and Kelly M. Greenhill, eds., *Sex, Drugs, and Body Counts: The Politics of Numbers in Global Crime and Conflict* (Ithaca and London: Cornell University Press, 2011).

<sup>13</sup> V. I. Lenin, *Polnoe sobranie sochinenii*, 5<sup>th</sup> ed. (Moscow: Izd. politicheskoi literatury, 1974), vol. 35, 57.

Figure 1: Soviet Contraband Confiscation Statistics, 1920s (Fragment)

№ по порядку	Наименование товаров	Реализация						Конфискатов:	
		1924/25 г.		1925/26 г.		1926/27 г.		Вес в кггр.	Продажи, стоимость в руб.
		Вес в кггр.	Продажи, стоимость в руб.	Вес в кггр.	Продажи, стоимость в руб.	Вес в кггр.	Продажи, стоимость в руб.		
По задержаниям при привозе.									
1	Чай . . . . .	82.135	211.555	69.460	194.020	58.256	158.498	35.411	99.454
2	Сахар . . . . .	8.742	5.590	7.687	6.501	317	205	1.898	1.357
3	Табак, сигары и папиросы . . . . .	26.520	94.058	20.915	74.538	20.830	82.240	6.577	29.279
4	Приности . . . . .	*	*	*	*	6.290	39.450	5.175	41.410
5	Сpirи и спиртные напитки . . . . .	214.065	166.059	106.423	93.702	156.045	115.310	65.044	65.974
6	Прочие продовольственные товары . . . . .	1.908	7.206	2.397	7.694	7.935	39.371	122.222	42.610
7	Кожи выделанные . . . . .	10.742	311.379	7.961	389.146	6.491	463.730	4.558	323.615
8	Пушнина . . . . .	*	*	*	*	24	1.039	7.081	54.159
9	Обувь кожаная и изделия . . . . .	3.124	29.049	4.355	34.906	4.969	60.006	7.395	122.971
10	Сахарин . . . . .	7.728	143.523	2.708	86.363	2.171	93.639	2.216	108.703
11	Химические продукты . . . . .	11.357	14.994	8.422	12.069	9.447	26.659	3.112	13.736
12	Медикаменты . . . . .	1.387	11.170	658	9.424	657	2.812	677	4.180
13	Наркотики . . . . .	471	5.892	1.918	20.064	603	10.105	5.220	120.184
14	Краски и лаки . . . . .	16.989	89.572	15.041	103.651	26.224	99.103	7.562	44.468
15	Косметика . . . . .	5.522	92.705	4.990	163.314	5.902	236.782	2.450	88.688
16	Изделия из ценных металлов . . . . .	16	7.243	42	4.591	225	30.624	107	86.557
17	Жемчуг искусственный . . . . .	*	*	*	*	*	*	642	151.679
18	Металлические изделия, особо не- поименованные . . . . .	822	8.936	342	2.584	49.041	104.177	25.733	239.008
19	Ножи, бритвы и ножницы . . . . .	1.319	37.081	1.048	39.184	1.406	64.765	1.287	78.771
20	Часы и части часов . . . . .	434	19.025	1.126	67.302	271	38.945	814	125.679
21	Ручные инструменты . . . . .	1.480	12.151	3.295	32.225	6.968	22.900	1.974	21.420
22	Физические и медицинские приборы . . . . .	1.140	43.732	810	75.128	1.005	75.770	1.488	82.207
23	Иглы швейные . . . . .	1.734	45.158	1.100	21.264	513	9.262	162	3.601
24	Пряжа бумажная . . . . .	6.011	108.335	4.993	71.003	3.432	59.325	10.872	201.002
25	Шелк крученый . . . . .	110	4.043	106	2.752	301	6.365	247	6.741
26	Ткани бумажные . . . . .	107.380	453.792	117.789	463.314	85.041	451.908	71.781	407.423
27	Вязаные бумажные изделия . . . . .	8.442	358.747	9.741	474.940	9.972	405.365	8.908	414.240
28	Ткани шелковые . . . . .	1.204	47.843	1.176	52.587	2.436	108.149	2.273	123.188
29	Вязаные шелковые изделия . . . . .	2.435	162.657	3.196	192.757	4.148	280.047	3.851	254.942
30	Ткани шерстяные . . . . .	18.282	297.888	29.774	677.648	35.698	949.385	22.991	835.286
31	Вязаные шерстяные изделия . . . . .	3.490	73.994	4.478	104.554	5.656	166.650	4.873	155.924
32	Тесьма и шнур . . . . .	2.977	116.039	2.185	81.306	949	32.572	470	14.020
33	Кружева и вышивки . . . . .	1.023	44.852	972	71.653	1.721	90.208	1.622	46.795
34	Белье и платье . . . . .	9.070	58.758	11.892	73.597	19.930	233.685	24.404	315.220

Source: A. P. Vinokur and S. N. Bakulin, eds., *Vneshniaia torgovlia Soiuza sovetskikh sotsialisticheskikh respublik za period 1918-1927/28 gg. Statisticheskii obzor* (Leningrad; Moscow: Snabkoopgiz, 1931), 796. It is worth noting that the published figures are fully corroborated by the “secret” and “top secret” reports found in the Russian archives, with only minor discrepancies.

The copious contraband confiscation statistics served as fodder for intense interagency disputes in the Soviet Union throughout the 1920s, as officials tussling for turf and criticizing competitors offered diametrically-opposed interpretations of the same trend. Thus, when at a February 1927 meeting of the Ukrainian Commission for the Struggle with Contraband in Kharkov, the republic’s deputy border guard chief insisted that the commission report to Moscow

that the rise in captured contraband was “a consequence of the improved functioning of the border guard,” the republic’s customs chief countered that although the “measures taken by the [border guard] were of course also reflected in the increase of captured contraband,” the primary driver behind the rise in seizures was “the significant growth of smuggling in general.”<sup>14</sup>

What is a historian to do? To be sure, the same bureaucratic rivalries that frustrate our task also facilitate it. The paper trails stretching from Kharkov to Moscow were paved thick with such claims and counterclaims. The recipients of these missives struggled to adjudicate the institutional infighting while staying ideologically safe; the historian is mercifully free of such constraints. Examining contraband confiscation figures through the prisms of the evolving economic, security, legal, diplomatic, and environmental contexts – supplemented with the reports of secret informants embedded in smugglers’ organizations – can make it possible to draw nuanced conclusions about the actual trends in smuggling across the Soviet borders.<sup>15</sup>

In the case of the early Soviet western frontier, however, we can do even better. “By definition, illicit transnational flows … take place in the shadows and are thus inherently difficult to measure,” Peter Andreas cautions. “For the most part, this is the domain of the invisible and the clandestine. There are no quarterly business reports, monthly job growth figures, [or] annual trade balance statistics.”<sup>16</sup> For the most part – but not always. As this dissertation demonstrates, business reports, trade balance statistics, and even job growth figures produced in Poland, Latvia,

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<sup>14</sup> “Protokol № 13 zasedaniia Ukrainskoi Komissii po bor’be s kontrabandoi,” 11 February 1927, Rossiiskii Gosudarstvennyi Arkhiv Ekonomiki (RGAE) 5240/18/3200: 90-92.

<sup>15</sup> See Andrey Shlyakhter, “Smuggling across the Soviet Borders, 1922/23-1930: Some Trends and Interpretations,” paper given at the Midwest Russian History Workshop, Northwestern University, Chicago, March 15, 2013.

<sup>16</sup> Peter Andreas, “The Politics of Measuring Illicit Flows and Policy Effectiveness,” in *Sex, Drugs, and Body Counts: The Politics of Numbers in Global Crime and Conflict*, ed. Peter Andreas and Kelly M. Greenhill (Ithaca and London: Cornell University Press, 2010), 23.

and Estonia during the first half of the 1920s testify – often quite unabashedly – to these countries’ active and officially-sanctioned involvement in contraband trade across the Soviet frontier. So do the minutes of parliamentary debates, Cabinet meetings, and conferences of government officials and business leaders in Warsaw, Riga, and Tallinn – some published, others preserved in these countries’ state archives. Preserved and ready to talk, too, are the letters and reports marked “secret” or “absolutely secret” that were dispatched to these capitals by local government officials and border guard officers stationed at the frontier.

Paradoxically, however, although much of the frontier trade that Moscow considered contraband was legal on the western side of the Soviet border, this legality actually makes it more challenging to uncover the Polish, Latvian, and Estonian sides of this story. Those the Soviets persecuted as smugglers were welcomed across the border as merchants. Unlike on the Soviet side, with the trade practiced in the open on the western side of the border, there were no bureaucratic institutions dedicated to eradicating this problem. As a result, there is no centralized source base to consult, no mountains of confiscation statistics to mine. The smugglers are invisible because they had no need to hide.

However, the Soviet frontier traffic made not just good coin but good copy. The ‘Wild East’ atmosphere – with its gold-rush paydays, rowdy taverns, lawless lawmen, and Comanche-style raids from beyond the Bolshevik border – garnered popular press coverage in all three neighboring nations and beyond; but the trade was a frequent subject of discussion (and advertising) on the business pages as well. To compensate for the archival lacunae, the dissertation

thus makes extensive use of Polish, Estonian, and Latvian periodicals, including German- and Russian-language papers published in the two Baltic countries.<sup>17</sup>

### ***Contexts and Contributions***

While this research was motivated primarily by methodological concerns – a desire to overcome the limitations that my Soviet source base imposed on determining the actual trends in smuggling across the Soviet frontier – the payoff has been more substantial.

Even as studies of the early Soviet state have traced significant institutional and policy continuities across the revolutionary divide,<sup>18</sup> scholarship on the collapse of the Russian Empire has (understandably) produced a record of rupture. Historians have traced the pulling apart of populations, territories, economies, and ideologies.<sup>19</sup> For contemporary observers, nothing embodied that rupture more vividly than the new Soviet border itself. Whether enthusiastic fellow

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<sup>17</sup> I am indebted to the many Estonian- and Latvian-speaking individuals, named in the Acknowledgments, who translated the articles and archival materials in those languages.

<sup>18</sup> For studies emphasizing continuities in such diverse realms as food supply, policing, the military, and diplomacy, see Peter Holquist, *Making War, Forging Revolution: Russia's Continuum of Crisis, 1914-1921* (Cambridge, Mass.: Harvard University Press, 2002); Joshua A. Sanborn, *Drafting the Russian Nation: Military Conscription, Total War, and Mass Politics, 1905-1925* (DeKalb, IL: Northern Illinois University Press, 2003); Alastair Kocho-Williams, *Russian and Soviet Diplomacy, 1900-39* (Basingstoke; New York: Palgrave Macmillan, 2012).

<sup>19</sup> See Uwe Müller and Helga Schultz, eds., *National Borders and Economic Disintegration in Modern East Central Europe* (Berlin: A. Spitz, 2002); Nick Baron and Peter Gatrell, eds., *Homelands: War, Population and Statehood in Eastern Europe and Russia, 1918-1924* (London: Anthem Press, 2004); Pekka Nevalainen, *Izgoi: rossiiskie bezhentsy v Finlandii, 1917-1939* (St. Petersburg: Zhurnal Neva, 2003); Pekka Nevalainen, *Iskhod: finskaia emigratsiia iz Rossii, 1917-1939* (St. Petersburg: Izdatel'skii dom "Kolo," 2005); Mati Graf, *Estonia i Rossiia, 1917-1991: anatomiia rasstavaniia* (Tallinn: Argo, 2007); Helen Rohtmets, "The Repatriation of Estonians from Soviet Russia in 1920-1923: A Test of Estonian Citizenship and Immigration Policy," *Journal of Baltic Studies* 42, no. 2 (2011): 169–187; Jerzy Borzęcki, *The Soviet-Polish Peace of 1921 and the Creation of Interwar Europe* (New Haven: Yale University Press, 2008); Eric Lohr, *Russian Citizenship: From Empire to Soviet Union* (Cambridge, Mass.: Harvard University Press, 2012); Tomas Balkelis and Violeta Davoliūtė, eds., *Population Displacement in Lithuania in the Twentieth Century: Experiences, Identities and Legacies* (Leiden: Brill, 2016); Tomas Balkelis, *War, Revolution, and Nation-Making in Lithuania, 1914-1923* (Oxford: Oxford University Press, 2018); Jochen Böhler, *Civil War in Central Europe, 1918-1921: The Reconstruction of Poland* (Oxford: Oxford University Press, 2018). For a balanced recent treatment, see Klaus Richter, *Fragmentation in East Central Europe: Poland and the Baltics, 1915-1929* (Oxford: Oxford University Press, 2020).

travelers or wary watchmen, those who approached this frontier from the west saw it as a divide not just between countries, but between worlds.<sup>20</sup>

The view from Tallinn, Riga, and Warsaw was certainly wary. All three nations had brief but bracing experiences with Bolshevik rule. Short-lived Soviet republics rose and fell on the territories of Estonia and Latvia (including Riga itself) in 1919, and the Red Army swept through Poland before breaking down at the outskirts of Warsaw in August 1920. The peace treaties that all three nations signed with Moscow (Estonia and Latvia in February and August 1920; Poland in March 1921) were universally regarded as tenuous, if not altogether temporary. The eastern regions of all three nations were inhabited by ethnic minorities with strong cross-border ties, which the Bolshevik leadership hoped to exploit for the export of Revolution.<sup>21</sup> To make matters worse, all three borderlands – Petserimaa in Estonia, Latgale in Latvia, and the vast *Kresy Wschodnie* in Poland – were backward by every measure of a modernity increasingly preoccupied with measuring itself. Scholars have documented how entwined anxieties about backwardness and

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<sup>20</sup> See, e.g., Karl Schlögel, *Berlin, vostochnyi vokzal. Russkaia emigratsiia v Germanii mezhdu dvumia voinami (1919-1945)* (Moscow: Novoe Literaturnoe Obozrenie, 2004), 71–101; Michael David-Fox, *Showcasing the Great Experiment: Cultural Diplomacy and Western Visitors to the Soviet Union, 1921-1941* (Oxford: Oxford University Press, 2012), 99–141.

<sup>21</sup> On Soviet irredentism, see Terry Martin, *The Affirmative Action Empire: Nations and Nationalism in the Soviet Union, 1923-1939* (Ithaca: Cornell University Press, 2001); Kate Brown, *A Biography of No Place: From Ethnic Borderland to Soviet Heartland* (Cambridge, Mass.: Harvard University Press, 2004); Alexandr Voronovici, “The Ambiguities of Soviet ‘Piedmonts’: Soviet Borderland Policies in the Ukrainian SSR and the Moldovan ASSR, 1922-1934” (Ph.D., Budapest, Central European University, 2016). On the role of Soviet intelligence in the export of Revolution to neighboring countries, see David R. Stone, “The August 1924 Raid on Stolpce, Poland, and the Evolution of Soviet Active Intelligence,” *Intelligence and National Security* 21, no. 3 (2006): 331–41; Jaak Valge, “Podgotovka Sovetskym Soiuzom gosudarstvennogo perevorota v Estonii v 1924 g.,” *Peterburgskii istoricheskii zhurnal*, no. 1 (2015): 183–201; Igor Cașu, “Exporting Soviet Revolution: Tatarbunar Uprising in Romanian Bessarabia (1924),” *The International Journal of Intelligence, Security, and Public Affairs* 22, no. 3 (December 2020), forthcoming.

Bolsheviks in the borderlands shaped Polish, Latvian, and Estonian policies towards the territories along these countries' Soviet frontiers.<sup>22</sup>

Less attention has been paid to how the Baltic and Polish governments and citizens looked to the Soviet frontier with longing rather than fear. Even as they worried about Red Russia's revanchist imperialism, the Poles, Latvians, and Estonians nurtured an imperial nostalgia of their own. Theirs was an economic ennui. This dissertation retraces some of the myriad commercial ties that had bound these nations to the rest of the Romanov Empire, and which appeared severed by its collapse and the Bolshevik takeover. It reveals how the pull of past profits combined with new, lucrative opportunities thrown up by the border itself – and scarcities on the Soviet side – to encourage Baltic and Polish citizens to barter directly with their Soviet counterparts along the frontline-cum-frontier. It follows the contentious deliberations of Estonian, Latvian, and Polish officials as they weighed the benefits and risks of this traffic. To be sure, such debates raged in other – far more powerful – countries that had long depended on the Russian market and raw materials, but now feared Communist contagion (especially Germany, the United Kingdom, and

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<sup>22</sup> On Poland, see Kai von Jena, *Polnische Ostpolitik nach dem Ersten Weltkrieg: Das Problem der Beziehungen zu Sowjetrußland nach dem Rigaer Frieden von 1921* (Stuttgart: Deutsche Verlags-Anstalt, 1980); Werner Benecke, *Die Ostgebiete der Zweiten Polnischen Republik: Staatsmacht und öffentliche Ordnung in einer Minderheitenregion, 1918–1939* (Köln: Böhlau, 1999); Janina Smogorzewska, *Kresowe osadnictwo wojskowe, 1920–1945* (Warsaw: Instytut Studiów Politycznych PAN, Oficyna Wydawnicza "Rytm," 2003); Timothy Snyder, *Sketches from a Secret War: A Polish Artist's Mission to Liberate Soviet Ukraine* (New Haven: Yale University Press, 2005); Nina Zielińska, *Towarzystwo Straży Kresowej 1918–1927* (Lublin: Oficyna Wydawnicza "Verba," 2006); and the forthcoming book by Kathryn Ciancia, *On Civilization's Edge: A Polish Borderland in the Interwar World* (Oxford: Oxford University Press, 2020). See also the works on Polish intelligence and border guard cited in the chapters that follow. On Latvia, see Aldis Purs, "The Price of Free Lunches: Making the Frontier Latvian in the Interwar Years," *Global Review of Ethnopolitics* 1, no. 4 (2002): 60–73; Aldis Purs, "Creating the State from Above and Below: Local Government in Inter-War Latvia" (Ph.D., Toronto, University of Toronto, 1998). On Estonia, see Kari Alenius, "Petserimaa Ja Narvataguse Integreerimine Eestiga Ning Idaalade Maine Eesti Avalikkuses 1920–1925," *Akadeemia*, no. 11 (1999): 2301–22; Kalle Löuna, *Petserimaa: Petserimaa integreerimine Eesti Vabariiki 1920 - 1940 : loodus, aeg, inimene* (Tallinn: Eesti Entsüklopeediakirjastus, 2003); Kari Alenius, "Dealing with the Russian Population in Estonia, 1919–1921," *Ajalooline Ajakiri*, no. 1/2 (139/140) (2012): 167–82. On the proliferation of paramilitary violence in response to the Bolshevik menace, see Robert Gerwarth and John Horne, *War in Peace: Paramilitary Violence in Europe After the Great War* (Oxford: Oxford University Press, 2013).

the United States).<sup>23</sup> As the dissertation demonstrates, however, the stakes were highest for the Soviet state's vulnerable neighbors. Nonetheless, risking both Soviet subversion and Moscow's diplomatic demarches, they opened their borders to trade that the Soviets considered contraband.<sup>24</sup>

Poland, Latvia, and Estonia were not the first states to support large-scale contraband trade in violation of another government's laws. The British Empire acquired a particularly notorious record of state-sponsored smuggling. Its East India Company had been offloading Bengal opium on Chinese shores (via local intermediaries) since the late eighteenth century. The traffic soared to around two million kilograms annually by 1839 – the year the United Kingdom first went to war to secure this flow over the fierce opposition of the Qing court. London waged an even bloodier Second Opium War with China less than two decades later.<sup>25</sup> Just after that conflict came to an end, on the other side of the world, British blockade runners prolonged the American Civil War by delivering crucial supplies to the South while taking back southern cotton to the Lancashire mills.<sup>26</sup> Contemporaneously with the events described in this dissertation, after the United States adopted Prohibition in January 1920, the British colony of the Bahamas became a base for

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<sup>23</sup> See Peter Van Ham, *Western Doctrines on East-West Trade: Theory, History and Policy* (New York: St. Martin's Press, 1992); Christine A. White, *British and American Commercial Relations with Soviet Russia, 1918-1924* (Chapel Hill: University of North Carolina Press, 1992); Katherine A. S. Siegel, *Loans and Legitimacy: The Evolution of Soviet-American Relations, 1919-1933* (Lexington: The University Press of Kentucky, 1996).

<sup>24</sup> Several scholars have probed the subject of this dissertation directly. The Łódź historian Helena Dzitkowska devoted an illuminating article to the city's early role in the Polish-Soviet frontier trade. See H. Dzitkowska, "Zabiegi o rynek rosyjski dla łódzkiego przemysłu włókienniczego w latach 1921–1922," *Rocznik Łódzki* 11 (1966): 91–116. See also Jena, *Polnische Ostpolitik nach dem Ersten Weltkrieg*, 141–46. Shortly after the Soviet collapse, as armies of shuttle traders rediscovered the paths trod by bagmen and smugglers seventy years earlier, the Estonian economic historian Jaak Valge produced a pioneering study of the country's Soviet frontier trade: Jaak Valge, "Mitteametlik kaubavahetus Eesti—Vene piiril aastatel 1921–1924," *Akadeemia* 4, no. 6 (1992): 1200–1227, 1333–34. On the Latvian-Soviet frontier trade, see Aivars Stranga, *Latvijas ārējie ekonomiskie sakari. 1919.-1940. gads. Attiecības ar lielvalstīm (saimnieciskie, politiskie, diplomātiskie aspekti)* (Riga: Latvijas Universitātes akadēmiskais apgāds, 2015), 92–95, 158–59. For discussion of Polish and Baltic efforts to establish official commercial relations with the Soviet state, see the chapters below.

<sup>25</sup> Peter Andreas, *Killer High: A History of War in Six Drugs* (Oxford and New York: Oxford University Press, 2020), 143–46.

<sup>26</sup> Andreas, *Smuggler Nation*, 154–65.

rumrunners flying the British flag that rendered them immune to search and seizure by American Coast Guard cutters. Averring that “a State is only responsible for the enforcement of its own laws,” Colonial Secretary Winston Churchill rebuffed American entreaties to intervene.<sup>27</sup> But it was the independent Dominion of Canada that did the biggest business, refusing to ban liquor exports to the United States while taxing this flow. By 1929, Canadian export duties on southbound alcohol exceeded the country’s income tax receipts twofold; and even this accounted for only a fraction of what the liquor trade contributed to Canada’s economy.<sup>28</sup> Not surprisingly, the Canadians resisted American efforts at cooperative enforcement. As a result, in the words of one historian of the subject, “[b]etween 1920 and 1933, no issue in Canadian-American relations proved more contentious or more intractable.”<sup>29</sup>

What is different about the history uncovered here? The chief distinctions are four.

The first and most obvious is scope. The aforementioned traffics centered on a single type of good (or perhaps a ‘bad’) – opium and alcohol. While alcohol smuggling plays a crucial role in the story told in this dissertation, the contents of the contraband flows described in the following chapters were infinitely more varied. Polish and Baltic suppliers plied Soviet smugglers with necessities from salt to shoe leather and luxuries from silk stockings to gold watches. It was a kaleidoscope of contraband consumption that reflected prerevolutionary trade patterns as well as the many unmet – and evolving – needs of Soviet consumers. As the Polish official quoted at the outset of this Introduction emphasized, the mass and variety of the merchandise engaged a

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<sup>27</sup> In a reprise of New World colonial rivalry, the French Empire’s tiny archipelago of St. Pierre-Miquelon off the Newfoundland coast became the Bahamas’ chief competitor in assuaging the American thirst for alcohol, transshipping over half a million cases of liquor to American shores in 1923 alone. (Andreas, 236–38.)

<sup>28</sup> Andreas, 243–48; Stephen T. Moore, *Bootleggers and Borders: The Paradox of Prohibition on a Canada-U.S. Borderland* (Lincoln and London: University of Nebraska Press, 2014), 43–52, 90–94.

<sup>29</sup> Moore, *Bootleggers and Borders*, x.

corresponding mosaic of manufacturers and merchants, from established enterprises to opportunistic operators.

The second and deepest distinction is the ideological and practical significance of the traffic for the government fighting the smuggling – in this case, the Kremlin. According to Vladimir Lenin, the state monopoly on foreign trade constituted one of the Soviet economy’s “commanding heights,”<sup>30</sup> not to be relinquished under any circumstances. Considering the monopoly a cornerstone of central planning, the Bolshevik leadership also came to see it as the ultimate protectionist measure that would secure Russia from “colonial” dependence on the industrialized West, and as the ultimate cartel that would bolster the Soviets’ bargaining position in international commerce. Most immediately, the monopoly would help the Bolsheviks ensure that the country’s supply of convertible valuables – the grain, flax, furs, oil, platinum, and other traditional Russian riches – would not be frittered away in the post-Revolutionary chaos.

The April 1918 decree announcing the monopoly made it a crime for anyone except representatives of the People’s Commissariat of Trade and Industry to engage in foreign commercial transactions of any kind. While private commerce inside the country was grudgingly legalized under the New Economic Policy (NEP) in 1921, entrepreneurs remained (officially) barred from foreign trade. The ailing Lenin himself would use the full weight of his authority to defend the state monopoly on foreign trade in debates with party critics of this policy, because he viewed it as a necessary condition for industrial modernization and Soviet socialism.<sup>31</sup> Smuggling

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<sup>30</sup> Alan M. Ball, *Russia’s Last Capitalists: The Nepmen, 1921-1929* (Berkeley: University of California Press, 1990), 24.

<sup>31</sup> At least on paper, the foreign trade monopoly proved among the most durable of Soviet economic policies, surviving nearly intact until Gorbachev’s reforms of the late 1980s. On its origins, see Glen Alden Smith, *Soviet Foreign Trade: Organization, Operations, and Policy, 1918-1971* (New York: Praeger, 1973); John Quigley, *The Soviet Foreign*

broke that condition. As A. I. Potiaev, Chairman of the Central Commission for the Struggle with Contraband – an interagency commission that brought together representatives of the Commissariats of Foreign Trade and Finance, the VSNKh (the chief industrial planning body), the political police, and the Red Army – admonished in November 1922, “Contraband derails the decree on the nationalization of foreign trade, turning it into a fiction.”<sup>32</sup>

The Soviet state’s neighbors did not much care for the Kremlin’s ideological concerns. They had postwar economies of their own to rebuild: industries to revive, unemployment to alleviate, currencies to circulate, inflations to curb. To be sure, they, too, would sometimes portray the contraband trade in an ideological light. “[T]he Russian merchants are flocking en masse to our eastern borders for making purchases or bartering goods, thereby giving expression to the eternal economic laws,” the Chairman of the Association of Polish Merchants, Stanisław Wartalski, enthused in the fall of 1921. “There is no doubt that the entire Bolshevik ideology, which already must make concessions to the Russian people’s unperturbed sense of private property, is thus being crossed out in practice. This ... is where the political-psychological significance of this trade lies.”<sup>33</sup> However, while such ideological (if hardly disinterested) sentiments may have been shared more widely, they were rarely voiced. Official deliberations and public discussions in Poland, Latvia, and Estonia focused on more practical questions: the bolts of cloth or liters of alcohol shipped east; the tons of flax or kilograms of silver received in

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*Trade Monopoly: Institutions and Laws* (Columbus: Ohio State University Press, 1974); V. A. Shishkin, *V. I. Lenin i vnesheekonomicheskaiia politika Sovetskogo gosudarstva: (1917-1923 gg.)* (Leningrad: Nauka, 1977).

<sup>32</sup> “Protokol № 16 zasedaniia Tsentral’noi Komissii po bor’be s kontrabandoi,” 27 November 1922, RGAE 413/14/72: 27-28.

<sup>33</sup> Stanisław Wartalski, “Dzisiejszy handel z Rosją sowiecką,” *PG*, 1 October 1921, 680-82 (also published as idem, “Handel ze Wschodem,” *Tygodnik Handlowy*, 1 October 1921, 353-355).

return; ensuring that the participants followed regulations and paid taxes. Of course, if this traffic helped accelerate communist Russia's capitalist transformation, so much the better.

Events would not bear out Wartalski's hopeful vision. Even as smugglers bored holes in the Soviet border and in the Soviet state monopoly on foreign trade, they provoked an increasingly forceful response from Moscow. The evolution of this response – and of the Kremlin's concern about the menace of contraband traffic more broadly – is the subject of the larger study of which this dissertation forms part.<sup>34</sup> However, a cornerstone of Soviet anxiety about smuggling is one that Moscow shared with Warsaw, Riga, and Tallinn: both the Soviets and their neighbors saw smugglers as potential agents carrying out more nefarious missions. This conflation of smugglers with spies and other subversives – and the resulting fears that shaped how all four capitals approached contraband trade – is the third key feature distinguishing the Soviet frontier traffic from the other instances of state-sponsored smuggling cited above.

Finally, all four states that are the subjects of this study – Soviet Russia/USSR,<sup>35</sup> Poland, Latvia, and Estonia – were political newcomers on the world stage. Their youth both shaped the frontier traffic and rendered it a formative influence on their development. The dissertation reveals how, unencumbered by bureaucratic tradition and inspired by the broad repertoire of popular behaviors shaped by the experience of wartime survival, officials on both sides improvised solutions to the problems and opportunities presented by the new frontier.

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<sup>34</sup> On the many dimensions of the Kremlin's concern about contraband, see Shlyakhter, "Ekonomicheskia kontrabanda," 72–75.

<sup>35</sup> Because the Soviet Union was not formally established until December 30, 1922, Soviet Russia is an accepted shorthand for the confederation of nominally-independent republics (including Soviet Ukraine and Soviet Belorussia) that existed prior to that date.

Most of the action described in this dissertation takes place outside Soviet territory – often just outside it. Market or menace, however, the Soviet land always looms in the background. While this dissertation does not focus on the Soviet side, it is also a Soviet story. And it is *a* story. My choice of a narrative approach was prompted by the intersection of methodological considerations – the Polish, Latvian, and Estonian source base described above – and what this approach contributes to our understanding of developments on the Soviet side.

While scholars have long recognized the centrality of the black market to explaining *How the Soviet System Works* (the title of an influential 1956 sociological study of the USSR), our understanding of the Soviet shadow economy suffers from a frustrating ahistoricity. In part, this reflects the pioneering role of economists, sociologists, and anthropologists in charting this terrain.<sup>36</sup> While their studies have shed much light on this shadowy subject, they cannot adequately address the central concern of historians: how and why things change over time. Only in recent years have in-depth historical treatments of the Soviet shadow economy begun to appear, analyzing such key themes as the “bagman” shuttle traders of the Civil War; bribery under late Stalinism; corruption during the Era of Stagnation; and the Russian tradition of organized crime.<sup>37</sup>

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<sup>36</sup> Economists: Gregory Grossman, “The ‘Second Economy’ of the USSR,” *Problems of Communism* 26, no. 5 (October 1977): 25–40; Aron Katsenelinboigen, “Colored Markets in the Soviet Union,” *Soviet Studies* 29, no. 1 (January 1977): 62–85; János Kornai, *The Socialist System: The Political Economy of Communism* (Oxford: Oxford University Press, 1992); and the Berkeley-Duke Occasional Papers on the Second Economy in the USSR, edited by Gregory Grossman and Vladimir Treml, listed at <http://public.econ.duke.edu/Papers//Treml.BDOP.html>. Sociologists: Alena V. Ledeneva, *Russia’s Economy of Favours: Blat, Networking, and Informal Exchange* (Cambridge, UK; New York: Cambridge University Press, 1998); Vadim Volkov, *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism* (Ithaca: Cornell University Press, 2002). Anthropologists: Katherine Verdery, *What Was Socialism and What Comes Next?* (Princeton: Princeton University Press, 1996); Caroline Humphrey, *The Unmaking of Soviet Life: Everyday Economies After Socialism* (Ithaca: Cornell University Press, 2002). An early collective effort to historicize informal and illicit economic practices is the collection of articles in Stephen Lovell, Alena V. Ledeneva, and Andrei Rogachevskii, eds., *Bribery and Blat in Russia: Negotiating Reciprocity from the Middle Ages to the 1990s* (New York: St. Martin’s Press, 2000).

<sup>37</sup> A. Iu. Davydov, *Meshochniki i diktatura v Rossii, 1917-1921 gg.*, 2nd ed. (St. Petersburg: Aleteia, 2007); James W. Heinzen, *The Art of the Bribe: Corruption Under Stalin, 1943-1953* (New Haven and London: Yale University Press, 2016); Luc Duhamel, *The KGB Campaign against Corruption in Moscow, 1982-1987* (Pittsburgh: University of

My dissertation furthers this overdue historiographical correction by focusing on the rapid evolution of a significant stratum of the Soviet shadow economy – contraband trade.

The source base that makes it possible to tell this history narratively also supplies the chief argument for adopting a narrative approach. Even as Soviet authorities considered contraband the anarchic antithesis of their vision of planned foreign trade, they viewed smuggling as a foreign capitalist conspiracy. As this dissertation demonstrates, there were some grounds for this view. My research reveals how the Soviets' neighbors operated the spigots, alternately loosening and tightening controls over the frontier flows. To be sure, each country's policy towards the contraband trade developed as a series of ad hoc responses to frontier realities and business lobbies, rather than as a concerted effort; and the states themselves competed rather than conspired. Moreover, limited policing resources and corrupt officials ensured that the faucet would remain leaky even when the neighbors wished to close it. However, their support of the traffic made the dramatic difference between having to smuggle past one side rather than both. By tracing the twists of the spigots in Warsaw, Riga, and Tallinn, the dissertation uncovers and explains key turning points in the contraband traffic across the Soviets' western frontier.

While the buildup of the Soviet border has benefited from close historical study, its economic drivers remain poorly understood. Andrea Chandler devotes several pages of her pioneering survey of Soviet border controls to the problem of smuggling, but the longue durée frame of her inquiry and the limitations of her source base necessarily constrain her analysis.<sup>38</sup> Sabine Dullin's wide-ranging monograph on interwar Soviet frontier policy likewise confines its

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Pittsburgh Press, 2010); Mark Galeotti, *The Vory: Russia's Super Mafia* (New Haven and London: Yale University Press, 2019).

<sup>38</sup> Andrea Chandler, *Institutions of Isolation: Border Controls in the Soviet Union and Its Successor States, 1917-1993* (Montreal and Kingston: McGill-Queen's University Press, 1998).

examination of smuggling to a handful of pages.<sup>39</sup> Yet inattention to the impact of smuggling risks broader misdiagnoses. Thus, in his study of Russian citizenship, Eric Lohr argues that “[b]y the end of the 1920s, the Soviet Union had decisively embraced an autarkic path of development,” and soon “created one of the most effective border systems in terms of holding its people in that any country had ever constructed.” The impetus behind both processes, Lohr insists, was “primarily political.”<sup>40</sup>

As my research reveals, however, contraband trade must become central to our understanding of the Soviet path to both isolation and autarky. While the Soviet struggle against smuggling and the attendant policing response is a focus of the larger research project, the dissertation uncovers the extensive scope of the frontier traffic, as well as the many measures that Polish, Latvian, and Estonian authorities took to facilitate it. Its dimensions and origins were not concocted by the Kremlin’s conspiracist denizens, nor manufactured by a security apparatus seeking their approval and funding.

By highlighting the scope of smuggling and the active role of neighboring governments in abetting this traffic, the dissertation joins a growing body of work that illuminates how foreign threat shaped the interwar Soviet experience.<sup>41</sup> At the same time, this scholarship (based primarily

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<sup>39</sup> Sabine Dullin, *La frontière épaisse: aux origines des politiques soviétiques, 1920-1940* (Paris: École des hautes études en sciences sociales, 2014). In this otherwise penetrating study, Dullin errs when she suggests that along the western Soviet frontier, “[t]he need to restore the economy, fight smuggling and improve the situation on the border led to the fact that, despite Lenin's objections ... cross-border commercial relations were decentralized due to the participation of private entrepreneurs and cooperatives. For example, on the Estonian and Latvian borders, until 1925, [Soviet] peasants traded in shops located in a 100- or 200-meter strip separating Soviet and foreign border guards, and no one considered them smugglers.” (Dullin, 118). As this dissertation demonstrates, the shops catered almost entirely to those the Soviet authorities considered smugglers; indeed, this is what made these operations sufficiently profitable to justify the security risk these visitors posed.

<sup>40</sup> See Andrey Shlyakhter, “Russian Citizenship: Borders, Numbers, and Intentions,” Review Essay on Lohr, *Russian Citizenship.*, at the Russian History Blog, July 2013, <http://russianhistoryblog.org/category/blog-conversations/russian-citizenship/>

<sup>41</sup> On the impact of Soviet xenophobia on policies towards the nationalities and borderlands, see Pavel Polian, *Ne po svoei vole... Iстория и география принудительных миграций в СССР* (Moscow: OGI-Memorial, 2001); Martin, *The*

on Soviet sources) focuses more on tracing Soviet perceptions and policies than on establishing the veracity of the threats themselves. When historians have sought to evaluate the accuracy of Soviet foreign threat assessment, they have generally found exaggeration and paranoia.<sup>42</sup> By uncovering the reality of smuggling, the dissertation demonstrates that *this* external menace, at least, was real enough.

To be sure, what one thought of the danger that smuggling posed depended on your position in the Soviet system, your role in upholding its security, and your belief in the state monopoly on foreign trade. Soviet functionaries (customs officials, border guard officers, and others) still did the interpreting of the contraband confiscation statistics and other nebulous data on smuggling trends, and their (hardly disinterested) interpretations shaped the Kremlin's outlook and policies. To understand the actual reality in which Soviet bureaucrats and leaders operated, however, we have to move outside their minds and across the frontier.

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*Affirmative Action Empire*; Brown, *A Biography of No Place*; Nick Baron, *Soviet Karelia: Politics, Planning and Terror in Stalin's Russia, 1920-1939* (New York: Routledge, 2007); Victor Dönninghaus, *V teni "bol'shogo brata": Zapadnye natsional'nye men'shinstva v SSSR (1917-1938 gg.)* (Moscow: ROSSPEN, 2011). On foreign threat and military-economic planning, see David R. Stone, *Hammer and Rifle: The Militarization of the Soviet Union, 1926-1933* (Lawrence: University Press of Kansas, 2000); O. N. Ken, *Mobilizatsionnoe planirovanie i politicheskie resheniya: konets 1920-seredina 1930-kh gg.* (Saint-Petersburg: Evropeiskii universitet v Sankt-Peterburge, 2002); Aleksei Meliia, *Mobilizatsionnaia podgotovka narodnogo khoziaistva SSSR, 1921-1941 gg.: sbornik statei* (Moscow: Al'pina Biznes Buks, 2004). On foreign threat and popular opinion, see A. V. Golubev, "Esli mir obrushitsia na nashu Respubliku": *Sovetskoe obshchestvo i vneshniaia ugroza v 1920-1940-e gg.* (Moscow: Kuchkovo pole, 2008); Olga Velikanova, *Popular Perceptions of Soviet Politics in the 1920s: Disenchantment of the Dreamers* (Palgrave Macmillan, 2013). On the Terror, see the works by Harris and Davies cited below.

<sup>42</sup> See James Harris, "Intelligence and Threat Perception: Defending the Revolution, 1917-1937," in *Anatomy of Terror: Political Violence under Stalin*, ed. James Harris (Oxford: Oxford University Press, 2013), 29-43; Sarah Davies and James Harris, *Stalin's World: Dictating the Soviet Order* (New Haven: Yale University Press, 2014), Part I; James R. Harris, *The Great Fear: Stalin's Terror of the 1930s* (Oxford and New York: Oxford University Press, 2016). Of course, that the Soviet leadership genuinely harbored deep anxieties about foreign threat and did not merely deploy its specter to reinforce a garrison state mentality – a major finding in itself – only magnifies the contribution of outside actors such as those discussed in this dissertation.

## **Dissertation Structure**

Russia's new rulers, of course, were smugglers par excellence themselves. Since the mid-nineteenth century, the centers of radical opposition that coalesced outside the Romanovs' realm had cultivated clandestine communications with confederates inside the Empire. The same borders that kept the revolutionaries safe from the tsar's grasp had to be overcome to grasp at the tsar himself, his hierarchy of henchmen, and the oppressive system they served. Letters, funds, weapons, ammunition, and the revolutionaries themselves crisscrossed the Russian frontier furtively for decades. They often did so with the aid of smugglers – some sympathetic, others less interested in the politics than in the profits.<sup>43</sup>

After coming to power, the Bolsheviks would have to rely on smuggling to keep it. Sean McMeekin has traced the manifold furtive routes (both physical and financial) by which Bolshevik agents circumvented the Allied blockade to obtain supplies and ammunition for the Red Army in exchange for gold and other valuables pried from the Romanovs, the churches, and private citizens.<sup>44</sup> Unfortunately for what is generally an outstanding study, McMeekin overstates his case by ignoring non-military purchases (and the scholars who have documented them).<sup>45</sup> Part I,

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<sup>43</sup> See Vladimir Bonch-Bruevich, *Kak pechatals' za granitsei i taino dostavialis' v Rossiiu zapreschennye izdaniia nashei partii*, 2nd ed. (Moscow: Zhizn' i Znanie, 1927); Michael Futrell, *Northern Underground: Episodes of Russian Revolutionary Transport and Communications through Scandinavia and Finland, 1863-1917* (New York: Frederick A. Praeger, 1963); Frederic Zuckerman, *The Tsarist Secret Police Abroad: Policing Europe in a Modernising World* (Basingstoke: Palgrave Macmillan, 2003); Hans Björkegren, *Skandinavskii tranzit. Rossiiskie revoliutsionery v Skandinavii, 1906-1917* (Moscow: Omega, 2007); Helen Rappaport, *Conspirator: Lenin in Exile* (New York: Basic Books, 2010); Catherine Merridale, *Lenin on the Train* (New York: Metropolitan Books, 2017). See also the forthcoming book by Faith Hillis, *Utopia's Discontents: Russian Émigrés and the Quest for Freedom, 1830s-1930s* (Oxford: Oxford University Press, 2021), and the companion website showing some of the smugglers' routes: <https://www.utopiasdiscontents.com/traversing-borders>. In another context, Robert Darnton has documented how profit-seeking smugglers spread the popular literature that desacralized the monarchy in the run up to the French Revolution. See Robert Darnton, *The Literary Underground of the Old Regime* (Cambridge, Mass.: Harvard University Press, 1982); Robert Darnton, *The Forbidden Best-Sellers of Pre-Revolutionary France* (New York: W. W. Norton & Company, 1996).

<sup>44</sup> Sean McMeekin, *History's Greatest Heist: The Looting of Russia by the Bolsheviks* (New Haven and London: Yale University Press, 2009). e.g.

<sup>45</sup> See M. Ia. Kaufman, *Vneshniaia Torgovlia Rossii (1918-1921 gg.)* (Petrograd: Akademicheskoe Izdatel'stvo, 1922); Mikhail Sonkin, *Okno vo vneshniy mir: ekonomicheskie sviazi Sovetskogo gosudarstva v 1917-1921 gg.*

Chapter One of this dissertation builds on McMeekin’s contribution and the work of other scholars of early Soviet foreign trade to uncover the system of contraband commerce cultivated by the Commissariat of Trade and Industry (NKTiP) across the frontlines of the Civil War, with a particular focus on the Polish front. This commerce was contraband in multiple senses. It depended on the connivance of corrupt enemy officials; it was entrusted to agents who engaged in smuggling for private profit; and multiple Soviet institutions competed with the NKTiP by dispatching their own smugglers across the front, a development that would continue to shape the frontier trade in peacetime. Meanwhile, the traffic cemented the link between smugglers and spies in practice and discourse on both sides of the front – another development with significant postwar implications.

Crossing the new Soviet border, Part II examines the birth of a “Schizoid Frontier,” where those persecuted as smugglers by one side were welcomed as legitimate traders by the other. The Introduction emphasizes the significance of peace to this shadow economy. Chapter Two then looks east from Riga and Tallinn (as well as from an Estonian border county town) to examine how a mix of fear, longing, and bureaucratic politics shaped the Baltic states’ approach to the Soviet frontier traffic. Chapter Three moves south to explore how these dynamics developed in Poland. It considers how Warsaw struggled to balance state security concerns against the determination of Łódź manufacturers and Lwów and Wilno merchants to reconnect with the lucrative eastern market, as well as the role that international (especially American) cotton

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(Moscow: Izdatel’stvo sotsial’no-ekonomicheskoi literatury, 1964); V. A. Shishkin, *Sovetskoe gosudarstvo i strany Zapada v 1917-1923 gg. Ocherki istorii stanovleniya ekonomicheskikh otnoshenii* (Leningrad: Nauka, 1969); V. A. Shishkin, *Antisovetskaia blokada i ee krushenie* (Leningrad: Nauka, 1989); White, *British and American Commercial Relations with Soviet Russia*; Anthony Heywood, *Modernising Lenin’s Russia: Economic Reconstruction, Foreign Trade and the Railways* (Cambridge: Cambridge University Press, 1999).

suppliers played in powering this traffic. It also uncovers the considerable contribution of conniving Soviet officials, a story further explored in the following chapter.

Part III considers the maturing of the traffic. Although the rebirth of the Soviet shadow economy – after its first incarnation in the Civil War – is typically associated with the abolition of private trade and the rationing of consumer goods during the First Five Year Plan, my research reveals that the economic liberalization of the NEP simultaneously fostered a thriving black market. The Introduction to Part III supplies the key context needed to understand the symbiotic relationship between the NEP and smuggling. Chapter Four reveals why Polish authorities moved to facilitate the frontier trade in early 1922, and the effects of this liberalization on the swelling flows. The chapter compares official Polish and Soviet foreign trade statistics to gauge the scale and contents of the traffic sanctioned by Polish authorities. Unearthing the ground-level experience of participants from the Polish side, it highlights the centrality of cross-border Jewish networks to the traffic, and the impact this had on Polish officials' attitudes and behavior towards Jews. Chapter Five returns to Latvia and Estonia to uncover the local developments that made 1922 a banner year on the Soviets' Baltic borders as well. It finds that, as in Poland, the profitability of the frontier traffic contrasted favorably with the frustrations of official trade, encouraging the authorities to facilitate the former. Tracing the evolving contents of the traffic, the chapter highlights the centrality of alcohol to the eastbound flow, and of flax and valuables going west – and then further on to *the* West, revealing the global financial underpinnings of the trade. However, even as the traffic reached a high level of organization (as evidenced by the establishment of the Robežtirdzniecība Joint Stock Company in Riga), cross-border raids on Latvian barter stations and

the possible arson of Estonian ones highlighted the security risks that would increasingly come into the Baltic authorities' focus.

Part IV analyzes how the Baltic and Polish experiences with the Soviet frontier trade diverged during 1923-24. However, it begins with an Introduction that reviews two major infusions of gold coins and foreign exchange into the hands of the Soviet population in those years. The first of these was the currency intervention policy carried out by the Soviet State Bank and Finance Commissariat – the sale of gold and foreign currency by government agents to boost popular confidence in the new ten-ruble note, the *chervonets*. The second, virtually unknown to scholars, was the resumption of dollar remittances from mostly working-class Jewish relatives in America, wired primarily to Ukraine and Belorussia. These streams combined to replenish the supply of convertible media on which Soviet smugglers could draw.

Picking up where the preceding chapter left off, Chapter Six moves from the Soviet frontier to the halls of government in Riga and Tallinn. It reveals how, over the course of 1923, in response to Moscow's pressure to shut down the traffic, both countries engaged in a diplomatic dance of denial and deflection while the frontier trade continued as before. However, Chapter Seven finds that the traffic over Estonia's and Latvia's Soviet frontiers declined dramatically over the course of 1924, and uncovers the constellation of causes on both sides of the border that contributed to this contraction. It finds that the lower volume of the traffic reduced the ratio of shrinking economic benefits to mounting security costs, leading Tallinn and Riga to withdraw their support for the trade (albeit not entirely so in the Latvian case). Finally, Chapter Eight explains why the Polish-Soviet traffic continued to flourish even as Warsaw contended with an increasingly precarious security situation on its Soviet frontier.

## PART I. The Soviet Smuggler State, 1919-20

### Chapter One

#### **Solomon’s Smugglers, Hermes’s Spies: “State Contraband,” Intelligence, and Power on the Soviet Frontier**

##### ***The Proposal***

The stranger’s proposal made Deputy Commissar Solomon understandably uneasy.

He knew nothing of the man; yet the scheme the unexpected visitor put forward was enough to land them both in the Cheka. Although perhaps not the enigmatic caller himself, but Solomon alone. In that late summer of 1919, the Bolsheviks’ military fortunes had plummeted to their lowest point yet. Denikin was menacing Moscow from the south; Iudenich was readying a renewed assault on Petrograd from the west. The Kremlin’s inhabitants were making plans for evacuating the capital to the Urals.<sup>1</sup> Fear eroded loyalties and bred suspicion. Solomon recalled that Cheka agents’ provocations “raged no less than did typhus and its agents – the lice.”<sup>2</sup>

The analogy was not incidental. Encircled by a tightening ring of fronts and squeezed by the Royal Navy’s blockade of the Baltic, Black, and Caspian Seas, the country was denied access to the foreign markets on which Russia had long relied. As Deputy Commissar of Trade and Industry, Georgii Aleksandrovich Isetskii, who still went by his revolutionary underground nom de guerre “Solomon,” appreciated this better than most. The Commissariat’s primary

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<sup>1</sup> Simon Liberman, *Building Lenin’s Russia* (Chicago: University of Chicago Press, 1945), 36.

<sup>2</sup> G. A. Solomon, *Sredi krasnykh vozheei. Lichno perezhitoe i vidennoe na sovetskoi sluzhbe* (Paris: Mishen’, 1930), 247. Unless otherwise indicated, all translations are my own.

responsibility had long been foreign trade.<sup>3</sup> As Solomon put it, however, “[t]he blockade had, in effect, annulled the Commissariat.” As a result, “amid the raging epidemics, we did not have the most indispensable medicines,” the former medical student-turned-revolutionary rued. “In particular, we were experiencing an extreme, wholly disastrous dearth of aspirin, all kinds of anti-inflammatory agents, quinine … iodine solutions … soap and disinfectant agents in general … and also of thermometers: there were entire hospitals where they were wholly absent … nor did we have various household implements,” most crucially “axes, cross-cut saws (for sawing firewood)” – objects “worth their weight in gold” in exhausted cities in the shadow of another desperate winter.<sup>4</sup>

Solomon’s mysterious visitor understood this, too. He confided in the Deputy Commissar that he had managed to retain “substantial means” in still-valuable tsarist five-hundred-ruble notes – in violation of the reigning War Communism prohibition on the individual possession of sums exceeding 10,000 rubles – as well as personal credit and business ties abroad (particularly in Russia’s chief prerevolutionary trading partner, Germany). This well-connected man proposed “to send his people abroad for buying and smuggling into Russia various goods, mainly medicines, medical thermometers, axes, saws, etc.” “In a word, the proposal was such that it was worth considering,” Solomon recalled. “But I will say frankly, that I was afraid, *I was afraid for myself*, lest this proposal was a setup.”<sup>5</sup>

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<sup>3</sup> Indeed, despite the official moniker it inherited from the Provisional Government Ministry it had replaced, the People’s Commissariat of Trade and Industry (*Narodnyi Komissariat Torgovli i Promyshlennosti*, or Narkomtorgprom) was often colloquially referred to as the Narkomvneshtorg, the People’s Commissariat of Foreign Trade.

<sup>4</sup> Solomon, *Sredi krasnykh vozkhdei*, 247.

<sup>5</sup> Solomon, 247 (emphasis in the original).

Solomon's suspicion stemmed from the same source as his visitor's candor. Despite his high rank, Solomon was not a Bolshevik. While he had been a member of the Russian Social Democratic Workers' Party since its founding, he had sided with its Menshevik wing. He entered Soviet service only reluctantly, at the behest of his close friend and fellow Siemens-Schukert employee, Leonid Krasin, now the People's Commissar of Trade and Industry. After a stint as the First Secretary of the Soviet embassy in Berlin and then as Consul in Hamburg, Solomon returned to Russia in July 1919, assuming the post of Krasin's deputy. With Krasin himself frequently away on diplomatic business, Solomon effectively ran the increasingly superfluous Commissariat.<sup>6</sup>

To assuage Solomon's suspicions, the visitor revealed that prior to the Revolution, he had served as a supplier to Siemens-Schukert's Russian branch when Krasin was its director. After confirming this with Krasin himself, Solomon accepted the audacious proposal. “[F]rom that instance I involved myself intensively in the business of contraband purchases,” Solomon recalled, “so that Krasin jokingly called me ‘Minister of State Contraband.’”<sup>7</sup>



Figure 2: “Minister of State Contraband,” Deputy People’s Commissar of Trade and Industry Georgii A. Ietskii (Solomon) (1868-1942)

Source: [https://ru.wikipedia.org/wiki/%D0%A4%D0%B0%D0%B9%D0%BB:Solomon\\_Georgij.JPG](https://ru.wikipedia.org/wiki/%D0%A4%D0%B0%D0%B9%D0%BB:Solomon_Georgij.JPG)

<sup>6</sup> Solomon, 167, 246.

<sup>7</sup> Solomon, 248.

### ***Preludes***

To be sure, Solomon exaggerated the novelty of his approach. The pragmatic Krasin, who had once deftly woven between the prerevolutionary Petersburg beau-monde and the revolutionary underground, had experimented with nimble private contractors even before Solomon arrived on the scene in late summer. As the Commissariat of Trade and Industry would report to the Seventh Congress of Soviets in early December 1919 with a singular mix of discomfiture and pride, “under the pressure of the intensified blockade established by the Entente … [i]n an effort to furnish from abroad the articles essential for Russia’s economic life, the Narkomtorgprom, given the existing political complications, was compelled to settle upon measures aimed to implement, to the broadest possible extent, the import of these goods by way of smuggling [*na kontrabandnykh nachalakh*.]” “Without getting into the details of this business,” the Commissariat boasted delicately, “we should note that in April 1919, the Narkomtorgprom approved 3 contracts for 6,600,000 rubles for the purchase abroad of various optical and surgical instruments and apparatuses for caring for the sick.”<sup>8</sup>

Before the Allied blockade tightened that summer, the Commissariat had relied primarily on foreign intermediaries operating through neutral countries. Thus, in January 1919, the Greek subject S. Karageropoulou was issued a contract to supply matches from Scandinavia; in May, the Serbian subject Zh. R. Saranovets contracted to deliver printing presses from Sweden, while his co-national Nikolai Terletskii received a “generous commission” to import typewriters and ink cartridges “for the use of government officials and Red Army commissars”; in June, the German

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<sup>8</sup> “O deiatel’nosti Narodnogo Komissariata Torgovli i Promyshlennosti (Iz doklada Narkomata VII Vserossiiskomu S’ezdu Sovetov Rabochikh, Krestianskikh, Krasnoarmeiskikh, i Kazach’ikh Deputatov),” in DVP II, 621-622.

citizen Henrich Zaks was granted a permit to furnish tooth powder and dental equipment.<sup>9</sup> As the Entente ratcheted up diplomatic pressure on both the Nordic neutrals and vanquished Germany, however, even these irregular sources dried up.<sup>10</sup>

Meanwhile, a foretaste of the ideologically-unencumbered techniques that Solomon would soon employ came from the South. “The catastrophic situation of the country’s fuel supply compels the Soviet government to consider all proposals made at the present time by various individuals pertaining to the delivery of oil from extraction spots temporarily situated beyond the limits of Soviet possessions,” read a decree of the Worker-Peasant Defense Council, signed by Lenin on March 31, 1919. “Anyone who may wish to supply petroleum products should be furnished the most active assistance by all Soviet authorities and guaranteed personal and material immunity.”<sup>11</sup> While British forces had just evacuated oil-rich Baku, their flotilla continued to patrol the Caspian, cutting off petroleum shipments via Astrakhan at the mouth of the Volga. Soviet authorities thus sought to encourage smugglers willing to risk the trip to Baku, as well as to other places “temporarily situated” beyond Moscow’s reach.

Bolshevik agents operating in the nearby Menshevik-led Democratic Republic of Georgia also attempted to enlist the services of smugglers to deliver petrol to Soviet territory through the British blockade of the Black Sea. “The British battleship ‘Theseus’ rolled placidly on the waves – a symbol of British imperialism,” recalled Suren Shaumyan, then a seventeen-year-old member of the Bolshevik underground in Batum. “Its grim outlines seemed like a warning to smugglers not to have any communication with the Bolsheviks.” Stymied at Batum, the Bolshevik

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<sup>9</sup> Shishkin, *Sovetskoe gosudarstvo i strany Zapada*, 139; McMeekin, *History’s Greatest Heist*, 125.

<sup>10</sup> McMeekin, *History’s Greatest Heist*, 117–36.

<sup>11</sup> *Dekrety sovetskoi vlasti*, vol. 4 (Moscow: Izdatel’stvo politicheskoi literatury, 1968), 546–47.

conspirators finally succeeded in dispatching a shipment of petrol from the smaller and less closely monitored port of Poti in early May 1919. “A merchant named Irakli was registered as the official owner of the cargo,” Shaumyan recalled. “Irakli was not concerned with the political purpose of the expedition,” being “merely eager to earn some money,” for which he was willing to hazard the journey. The same went for the captain and crew of the “old 25-metre motor boat” whose “dilapidated” engine soon turned it back into a sail-borne felucca. By the time the storm-beaten *Evstrati*, making several decoy stops along the Turkish coast and surviving a harrowing run-in with another cruiser, finally reached the Crimea, Denikin’s forces had recaptured the peninsula, rendering the hard-won delivery useless. Shaumyan and his comrades narrowly avoided arrest and execution through a deft combination of bribery and high-wire imposture. Highlighting the perils of trade amid the shifting frontlines of the Civil War, the episode also foreshadowed the lengths to which the Bolsheviks would soon go to procure crucial supplies from abroad.

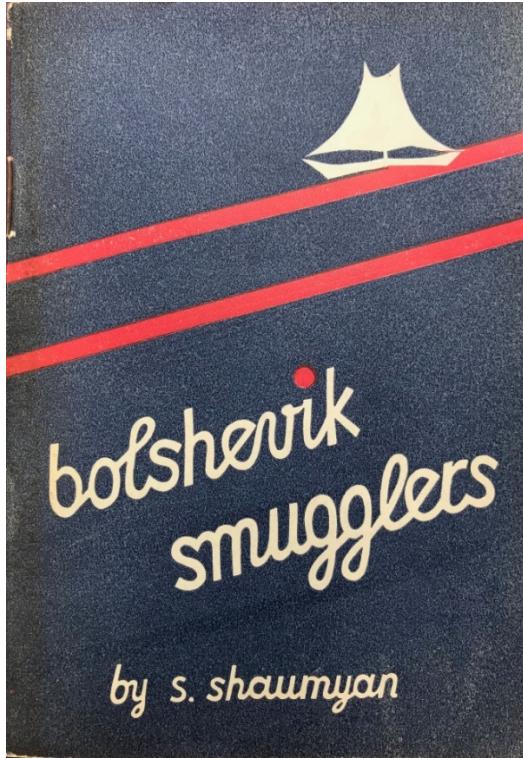


Figure 3: S. Shaumyan, *Bolshevik Smugglers (An Incident in the Civil War)* (New York: International Pamphlets, [1932] [printed in the USSR]). An English translation of Suren Shaumyan's account of the episode, first published in Russian as an illustrated children's book, *Bol'shevistskaia kontrabanda* ("Bolshevik contraband") in Moscow in 1930. The Russian version went through two editions; a French translation reportedly appeared as well. Soviet authorities thus deployed the romance of Civil War era blockade-running to inspire a new generation of Bolsheviks at home and abroad.<sup>12</sup>

Lobbied through the Kremlin by officials at the Trade and Industry Commissariat's bitter rival, the Supreme Council on the National Economy (VSNKh),<sup>13</sup> the March 31 decree encouraging the smuggling of petrol into Soviet territory constituted a rare official relaxation of the Narkomtorgprom's jealously-guarded monopoly *on* the Soviet state monopoly on foreign trade. To be sure, after its own early July 1919 deal with a "consortium of Muslim merchants" who undertook to deliver 63.5 million rubles worth of commodities from neutral Persia, including

<sup>12</sup> S. Shaumyan, *Bol'shevistskaia kontrabanda (Rasskaz dlia detei sred. i starsh. vozrasta, 2<sup>nd</sup> ed.* (Moscow: Molodaia gvardiia, 1930).

<sup>13</sup> *Ibid.* 547.

some fifty tons of opium needed by the Red Army to produce morphine, fell through due to objections from the State Control Commission – presumably concerned about the feasibility of transit across a war zone – the Narkomtorgprom itself acknowledged the need for a more flexible approach in the South.<sup>14</sup> “The blockade of the Caspian coast, on the one hand, and tensions in the center,” the Commissariat reported in December, “impeded the execution of large-scale deals for Persian goods, and prompted us to establish trade relations with Persia on the basis of the contraband delivery of small batches at Astrakhan.”<sup>15</sup>

However, even as the Narkomtorgprom sought creative routes to circumvent the Allied blockade – or precisely because it cultivated such routes – the Commissariat grew wary of losing control over Soviet foreign trade. On April 26, 1919, together with the Commissariat of Foreign Affairs, the Narkomtorgprom presented to the Council of People’s Commissars a draft decree that aimed to buttress its fraying monopoly. Signed by Lenin four days later and publicized via *Izvestiia*, the ruling reiterated that, in accordance with the decree on the nationalization of foreign trade adopted almost exactly a year earlier, “not one Soviet or public institution and not one private firm or individual is authorized to conclude contracts for the import of export of goods from foreign countries without the prior permission of the Commissariat of Trade and Industry,” and that any foreign goods imported without such permission were “liable for confiscation.” Any foreign trade deal, no matter how trifling, required the twin approval of the Narkomtorgprom and the

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<sup>14</sup> McMeekin, *History’s Greatest Heist*, 124, 254n23; *Dokumenty Vneshnei Politiki SSSR*, vol. 2 (Moscow: Izdatel’stvo politicheskoi literatury, 1958), 623. McMeekin notes that “as sporadic fighting continued in the northern Caucasus, it would take months for these goods to reach Russia”; as the Narkomtorgprom’s report makes clear, they never arrived.

<sup>15</sup> *DVP*, 1958, 2:623.

Commissariat of Foreign Affairs.<sup>16</sup> As Solomon would soon discover, however, breaking through the Allied blockade required violating both the spirit and the letter of Soviet law.

### ***The Ministry of State Contraband***

While the Bolsheviks did not invent blockade running, the practice posed a unique ideological challenge for the embattled regime. The state monopoly on foreign trade called for Soviet officials to engage directly with their counterparts and foreign business circles. By late summer 1919, this had become impossible. As Sean McMeekin observes, “Moscow now had to rely on shady middlemen, the kind of smugglers and petty profiteers the Bolsheviks denounced in their own propaganda.”<sup>17</sup> To be sure, it was Soviet policy and Bolshevik propaganda that had rendered these merchants “shady” in the first place.

Ever the pragmatic conspirator, Lenin enthusiastically embraced this approach. “[W]e must start looking forthwith for loyal people capable of finding their way to the appropriate seaport locales, there to establish contacts with the steamships of neutral countries, with merchants, with sailors, with smugglers, etc.,” he enjoined Shalva Eliava, one of the top Bolshevik officials in Soviet Central Asia, in October 1919. “This task must, of course, be carried out ultra-conspiratorially [*arkhikonspirativno*] (the way we used to work under the tsar).” While Lenin was concerned here primarily with establishing back-door channels for obtaining weapons and ammunition – offering to send Eliava “plenty of gold and foreign gold coins” to siphon materiel directly “from English soldiers and officers” – his letter evokes the laissez-faire atmosphere in which Solomon and his agents operated.<sup>18</sup>

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<sup>16</sup> *Dekrety sovetskoi vlasti*, vol. 5 (Moscow: Izdatel’stvo politicheskoi literatury, 1971), 133–34.

<sup>17</sup> McMeekin, *History’s Greatest Heist*, 124.

<sup>18</sup> Iu. N. Amiantov et al., eds., *V.I. Lenin: neizvestnye dokumenty, 1891–1922* (Moscow: ROSSPEN, 2000), 302.

The pretensions of the state monopoly on foreign trade notwithstanding, foreign trade conducted in this manner was anything but planned. Indeed, the initiative did not even come from the Soviet institutions interested in the goods. Instead, Solomon's office at 3 Miliutin Alley in downtown Moscow turned into a clearinghouse for risky schemes put forward by former smugglers and would-be smugglers themselves. “[S]oon after I took up this contraband trade,” Solomon recalled, “masses of volunteers began to visit me daily, proposing that I dispatch them to this or that frontline area for the acquisition of goods.” Like his initial visitor, “they all came, not off the street, but with references, often from quite high-ranking Soviet officials who vouched for them.” To shield his office from charges of malfeasance, Solomon did not accept offers lacking such backers – even as he often had good reason to suspect that the recommenders themselves enjoyed a personal financial stake in the proposed venture, whether in the form of kickbacks or direct investment. “I did not conduct police investigations,” he recalled wryly, “and, if the necessary formalities were observed, I accepted their offers.”<sup>19</sup>

The “necessary formalities” included naming loved ones left behind as collateral by these ‘Soviet smugglers’ venturing into enemy territory in search of goods. The Cheka would vet both the businessmen and the hostages. Remarkably, Solomon emphasized that he “d[id] not recall any obstacles” to his operations “from this side.”<sup>20</sup> Perhaps the hostages mollified the Chekists, naturally suspicious of Solomon’s profit-driven operators and their shadowy world. No less important, however, was the attitude of the Cheka Chairman. Despite his fearsome office, or perhaps because of it, Dzerzhinsky was developing a reputation as a pragmatic patron of those non-Bolshevik white-collar “specialists” who, like Solomon, behaved loyally to the regime. “I

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<sup>19</sup> Solomon, *Sredi krasnykh vozhelei*, 248–49.

<sup>20</sup> Solomon, 249.

typically ... arranged things with Dzerzhinsky over the telephone,” Solomon recalled, “and he usually either immediately approved my candidate or rejected him.”<sup>21</sup>

While the insular Cheka thus proved surprisingly accommodating, the cosmopolitan Commissariat of Foreign Affairs (Narkomindel) – which had to co-sign the passes permitting Solomon’s agents to cross the frontline – often held up the authorizations, sometimes by several weeks. Bureaucratic backlog at the understaffed Narkomindel surely played a role – the Commissariat’s entire Economic-Legal Department was shuttered due to the blockade<sup>22</sup> – but Solomon blamed the personal enmity of its leaders (Chicherin, Litvinov, and Karakhan), born of their resentment of his nonparty status and jealousy of his success. “Litvinov especially distinguished himself,” Solomon recalled bitterly, “conducting veritable interrogations of my candidates even after Dzerzhinsky himself already had signed the credential letter ... The desire to trip me up and stymie my work and cause me personal trouble manifested itself plainly in every way.”<sup>23</sup> While Solomon’s explanation for the Narkomindel’s foot-dragging must be weighed against his own penchant for vitriol, the personal involvement of such high-level Bolshevik functionaries testifies to the importance attached to the smuggling missions.

“I typically concluded, in the name of the Narkomvneshtorg, a contract with such an individual, on the basis of which he undertook to procure certain goods on his own account,” Solomon recalled, “and upon delivering them to Moscow, hand them over to the Commissariat, at purchase prices, keeping 15 percent of the profit.”<sup>24</sup> However, McMeekin reports that such high commissions were rare, and most contracts garnered “between 3 and 5 percent of gross,” with

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<sup>21</sup> Solomon, 249.

<sup>22</sup> Shishkin, *Sovetskoe gosudarstvo i strany Zapada*, 137.

<sup>23</sup> Solomon, *Sredi krasnykh vozhelei*, 249–50.

<sup>24</sup> Solomon, 249.

“agricultural implements and other civilian items” falling “at the low end of the scale,” such as the 3 percent commission contract concluded with one Solomon Rubinshtein on December 8, 1919. Meanwhile, orders for “goods most desperately needed by the army, like pharmaceuticals” – such as the 30 December 1919 contract received by Movshe Kulangiev to procure medical supplies across the Polish front in Belorussia – earned “the highest fees.”<sup>25</sup>

It was frustrating and dangerous work. Even though Solomon dispatched his agents with documents certifying that they were “plenipotentiaries of the Narkomvneshorg,” that “all Soviet institutions must furnish them every assistance,” and that “neither they personally nor their luggage, goods, nor money are subject to arrest or requisitioning,”<sup>26</sup> local Chekists were understandably suspicious of these men, distinguished from ‘regular’ smugglers only by a folded piece of paper fished from their clothes. Local officers’ ignorance of the identities of top Soviet officials signing the authorizations complicated things as well. “Who is Leontii [sic] Borisovich Krasin?” demanded the head of the Cheka Special Department of the Army of Soviet Latvia, unimpressed by the signature of the Commissar of Trade and Industry himself on the credentials of one German middleman. “Did he dispatch Frantz Isakovich Rauch to obtain goods, and where?” The head of administration at the Western Front Staff was no better informed, responding two days later only to report that “the individuals in question” were “not employed at the headquarters.”<sup>27</sup> Rauch was merely denied passage, but some fared far worse; a month later, the Commissariat

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<sup>25</sup> McMeekin, *History’s Greatest Heist*, 124, 254-255n28.

<sup>26</sup> Solomon, *Sredi krasnykh vozhelei*, 249.

<sup>27</sup> M. A. Anisiaev, *Stanovlenie voennoi kontrrazvedki Belarusi: 1918-1935 gg.* (Minsk: A. N. Varaksin, 2013), 188. On Rauch’s travails, see Shishkin, *Sovetskoe gosudarstvo i strany Zapada*, 123-25; McMeekin, *History’s Greatest Heist*, 126-28.

protested when another of its buyers, one Sergei Levshin, was arrested and tortured by the Cheka after he was found carrying a suspiciously large amount of cash to the edges of Soviet territory.<sup>28</sup>

Indeed, despite Dzerzhinsky's acquiescence, Solomon's agents walked a tightrope. As profitmaking dealers who had managed to survive and even to thrive under War Communism, they were automatically suspect; that they willingly operated in the service of a state advocating their extinction only made them more so. That these operators regularly crossed into enemy territory to cultivate contacts with foreign capitalists could hardly have endeared them to the rank-and-file Chekists practiced at policing and eradicating exactly such types. Their tenuous relationship with the police further exposed these men – already vulnerable with their money, valuables, and goods – to robbery and worse. In April 1920, a customs inspector reported matter-of-factly that “the purchasing operation” near Mogilev “has somewhat slowed” the prior month, “owing to the murder of 3-4 agents.”<sup>29</sup>

Even if they finally managed to reach the frontline and to cross it, the agents were hardly safe. “Some of them were indeed shot on the other side of the front, mainly in Poland, where they were taken for spies,” Solomon rued. “Although perhaps not for this reason, but simply because those individuals did not have sufficient means to buy their way out, because the contraband trade in Poland was a quasi-legitimized activity, and even enjoyed esteem”:

Thus, some of those returning from the Polish front, who brought in large quantities of goods, told me that the contraband business was well-regulated there, thanks to the venality of the authorities; that the bought-off gendarmes – even gendarme officers in the rank of Colonel – upon pocketing a sizeable bribe, personally escorted the contraband goods to our front, guaranteeing through their presence both the safety of the smuggler and of the goods he was transporting. This is because none of the border patrol officers dared to examine the passing wagon trains laden with goods, since these were accompanied by a high[er] rank who testified that the transports are going

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<sup>28</sup> McMeekin, *History's Greatest Heist*, 124, 254n25.

<sup>29</sup> “Zavedyvaiuschemu Smolenskim Tamozhennym Okrugom. Raport,” 30 April 1920, signed by [O. E.] Kozlovskii, in Rossiiskii Gosudarstvennyi Arkhiv Ekonomiki (RGAE) 413/14/61: 42-49ob; here, 46ob.

for the needs of the gendarmerie. But the bribes [demanded] were very high.<sup>30</sup>

In spite of the dangers, enough of the agents succeeded to make the operations worthwhile enough for Moscow. “On the instructions of the Narkomvneshtorg, on January 6, [1920], we left Moscow in a five-person group,” one of Solomon’s emissaries reported. “Three of us embarked for Orsha, with the aim of organizing frontier purchases in the area.” The eastern Belorussian railway hub had flourished as the premier portal for contraband trade between Soviet territory and German-occupied Ukraine during the brief interlude from the signing of the peace treaty at Brest-Litovsk in March 1918 until the collapse of the German war effort that November.<sup>31</sup> Having lost its entrepôt status with the German retreat, Orsha regained some of its former advantage as the Soviet-Polish front stabilized just west of the town a year later. “Upon arriving in Orsha, the commission succeeded in organizing within a short period a purchasing apparatus with its own agents,” the emissary continued, and “over a million rubles worth of goods were purchased on the spot.”<sup>32</sup>

Not content with the local offerings, and leaving behind one member to oversee operations, the other two “traveled across the demarcation line in the direction of Minsk-Vilna-Kovno,” doing business on enemy territory. “Despite our arrest by Polish authorities in Bobruisk,” the emissary boasted, “we succeeded, in the presence of the guards, to make arrangements with the agents waiting for us in Minsk and Vilna for the dispatching of goods according to the list we presented.”<sup>33</sup>

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<sup>30</sup> Solomon, *Sredi krasnykh vozhdei*, 250.

<sup>31</sup> See E. M., “Gorod kontrabandistov,” *Ezhenedel’nik VChK № 1*, 22 September 1918, as reproduced in V. K. Vinogradov, ed., *VChK upolnomochena soobschit’...* (Moscow: Kuchkovo pole, 2004), 82-83.

<sup>32</sup> “V Narodnyi Komissariat Vneshnei Torgovli. Doklad,” undated, before April 15, 1920, RGAE 413/14/41: 22.

<sup>33</sup> RGAE 413/14/41: 22.

### **Comrade Eiduk**

However, Solomon's own position atop this shaky scheme was becoming increasingly vulnerable, a victim to his own success. "At first, my 'foreign' trade developed relatively slowly: the contraband was delivered several dozen *poods* at a time. But gradually the goods began to arrive in ever larger and larger consignments, and finally started coming by the freight car ... [A]longside the growth of contraband imports grew jealousy and the desire to undermine me," he recalled with characteristic tartness. "'Whispers' began to circulate about Moscow ... that I support and cultivate all sorts of speculators, and that 'smugglers' and fortune-seekers of every variety find the most hospitable audience with me." "Of course, to a significant extent, these vituperations had a real, but inevitable foundation," Solomon conceded defensively. "It is apparent to anyone that I could conduct the contraband import trade, especially on a state level, only with the aid of smugglers. And naturally, *à la guerre comme à la guerre*. I could not demand of these valiant fortune-seekers *par excellence* that they sport white gloves."<sup>34</sup>

Yet the Deputy Commissar, whose memoirs bristle with biting takedowns of fellow Soviet officials, insisted that he did not hold his nose when hosting these "fortune-seekers" at his office. On the contrary, "becoming acquainted, and quite closely, with these smugglers and their way of life, I soon ascertained that they have their own special ethics, their own traditions, in which there were not a few chivalrous strains," Solomon mused. "In any case, these people courageously and even self-sacrificially (recall that some paid with their head) carried out their service, so highly valuable at that terrible time."<sup>35</sup>

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<sup>34</sup> Solomon, *Sredi krasnykh vozhelei*, 250–51, 269.

<sup>35</sup> Solomon, 269.

As Solomon complained, not everyone shared his appreciation for his agents. “For one reason or another, rancid rumors began to percolate in [official] circles,” he recalled. “I do not know the details, but I know only that from a certain point Dzerzhinsky became, relatively speaking, very picky about my candidates, holding up the signing of the authorizations for longer and longer periods.” Solomon finally felt compelled to telephone the Cheka Chairman for an explanation. Dzerzhinsky admitted that he had been fending off increasingly frequent denunciations from Solomon’s “well-wishers” – and suggested a solution that caused Solomon “to grow cold on the inside”: to bring a ranking Cheka official into the Commissariat to “oversee the smugglers’ business.” “[K]nowing our *apparat* well, he could easily conduct the necessary inquiries,” Solomon recalled Dzerzhinsky explaining, “and if he cosigns the authorization, you can sign it without trepidation, confident that there will be no objections from anyone: the person whom I have slated for this role is such that, trust me, nobody will dare so much as a peep...”<sup>36</sup>

Solomon grew even colder, even letting out an “involuntary gasp” when he learned the identity of Dzerzhinsky’s proposed candidate: Aleksandr Vladimirovich Eiduk. “*Eiduk!*! That name instilled terror, and he himself boasted of this,” Solomon recalled with a shudder.<sup>37</sup> Solomon’s assessment was echoed by others. The head of the American Relief Administration (ARA), Colonel William N. Haskell, who worked closely with Eiduk the following year, described him as a “squareheaded Latvian with one of the cruelest faces I have ever seen” – and the Colonel must have seen many.<sup>38</sup> But the 34-year-old son of a country schoolteacher boasted international

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<sup>36</sup> Solomon, 270–71.

<sup>37</sup> Solomon, 271.

<sup>38</sup> Bertrand M. Patenaude, *The Big Show in Bololand: The American Relief Expedition to Soviet Russia in the Famine of 1921* (Stanford: Stanford University Press, 2002), 348. Before heading famine relief in Russia, Haskell had served in the Phillipine-American War, hunted Pancho Villa in Mexico, fought the Germans in France, and served as the Allied High Commissioner in Armenia after the defeat of the Ottomans.

business experience rare among the Bolsheviks. After graduating from a commercial college in Riga, Eiduk worked for six years in the management of a factory in Vienna, where he also studied agriculture. Indeed, even as they deplored his ferocity, ARA personnel appreciated that Eiduk “moved with a celerity not characteristically Russian.”<sup>39</sup> However, Eiduk’s ascent to the Cheka Collegium reflected his brutal efficiency not only as an executive but as an executioner.<sup>40</sup>

Hearing Solomon’s gasp, Dzerzhinsky let out a slight chuckle at the other end of the line. “Do not be surprised and do not get upset, although I do understand you,” Solomon recalled the Cheka Chairman saying. “But for you he will be an invaluable person in this role. You will see that if he will oversee the smugglers, since the approval and selection of them will come from him, everyone will bite their tongue... And you will be safe from any reproach.”<sup>41</sup> Whatever his exact words, Dzerzhinsky clearly expected Eiduk’s ruthless reputation to shield both the Deputy Commissar and his agents. It was an offer that Solomon could not refuse.

Eiduk did not disappoint. Arriving at the Commissariat of Trade and Industry with his “enormous Mauser dangling in a wooden holster,” but respectfully removing his deerskin hat and generally “comporting himself very properly,” Eiduk proved a competent administrator. “From that moment,” Solomon recalled, “I continued to work on the contraband import of goods under Eiduk’s supervision.” Eiduk’s commercial experience surely helped (he even arrived with an assistant, a former attorney), as did his knowledge of Latvian and German, but it was Eiduk’s ferocious reputation and Cheka connections that proved Solomon’s greatest assets. Just as Dzerzhinsky anticipated, Eiduk streamlined the vetting of new agents, and even “personally

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<sup>39</sup> David C. Engerman, *Modernization from the Other Shore: American Intellectuals and the Romance of Russian Development* (Cambridge, Mass.: Harvard University Press, 2003), 107.

<sup>40</sup> Patenaude, *The Big Show in Bololand*, 348.

<sup>41</sup> Solomon, *Sredi krasnykh vozhevi*, 271.

recommended to me his own candidates, whom he knew well. In a word, in this respect I was as safe as behind Christ's bosom," Solomon observed.<sup>42</sup>

Dzerzhinsky had likely dispatched Eiduk to the Narkomtorgprom for another reason as well. "I was deeply saddened by the fate of the goods obtained at such pains," Solomon despaired. "By law, all the goods acquired by me ... were supposed to be distributed among the interested institutions: thus, I was supposed to hand the medicines over to the Narkomzdrav [Commissariat of Healthcare], the foodstuffs – to the Narkomprod [Commissariat of Foodstuffs], the axes and saws – to the Glavles [Chief Forestry Directorate]. And I had barely just handed over the medical supplies for the first time to the head of the Narkomzdrav's central pharmacy warehouse, as several days later at the Sukharevka" – Moscow's storied semi-legal outdoor market – "where before these goods had been impossible to find, there suddenly appeared thermometers (of the same brands as had been delivered by my agent), aspirin, aminopyrine, etc., which were even sold at prices considerably lower than those we had paid ... The same happened with foodstuffs, axes, saws, etc. ... *I was working for the benefit of embezzlers!*"<sup>43</sup> Presumably as a deterrent, Eiduk's official title would appear menacingly in the Commissariat's personnel directory as "Head of the Commodities Warehouse."<sup>44</sup>

Admittedly, the partnership exacted its own toll on the Deputy Commissar. As the two men worked late one night in Solomon's office, a gust of wind from the nearby Lubianka carried the roar of a starting truck engine; dreamily closing his eyes and demonstratively squeezing his trigger finger by way of explanation, Eiduk savored this muffling soundtrack of an unfolding

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<sup>42</sup> Solomon, 268, 273–75.

<sup>43</sup> Solomon, 251

<sup>44</sup> "Vremennyi spisok otdelov Narodnogo Komissariata Torgovli i Promyshlennosti," *Vestnik Narodnogo Komissariata Torgovli i Promyshlennosti*, No. 17-24 (September-December 1919), back cover.

execution “like a pervert in a frenzy of sexual ecstasy.” Such chilling interactions notwithstanding, Solomon acknowledged that “[Eiduk’s] participation … facilitated my task considerably … My ‘contraband’ activity continued to grow.”<sup>45</sup>

### ***“Contraband Agencies of a Permanent Nature”***

However, the flourishing of the frontline trade soon necessitated the devolution of authority over these operations to the ground level. Solomon and Eiduk could not personally interview and vet every applicant in Moscow. Nor were some of the most qualified candidates – former local merchants who knew the frontline areas well, and who could leverage longstanding ties with business partners on what had now become the other side – eager to make the pilgrimage to the distant capital. Eiduk’s ferocious reputation surely further discouraged such acquaintanceships. Moreover, frontlines were highly dynamic spaces that rewarded rapid responses and flexible plans. Troops on both sides commandeered trains and wagons, depleted supplies, spread panic, encouraged hoarding, and raised prices. The Commissariat later acknowledged that its agents made “purchases that could not be controlled and whose value could not be verified, for these changed depending even on military circumstances.”<sup>46</sup> Just as the Red Army’s soldiers could not effectively be led from Moscow, Solomon’s smugglers required field staffs of their own.

Customs officials seemed especially well-suited for the task. They were better informed of conditions on the ground than most of Solomon’s subordinates, sometimes painfully so. “I consider it my moral duty to report that the dispatched employees will certainly be unable to exist in the neutral or frontline zone on their limited salaries,” warned deputy head of the Smolensk Customs District O. E. Kozlovskii on January 21, 1920, “because in this area necessities are sold

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<sup>45</sup> Solomon, *Sredi krasnykh vozhelei*, 268, 273–75.

<sup>46</sup> Shishkin, *Sovetskoe gosudarstvo i strany Zapada*, 141.

only for notes of the old [tsarist] type or for Kerenskii currency ... It is positively impossible to obtain any foodstuffs in the frontline area for Soviet money.”<sup>47</sup> That sensitive barometer of popular sentiment served as a stark reminder of the tenuousness of Moscow’s hold on the edges of Soviet territory.

The provisioning difficulties, combined with persistent housing shortages and daily dangers, help explain why customs officials had been so reluctant to relocate to the frontline. It had been frustratingly fluid in any case. Beginning in April 1919, “seizures [of contraband] gradually decreased, and in 1920 had ceased entirely,” the head of the Smolensk Customs District reported later that year, blaming “the remoteness of the Smolensk District customs institutions from the demarcation line.”<sup>48</sup> Of course, combat also reduced contraband. By December 1919, however, as the Polish front stabilized into a wary standoff, the customs administration sought to move its posts closer to the edge of Soviet territory. Meanwhile, Solomon was looking to build a network of “contraband agencies of a permanent nature” along the frontline.<sup>49</sup> Who better to oversee the state’s own smugglers than the customs officials tasked with sorting out their criminal brethren?

Institutional sovereignty was at stake here as well. Despite the Commissariat of Trade and Industry’s sole authority over the state monopoly on foreign trade – reaffirmed in the Sovnarkom’s April 1919 injunction against unauthorized imports – the Narkomtorgprom remained just one of several Soviet institutions dispatching agents to procure supplies from outside Soviet territory.

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<sup>47</sup> “Nachal’niku Glavnogo Upravlenii Tamozhennogo Kontrolia t. Khar’kovu,” Zhlobin, 21 January 1920, signed by Kozlovskii, RGAE 413/14/61: 2+ob.

<sup>48</sup> “Protokol zasedaniia komissii, proiskhodivshego v Glavnom Upravlenii Tamozhennogo Kontrolia 26 iulia 1920,” RGAE 413/14/61: 57+ob; here, 57.

<sup>49</sup> Solomon, *Sredi krasnykh vozhevi*, 268–69.

Like Solomon, their leaders also sought to take advantage of the lull on the Polish front to obtain much-needed supplies, thereby competing with the Narkomtorgprom's own emissaries. Deploying its customs posts to the frontline could help the Commissariat of Trade and Industry put an end to this unhealthy competition.

The Narkomtorgprom's longtime rival, the Supreme Council on the National Economy (VSNKh), was particularly active in this regard. Thus, on December 30, 1919 the VSNKh concluded a contract with one A. M. Kandel', entitling him to an advance of two million rubles for the procurement of medicines and paints over the demarcation line; as collateral, Kandel' was to leave behind a sizeable security deposit. Four other VSNKh compradors supplied chemical products from Polish-held Rowne on similar terms. The latitude granted some agents surrendered any pretense of central planning, already an abstraction under the circumstances. "The bearer of this, com[rade] Mir-Hussein Movsumov is an extraordinary plenipotentiary ... for trade relations with foreign states," read a January 1920 VSNKh credential letter authorizing the agent "to conclude all kinds of contracts and deals for the procurement of goods for the RSFSR over the demarcation line."<sup>50</sup>

Movsumov's permit made no mention of the Narkomtorgprom, but it bore the imprimatur of another organization heavily involved in the frontline trade: the Extraordinary Plenipotentiary of the Council of Worker and Peasant Defense for Supplying the Red Army and Red Navy, known by its only slightly less impressive acronym, Chusosnabarm.<sup>51</sup> Established in July 1919 under the aegis of the VSNKh and headed by VSNKh Chairman Aleksei Rykov, the Chusosnabarm wielded expansive powers, including the "unlimited rights of ... charging, arresting, and bringing to trial"

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<sup>50</sup> Shishkin, *Sovetskoe gosudarstvo i strany Zapada*, 140.

<sup>51</sup> Shishkin, 140.

any officials tasked with supplying the war effort.<sup>52</sup> Enjoying the broad support of local military authorities eager for supplies, Chusosnabarm agents soon came to dominate the frontline trade at the expense of Solomon's men, and with alarmingly little customs oversight to boot. “[I]n the initial stage of the organization of the Receiving Stations” for processing the goods brought into Soviet territory, “my plan was to involve customs staff in the new task,” lamented Customs Administration official and Narkomtorgprom plenipotentiary I. V. Arvatov, who had journeyed from Moscow to eastern Belorussia in late December 1919 with the twin goals of establishing customs oversight of frontline operations and reasserting the Narkomtorgptom's official position at the apex of Soviet foreign trade. However, perhaps deterred by the forbidding living conditions, the requested customs men failed to arrive. The delay “ripped the initiative from our hands,” Arvatov complained, “and at present the Receiving Stations are made up almost exclusively of the individuals dispatched there by the Plenipotentiary for the Supply of the Red Army and Navy.” By early February, Chusosnabarm officials were operating “receiving stations” in the frontline Belorussian towns of Kalinkovichi, Slavnoe, and Zhlobin (the site of “the most intensive work”), while their booming traffic across the northern section of the Ukrainian front urgently demanded the establishment of another station at Korosten'.<sup>53</sup>

Like Solomon's own agents, Chusosnabarm officials depended on the venality of Polish frontline officers. In early February 1920, the American journalist (and spy) Margeurite Harrison crossed the no-man's land between Polish and Russian lines northeast of Polish-held Minsk. A Red Army physician hosting her for dinner lamented that “some of the most necessary medicines

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<sup>52</sup> Samuel A. Oppenheim, “Aleksei Ivanovich Rykov (1881-1938): A Political Biography” (Ph.D., Bloomington, Indiana University, 1972), 205.

<sup>53</sup> “Nachal'niku Glavtamkontrolia G. I. Khar'kovu,” 5 February 1920, signed by Arvatov, RGAE 413/14/61: 8+ob.

were lacking,” but boasted that his field hospital “obtained many drugs through contraband trade with the Poles.” “Actually the Red Army was being supplied with a considerable quantity of drugs and surgical supplies by its enemies, Polish officers sometimes engaging in the underground traffic,” Harrison reported. “At Orscha [sic], a few days later, I saw a large room filled with American Red Cross supplies that had been bought from officers in the Polish Army.”<sup>54</sup>

Polish commanders surely did not appreciate the seepage of supplies to the Red Army, but were evidently powerless to stop it. Indeed, Norman Davies has cited “[t]he ease with which people wandered unchecked across the frontline” that fall and winter as “proof of the Poles’ inability to control the vast area they had occupied.”<sup>55</sup> Severe supply shortages on the Polish side compounded the challenge of thinly-stretched forces. The head of the British military mission observed “infantrymen without boots and overcoats” out in the open, the frost at -14 Celsius; not surprisingly, the commander of a sector of the Belorussian front warned Pilsudski of an increasing “number of instances where men refuse to go on patrol because of lack of boots or clothing.”<sup>56</sup> While the sorry state of Polish frontline troops did not necessarily favor smugglers – the same commander noted that “[a]rmed robbery is becoming quite frequent”<sup>57</sup> – it must have made some recruits ever more receptive to the kind of profitable arrangement described by Solomon. Moreover, Harrison observed that “there was practically an armistice on that sector of the front” and “both sides at that time confidently expected peace in the spring.”<sup>58</sup> Combined with the

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<sup>54</sup> Marguerite Harrison, *Marooned in Moscow: The Story of an American Woman Imprisoned in Russia* (London: Doran, 1921), vi, 34. On Harrison, see Melanie King, *The Lady Is a Spy: The Tangled Lives of Stan Harding and Marguerite Harrison* (London: Ashgrove Publishing Ltd, 2018).

<sup>55</sup> Norman Davies, *White Eagle, Red Star: The Polish-Soviet War, 1919-20, and “the Miracle on the Vistula”* (London: Pimlico, 2003), 81.

<sup>56</sup> Davies, 77–78.

<sup>57</sup> Davies, 78.

<sup>58</sup> Harrison, *Marooned in Moscow*, 19, 34.

numbing cold and monotonous wait, such anticipation likely further eroded discipline and vigilance, both encouraging corruption and facilitating illicit communication across the frontline. By the time they were shut down that spring, the three receiving stations at Kalinkovichi, Slavnoe, and Zhlobin had reportedly “imported” some 10,004,379 rubles worth of supplies – an improbably precise figure given the chaotic and clandestine nature of this trade, and likely reflecting only a fraction of the goods smuggled, both ‘legally’ and otherwise, across the porous frontline.<sup>59</sup>

Soviet customs officials sought to control both the officially-sanctioned and the ‘fully’ contraband flows. They attempted to achieve the first objective both by supervising the Chusosnabarm’s operations and by exercising their own initiative in this trade. After arriving at the eastern Belorussian railway hub city of Gomel on New Year’s morning of 1920 and finding nobody at the city’s customs inspectorate, Smolensk Customs District deputy head Kozlovskii made for the “First Soviet Hotel,” where he met both Arvatov and Customs Administration chief Khar’kov himself. “Com[rade] Khar’kov explained to me that on his orders, all the staff of Inspectorate № 8 have been dispatched, some to Kalinkovichi, some to Korosten’,” Kozlovskii reported, “while the assistant Warehouse Superintendents Meleshkevich, Miron, and Vozniak, upon receiving from him permits granting them special authority, had departed - the 1<sup>st</sup> to Zhlobin, the 2<sup>nd</sup> to Kalinkovichi, and the 3<sup>rd</sup> to Korosten’, to find contracting agents for purchasing goods across the Polish frontline.”<sup>60</sup>

Indeed, the customs chief was evidently excited by these smuggling prospects. “Com[rade] Khar’kov “announced to me that owing to these operations, the nature of the [Customs]

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<sup>59</sup> “Otchet o deiatel’nosti II-go Otdeleniia [Glavnogo Upravleniia Tamozhennogo Kontrolia] s 1 ianvaria po 1 iuliu 1920 goda,” n.d., RGAE 413/14/44: 5-7; here, 6ob.

<sup>60</sup> RGAE 413/14/61: 42.

Inspectorates is changing [*fizionomiia Nadzorov v sviazi s etimi operatsiiami meniaetsia*],” Kozlovskii noted bemusedly. Cognizant of the Chusosnabarm’s head start, Khar’kov instructed Kozlovskii to set up “Customs Stations” along the frontline “at the quickest possible speed.”<sup>61</sup> The unusual moniker – an amalgamation of the standard “customs posts” (*tamozhennye posty*) with the newfangled frontline “receiving stations” (*priemnye punkty*) – was telling. Whereas customs posts were deployed primarily to deter smuggling, the frontline “customs stations” would help ensure only that the smugglers served the Soviet state.

### ***A “Free Port” Between the Frontlines***

On Khar’kov’s orders, Kozlovskii left Gomel for Zhlobin, where he found “one [nekto] Khankin operating as a purchasing agent,” contracting with other agents who were “bringing in goods across the front without any participation or control by Customs.” After considerable wrangling, appeals, and delays, by month’s end Kozlovskii was finally able to secure from the Sixteenth Army command a credential letter granting him “the broadest possible authority” for setting up customs stations, and “requiring all military units to route all goods coming across the front exclusively via the customs stations”; the latter order was also issued to frontline commanders. Upon opening a station in Zhlobin on February 3<sup>rd</sup>, Kozlovskii proceeded to the frontline itself, visiting the shtetl of Schedrin, “considered around here a ‘Free Port’ [‘*Portofranco*’].”<sup>62</sup>

The appellation of this grand title, evocative of far-faring ships ferrying exotic cargoes, to a landlocked shtetl, particularly one overlooking a village called “Manures” (*Navozy*), was no doubt intended ironically. However, the war had brought the world to Schedrin’s wooden

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<sup>61</sup> RGAE 413/14/61: 42.

<sup>62</sup> RGAE 413/14/61: 42ob-43.

doorsteps. Indeed, the maritime metaphor was especially apt, for the shtetl was at sea. Schedrin had come unmoored from Soviet territory, and from Soviet power. “Situated in the neutral zone, this shtetl has no authorities,” Kozlovskii mused. “[N]ow and then, our guerilla detachments pay a visit, and sometimes the Poles undertake raids”; one such raid nearby had delayed Kozlovskii’s own trip to the town.<sup>63</sup> As in the Soviet-German neutral zone two years earlier, the price of statelessness was sometimes-horrific violence; but the prize was profit. Long a commercial hub for the surrounding countryside, the shtetl had turned into an international *Portofranco*, its overwhelmingly-Jewish inhabitants navigating their carts and sleighs through the neutral zone’s stormy waters, terrorized by pirates, and trading with the warring sides.

While the buyers coming across the Soviet lines were “furnished with the required credentials” and operated with official permission, Kozlovskii’s description of their work rings decidedly conspiratorial, even devious. “Upon arriving in Schedrin, the contracting agents [*kontragenta*] enter into agreement with their accomplices [*soobschnikami*] situated beyond the neutral zone,” Kozlovskii reported. These “accomplices … purchase the goods in Bobruisk or other Polish towns, and then deliver them to the neutral zone for handing over to our contracting agents.”<sup>64</sup> Kozlovskii’s characterization of the Soviet contractors’ business partners on the Polish side as “accomplices” may have reflected his recognition of their illicit status in the eyes of Polish authorities. It may also have betrayed a career customs official’s discomfort with the entire practice, and with the participants.

However, if Kozlovskii held his nose, he did not let distaste influence policy. Wartime expediency trumped protocol. “The customs stations should not examine closely the goods

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<sup>63</sup> RGAE 413/14/61: 42ob-43ob.

<sup>64</sup> RGAE 413/14/61: 43ob-44.

brought in by the individuals with permits,” he instructed, “but merely record in the inspection books … the information given by the contracting agents, indicating the type of goods, the quantity, and the price.” Customs officials were simply to “question the coachmen as to whether they have, besides the goods on the carts, some other goods concealed.” Only given “substantial suspicions” that “in the cargo, along with the declared goods, there are some others that the contracting agent intends to make available for domestic consumption in circumvention of the purchasing station” – that is, to sell on the thriving black market – were the cargoes to be opened, examined, and the discovered contraband confiscated.<sup>65</sup>

The indulgent inspections epitomized Solomon’s and his subordinates’ winking relationship with their smuggler contractors. Creating a semblance of control, the perfunctory customs examinations left plenty of room for the *kontragenty* to supplement their own profits by smuggling and selling additional wares. Perhaps that was the point. Tacitly tolerating a limited amount of smuggling by vetted agents both ensured their loyalty and incentivized them to take risks in the service of the Soviet state, without having to raise their commissions. As Solomon had conceded, *à la guerre comme à la guerre*: the difference between a *kontragent* and a *kontrabandist* was just the Deputy Commissar’s own signature.

Privileging some smugglers required pursuing others. These were not hard to find; indeed, some flaunted their success to obtain business from Soviet authorities. Upon returning to Gomel, Kozlovskii “received notification from Narkomvneshorg Plenipotentiary c[omrade] Gurvich about the intensive traffic of contraband” via the shtetls of Schedrin, Shatilki, and Rechitsa, as well

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<sup>65</sup> “Vremennaia instruktsiia dlia deistvii tamozhennykh nabliudatel’nykh punktov i postov, uchrezhdennykh kak vdol’ demarkatsionnoi linii, tak i v mestakh, raspolozhennykh pri putiakh, iduschikh ot demarklinii k mestechkam, gorodam i zheleznym dorogam,” signed by Kozlovskii on 23 February 1920 in Rogachev, and approved on the same day by Military Commissar Shubin of the 8th Rifle Division, RGAE 413/14/61: 17-19.

as through Gomel itself. “This contraband has so undermined the interests of the contracting agents that the smugglers were offering their goods to Gurvich at prices far lower than the legal contracting agents,” Kozlovskii despaired, “as a result of which, com[rade] Gurvich has officially asked me to take measures towards the protection of the interests of the Republic from the intrusion of contraband.” Kozlovskii was able to secure just 25 men from a local detachment to implement this lofty goal, but before they could be deployed, the threat of a Polish offensive prompted Soviet authorities to evacuate the city.<sup>66</sup>

### *Solomon’s Smugglers, Hermes’s Spies*

Customs inspections and ad hoc border control measures posed few obstacles to either the authorized contracting agents or to their competitor smugglers. Wartime exigency both favored expediency and limited the manpower available for policing. However, while they were not eager to regulate the trade for its own sake, Soviet frontline authorities were more concerned about its nefarious noneconomic potential. “Upon transferring the goods onto their carts,” the Soviet contractors “route them to the vil[lage] of Radushi,” under the escort of the soldiers stationed there to “keep watch over the neutral zone,” Kozlovskii reported in his overview of the “local State contraband trade” around Schedrin. After undergoing a “vetting and questioning” at Radushi, the contractors were escorted to the regimental headquarters at the village of Pobolovo, a dozen kilometers to the northwest, for “political questioning” – that is, an interrogation conducted by the local frontline Cheka Special Department, responsible for counterintelligence, to weed out spies – accompanied by, “in necessary cases, a search of these individuals.”<sup>67</sup>

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<sup>66</sup> RGAE 413/14/61: 45ob.

<sup>67</sup> RGAE 413/14/61: 44.

Indeed, even as they relied on Chusosnabarm agents and their “accomplices” to procure crucial supplies from Polish-held territory, Soviet military and counterintelligence authorities remained wary of the enemy’s use of the traders to spy on Soviet positions. Visiting the 8<sup>th</sup> Division headquarters at Rogachev to negotiate the establishment of his customs stations, Kozlovskii encountered “purchasing agent Fein and [Chusosnabarm] Plenipotentiary Volokh, who were soliciting urgent passage for their contracting agents across the front.” In view of the growing volume of the traffic, Volokh was demanding that the division’s Cheka Special Department grant his agents monthly passes. However, “due to the military authorities’ discovery of espionage in these operations, the division [command] inquired with the Revvoensovet [Revolutionary-Military Council, the governing body] of the 16<sup>th</sup> Army, which directed [division commissar] com[rade] Shubin, by urgent telegram via direct wire, to put a stop to the purchasing operation, and to my own activities as well,” Kozlovskii explained. “Owing to this directive, there was no cartage of goods for about 10 days, and no individuals were allowed across the front.”<sup>68</sup>

Soviet authorities had ample cause for concern. The link between commerce and communication was older than Hermes, the patron god of both activities; and trade had long provided cover for intelligence-gathering, as Xenophon Kalamatiano, the American businessman-turned-spy then languishing in a Russian prison for a second year, could ruefully attest.<sup>69</sup> Hermes was also the god of tricksters and of boundary markers, and it was only natural that contraband

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<sup>68</sup> Kozlovskii instructed customs station officials to inquire of incoming coachmen whether, in addition to the goods they declared and the goods they might be smuggling, they were carrying any “correspondence touching on troop positions”; but such grave matters could not be left to amateurs. RGAE 413/14/61: 17ob, 42ob-43.

<sup>69</sup> On Kalamatiano, see Richard B. Spence, “The Tragic Fate of Kalamatiano: America’s Man in Moscow,” *International Journal of Intelligence and CounterIntelligence* 12, no. 3 (September 1999): 346–74.

commerce should facilitate clandestine communication.<sup>70</sup> The former revolutionary conspirators now ensconced in the Revvoensovet of the Sixteenth Army – and in the Kremlin – had relied on smugglers too frequently and too recently to forget this.<sup>71</sup>

Lest they had, they were regularly reminded of this link by functionaries with a stake in border control. “The spy and the smuggler are in most cases one and the same individual,” Trade and Industry Commissariat officials had admonished the Council of Worker-Peasant Defense back in June 1918, to bolster the case for fusing the border guard and customs apparatuses under the auspices of their institution.<sup>72</sup> When reviving this call in September 1919, Krasin had warned of “smugglers, whose activity is especially closely entwined with the underground work of the White Guards.”<sup>73</sup> These were hardly disinterested assessments, but such memoranda reinforced the link between smuggling and espionage in the minds of the officials who both wrote and read them.

Indeed, smugglers made natural spies. The fluidity of frontiers blurred the line between smuggling and bagging (*meshochnichestvo*).<sup>74</sup> The sheer ubiquity of bagging meant that the activity provided plausible cover for intelligence-gathering. Weather-beaten men and women lugging burlap sacks, stealing across backcountry paths, on constant lookout for the authorities, surprised no one. Conversely, traveling light could arouse suspicion. “If they come after us...

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<sup>70</sup> My use of Hermes as a metaphor for the link between commerce and espionage is inspired by Yuri Slezkine, *The Jewish Century* (Princeton: Princeton UP, 2004).

<sup>71</sup> The members of the 16<sup>th</sup> Army’s Revvoensovet included Aleksandr Shlyapnikov, who had been in charge of routing secret Bolshevik communications across Scandinavia during the First World War; on Shlyapnikov’s and other leading Bolsheviks’ prerevolutionary smuggling activities, see Futrell, *Northern Underground*; Björkegren, *Skandinavskii tranzit*.

<sup>72</sup> E. D. Solov’ev and A. I. Chugunov, eds., *Pogranichnye voiska SSSR, 1918-1928: sbornik dokumentov i materialov* (Moscow: Nauka, 1973), 84.

<sup>73</sup> K. V. Regush et al., eds., *V. I. Lenin i okhrana gosudarstvennoi granitsy SSSR. Sbornik dokumentov i statei* (Moscow: Voennoe izdatel’stvo Ministerstva Oborony SSSR, 1970), 74–75.

<sup>74</sup> On veritable armies of bagmen crossing between territories held by Russian White and Red forces, see Davydov, *Meshochniki i diktatura v Rossii, 1917-1921 gg.*

don't get rid of your pack...! Bunk with it on you," an experienced smuggler hoarsely admonished the narrator of Sergiusz Piasecki's autobiographical novel about the life of smugglers on the Soviet-Polish frontier in the immediate aftermath of the War. "If the Bolsheviks catch you without any goods – they'll slap you with espionage. Then it's over...! They'll make mincemeat out of you."<sup>75</sup> As both an experienced smuggler and a successful spy who relied on smuggling to camouflage and finance his espionage operations, Piasecki dispensed considerable authority on the subject.<sup>76</sup>

Moreover, smugglers made good spies. They were daring and discrete, able to navigate across the frontline and quickly size up the situation to turn a profit. The locals among them knew the terrain intimately enough to traverse it at night; conversant in native dialects and customs, they did not attract undue attention. They also enjoyed overlapping family and business ties on both sides of the frontlines and emergent borderlines scarring the territory of the former empire. The dealers who came from Moscow and other metropoles joined these enmeshed networks, growing them further still. To survive both physically and financially, smugglers had to stay abreast of the movements of patrols and prices, and to know the price of patrols looking the other way.

The latter kind of relationship also made smugglers easy spies. As tough and resourceful as these men (and sometimes women) were, their dependence on the acquiescence of Polish – or other border states' and White-controlled territories' – authorities for safe passage and access to goods made them exceedingly vulnerable to cooptation by these hostile intelligence services. Coercion and blackmail might be applied, of course, but an arrangement could usually be worked

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<sup>75</sup> Translation based on Sergiusz Piasecki, *Lover of the Great Bear*, trans. John Mann (G. Routledge & Sons: London, 1938), 2; Sergiusz Piasecki, *Kochanek Wielkiej Niedźwiedzicy* (Warsaw: LTW, 2002), 14.

<sup>76</sup> For more on Piasecki's overlapping careers in espionage and smuggling, see below, and Chapter Four.

out without recourse to such crude methods. The smugglers needed access to merchandise; the spies needed access to information about developments on the other side. The one became the price of the other.<sup>77</sup>

From the smugglers' perspective, such relationships might have commenced innocuously enough. They need not even have been overtly transactional. If, after appreciatively pocketing a tsarist gold piece and escorting you past his own patrols, a Polish officer wondered in passing whether you had seen a Red cavalry squadron on your way across the front, why not oblige him with an answer?<sup>78</sup> This was not your fight, after all; and who could know which flag would fly victorious over this war-ravaged land? Besides, the gendarme will find out the truth anyway from one of your fellow traders. So why not earn the officer's good graces for yourself? And if another time he asks about the new artillery battery menacing his men, why not tell him what you had seen? Eventually, the officer might approach select smugglers, especially those of an anti-Bolshevik bent – which, even as they profited from Soviet contracts (as agents) or strictures (as smugglers), many of these embattled “speculators” surely were – with a more delicate assignment: information gathered further afield, messages passed, money delivered, new informants recruited.

Unsurprisingly, Soviet authorities saw things differently. Even the initial offhand communications would be considered espionage, to say nothing of more mature schemes. Of course, their suspicions about smugglers trafficking in information were grounded not only in the

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<sup>77</sup> For evidence of such relationships, see below. The continuing significance of these relationships after the conclusion of the Civil War is detailed in Chapter Six.

<sup>78</sup> A set of instructions for Polish officers listed “reports by civilians, especially those returning with carts” from the frontline, as the most important source of intelligence on enemy positions. Andrzej Pepłowski, *Wywiad w wojnie polsko-bolszewickiej, 1919-1920* (Warsaw: Dom Wydawniczy Bellona, 1999), 206.

Bolsheviks' own prerevolutionary alliances with smugglers, or in observations of enemy tactics. The Soviets themselves relied on smugglers to bring more than just goods across the front.

In mid-October 1919, a Polish intelligence officer picked up the trail of a six-person gang of Jewish smugglers, headed by one Gregory Budny, based in the frontline town of Dokshytsy, trafficking "large quantities" of contraband between Polish Vilna and Soviet Vitebsk, over 350 kilometers apart. The officer learned that the voluminous and distant trade proceeded with the permission of the Cheka, which mined the smugglers for information about Polish positions. A Polish counterintelligence investigation uncovered proof of espionage by Budny as well as his accomplices, including one Rachel Tsyrelson. The investigators also found that – just as Solomon's agents had reported – several Polish gendarmes worked with the smugglers, giving them passes and personally escorting their carts to the frontline. The reason for the gendarmes' obligingness was not hard to fathom: the smugglers' gang was arrested with merchandise valued at over one million tsarist rubles – the equivalent of one-third of the total price of imports officially recorded that year on *all* of the Soviet borders.<sup>79</sup>

For intelligence services on both sides, organizations capable of moving such massive consignments of contraband across large swathes of territory constituted both easier and more welcome prey than smalltime independent operators. More vulnerable to discovery and blackmail, they could also prove much more useful. Sprawling smuggler networks offered spies multiple pairs of eyes and nimble couriers; having a few trusted Polish gendarmes (or Soviet patrols) on their payroll surely helped as well.

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<sup>79</sup> Pepłowski, 282–83; A. P. Vinokur and S. N. Bakulin, eds., *Vneshniaia torgovlia Soiuza sovetskikh sotsialisticheskikh respublik za period 1918-1927/28 gg. Statisticheskii obzor* (Leningrad; Moscow: Snabkoopgiz, 1931), 34–35.

For their part, smugglers running growing operations would have felt increasingly compelled to seek official protection. Some entered into formal contracts with the Commissariat of Trade and Industry, the VSNKh, or the Chusosnabarm. Some bribed their way across the front. Others – likely including both Soviet contracting agents and fully-illicit smugglers – made mutually-beneficial arrangements with intelligence services that could offer not just noninterference, but active protection. Thus, the Polish counterintelligence investigation found that as Gregory Budny's smugglers were taking one of their shipments to Vitebsk, they were detained by a Soviet criminal police (*militsiia*) patrol. The smugglers won their freedom by handing the officer in charge a bribe of some fifty thousand tsarist rubles. Several days later, after disposing of their wares in Vitebsk, the smugglers returned together with several Cheka agents, demanding that the policeman return the bribe. After the officer denied involvement, the Chekists conducted a search of the premises and found the banknotes. The officer was shot, and the smugglers continued to ply their trade – while facilitating the Chekists' tradecraft.<sup>80</sup>

The contribution of smugglers to the warring sides' espionage operations remains to be uncovered. It was certainly better-recorded than their primary exploits, which smugglers sought to keep out of the archives. Whatever the impact of their cooperation with intelligence services, these relationships cast local traders as actors in the deadly shadow plays unfolding behind the curtains of the Soviet-Polish War theatre and of lesser theatres around the Soviet periphery – shadow plays whose significance sometimes eclipsed that of the action taking place center stage.<sup>81</sup>

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<sup>80</sup> Pepłowski, *Wywiad w wojnie polsko-bolszewickiej*, 283.

<sup>81</sup> For a recent appraisal of the pivotal role of intelligence in the Soviet-Polish War, see Jerzy Borzęcki, "Battle of Warsaw, 1920: Was Radio Intelligence the Key to Polish Victory over the Red Army?," *Journal of Military History* 81, no. 2 (April 2017): 447–68.

That so many of these smugglers-turned-spies were Jewish was as problematic as it was unsurprising. Jews had dominated trade in these former Pale of Settlement territories for centuries. They continued to trade as the fluid frontlines and emergent borderlines turned local peddling into international smuggling, magnifying both risks and rewards. “There was a flourishing trade in contraband between the Jews in [Polish-occupied] Minsk and their co-religionists in Russia,” Harrison recalled of her frontline sojourn, even reporting of “a well-organized underground railroad of communication between the Russian and Polish branches of various Jewish benevolent organizations.”<sup>82</sup> While Solomon (Ietskii) himself was not Jewish, many, if not most, of his emissaries and contracting agents were.<sup>83</sup> So were many of their smuggler colleagues and competitors. The disproportionate involvement of Jews in trade, and thus in smuggling, and hence in espionage, confirmed Polish authorities’ worst suspicions about the loyalty of the Polish Republic’s Jewish citizens. Moreover, greater suspicion of Jews likely invited greater scrutiny, making Jewish spies more liable to be discovered, and thus further overrepresented in the eyes (and records) of Polish counterintelligence. This, in turn, fostered attitudes and policies that confirmed many Jews’ worst suspicions about the loyalty of Polish authorities.<sup>84</sup> Such misgivings helped fuel Jewish support for radical organizations such as the Polish Communist Workers’ Party, further propelling the cycle of repression and sedition.<sup>85</sup>

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<sup>82</sup> Harrison and a companion themselves hazarded “one hundred and twenty versts … in a sleigh furnished us by Jewish contrabandists.” Harrison, *Marooned in Moscow*, 14–15.

<sup>83</sup> The three Narkomvneshtorg plenipotentiaries overseeing purchasing operations around Orsha were Gurvich, Foigel’, and Rubinshtein; their contracting agents included Grinshtein and Levin. RGAE 413/14/61: 46ob-47ob.

<sup>84</sup> On Polish border-area authorities’ view of Jews as an “unreliable element,” see Chapter Three.

<sup>85</sup> While Jewish merchants were unlikely to become Communists, Polish authorities’ suspicion of Jews was not restricted by profession.

### ***“Contraband Camouflage”***

While smugglers moonlighted as spies, spies masqueraded as smugglers. That “contraband camouflage” (“*kontrabandnaia maskirovka*”), as the practice was known in Soviet intelligence circles, became the most popular cover for frontline espionage testified to the ubiquity and volume of the underlying traffic. “The truth is that the local (district and frontline) intelligence departments have been able to maintain contact with their agents across the border only with the aid of contraband,” deputy Red Army intelligence chief Jan Berzin, then on his way to becoming the chief architect of Soviet military intelligence, would argue to deputy Commissar of Foreign Trade Moisei Frumkin in December 1922, in an effort to salvage the practice in peacetime. “Not enjoying normal trade relations with Russia, our nearest neighbors to the west intensely support speculation on our border. The border guard of these states, receiving large bribes from the speculator-merchants, itself partakes actively in transporting them across the border. For local intelligence department liaison agents working in the guise of speculators, the crossing of the border and the transport of informants’ reports therefore posed no difficulty, and the risk of failure was the most minimal.”<sup>86</sup>

Posing as a smuggler took far less preparation and carried fewer risks than some of the other disguises typically donned for crossing the frontline, such as that of a returning refugee or a freed POW.<sup>87</sup> Besides well-crafted or stolen papers, those identities required well-researched and well-rehearsed personal histories, replete with family genealogies or former commanders’ names, and bolstered by vivid memories of local lore or bloody battles. The slightest inconsistency, or a

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<sup>86</sup> “Sov. Sekretno. Zamestitelu Narodnogo Komissara Vneshnei Torgovli tovarischu Frumkinu,” [Moscow], 7 December 1922, RGAE 413/14/111: 20+ob.

<sup>87</sup> On the use of those identities, see Anisiaev, *Stanovlenie voennoi kontrrazvedki Belarusi*, 169; Pepłowski, *Wywiad w wojnie polsko-bolszewickiej*.

chance encounter with a putative landsman or former comrade-in-arms, risked exposure and execution.<sup>88</sup> “[W]e tried to find some other means of communication,” Berzin would later argue, but “all attempts yielded nothing apart from disasters and tremendous material loss”: the agents “had no other means of regular and constant communication, which is cardinally important for military intelligence … Sans camouflage, the crossing of the border, without risking certain failure, is unthinkable.” “As a means of camouflage,” Berzin insisted categorically, “we can envision only contraband, that is, goods.”<sup>89</sup>

Carrying contraband conferred crucial flexibility. A smugglers’ identity could be donned and discarded as effortlessly as a bale of flax (when leaving Soviet territory) or a sack of salt (when coming back). Smuggling provided the most convincing cover for crossing the border multiple times in both directions, for cultivating contacts, and for bribing patrols. The pursuit of profit required no explanation: it was intuitively understood by Belorussian peasant draymen, Jewish merchants, and Polish gendarmes alike. Unlike returning refugees (or defectors and deserters, the two other common kinds of border crossers, and thus popular spy disguises),<sup>90</sup> smugglers had little difficulty justifying their need to traverse the front repeatedly in both directions. While refugee identities provided plausible cover for travel to a specific destination, especially deep within enemy territory, they afforded fewer excuses for meandering about the frontline, within sight of troop positions and within earshot of soldiers’ conversations.

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<sup>88</sup> For a vivid account of one such close call on the part of a former tsarist diplomat attempting to flee Soviet territory to Poland in the summer of 1919, see Vladimir Konstantinovich Korostovets, *Seed and Harvest* (London: Faber and Faber, 1931).

<sup>89</sup> RGAE 413/14/111: 20.

<sup>90</sup>Anisiaev, *Stanovlenie voennoi kontrrazvedki Belarusi*, 169; Pepłoński, *Wywiad w wojnie polsko-bolszewickiej*.

Moreover, smuggling proved a profitable masquerade. Starved for resources, the fledgling intelligence services mined the frontier to finance the wars that they waged across it. Disposing of inexpensive necessities worth many times as much on the other side allowed the agencies to stretch their budgets, while providing their agents with credible commercial camouflage. Polish spies' packs bulged with lighters, candles, salt, and saccharin; one agent's permit entitled him to carry five kilograms of flintstones, two boxes of needles, and 120 spools of thread across the frontline.<sup>91</sup> While these were clumsier currencies than his 3,000 German marks and 60,000 tsarist rubles, they were also safer; if found during a search, they suggested speculation or smuggling, not spying.

For a spy or a secret courier, joining a smugglers' organization brought invaluable local knowledge, as well as all the benefits of an underground infrastructure, including clandestine conveyance and established safehouses. However, it also increased the danger of discovery and betrayal. This encouraged some agents to work alone, but inexperience could prove just as deadly. Thus, the 23-year-old Latvian Bolshevik Mina Petrovna Daugul, dispatched on July 1, 1920 across the Latvian front "in the guise of a speculator" to liaise with a Soviet spymaster, was detained, interrogated, blackmailed, turned, and sent back to spy on Soviet territory – where she was arrested, interrogated, and sentenced to be shot by her former comrades.<sup>92</sup>

Experienced smugglers who became spies enjoyed obvious advantages. Intelligence agencies on both sides recognized this not only by enlisting the services of smugglers, but by recruiting increasingly 'fulltime' spies from their milieu.<sup>93</sup> Upon joining the Second Department

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<sup>91</sup> Pepłowski, *Wywiad w wojnie polsko-bolszewickiej*, 109, 218.

<sup>92</sup> Anisiaev, *Stanovlenie voennoi kontrrazvedki Belarusi*, 168.

<sup>93</sup> There are obvious contemporary parallels here: as both intelligence and counterintelligence have become increasingly digital affairs, the relevant government agencies have turned to recruiting cyber-smugglers – hackers –

of the Polish General Staff (the “*Dwójka*,” responsible for intelligence) as an agent soon after the war, however, Sergiusz Piasecki did not cut ties with his companions in the contraband trade. Weaving between the two worlds as dexterously as he slipped across the border, Piasecki allegedly kept both in the dark about what he termed his “second life.” “The smugglers did not know about this,” Piasecki would later claim, “while intelligence did not know that I work with smugglers.”<sup>94</sup>

While it seems implausible that his *Dwójka* superiors were unaware of his continued smuggling, they had good reason if not to encourage it, then at least to turn a blind eye. Piasecki’s smuggling operations bankrolled his undeniable success as a spy.<sup>95</sup> “I had big money when, in my youth, I conducted military intelligence against Russia,” Piasecki wrote shortly before his death four decades later. “It was my money, because the 2<sup>nd</sup> Department gave very little, and I maintained many intelligence outposts across the border.” “I wanted my people” – i.e., agents and informants – “to be well-paid,” Piasecki explained. “I smuggled cocaine to Russia, and from there, furs. Over the course of four years, no less than £1,000,000 passed through my hands.” Tinged with nostalgia and bitterness – “I did not provide for myself, I did not even buy a house, although I could have bought a street”<sup>96</sup> – Piasecki’s recollections reflect the longings of an ageing exile skirting poverty and in flickering health, as well as a writer’s undying flourish; but they also evince the centrality of smuggling to spying across the nascent Soviet-Polish frontier.

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who have proven pliable and effective assets. See, e.g., David Kushner, “The Geeks on the Front Lines,” *Rolling Stone*, September 19, 2013, <http://www.rollingstone.com/feature/the-geeks-on-the-frontlines>.

<sup>94</sup> Krzysztof Polechoński, *Żywot człowieka uzbrojonego: biografia, twórczość i legenda literacka Sergiusza Piaseckiego* (Warsaw: Wydawnictwo Naukowe PWN, 2000), 27.

<sup>95</sup> Polechoński, 26.

<sup>96</sup> Polechoński, 27, 80–82.

### *Eiduk's Empire: the Cheka Consolidates Control over the Traffic*

As the lull in fighting on the Polish front fostered a boom in the frontline trade, Soviet military authorities grew increasingly alarmed about spies posing as “speculators, representatives of trading houses, and individual entrepreneurs” and “making their way across the demarcation line into our troop positions.” In January 1920, citing these concerns, the Revvoensovet of the Western Front appealed to the Kremlin and to the Revvoensovet of the Red Army to reform the chaotic system of frontline commerce. They called for the immediate establishment of a single agency to process “all the goods being smuggled” into Soviet territory; the proposed agency would work closely with the Cheka Special Departments to counter espionage.<sup>97</sup>

Of course, centralization had been the elusive goal of Soviet planners since the Bolsheviks’ first days in power. The Commissariat of Trade and Industry had struggled to enforce the state monopoly on foreign trade for nearly as long. On January 9, Narkomtorgprom officials meeting in Moscow authorized the establishment of purchasing stations all along the Western front, including in Pskov, Rēzekne, Vitebsk, Orsha, Mogilev, Rogachev, Gomel, Zhitomir, and Berdichev, to act as gates “through which goods should flow in an organized manner.”<sup>98</sup> As the Commissariat’s plenipotentiary Arvatov reported, however, the view from the ground was decidedly messier. The Chusosnabarm had taken the lead in the purchasing operations, leaving the Narkomtorgprom’s officials scrambling to establish a semblance of oversight. Their efforts met with some success; thus, the customs official appointed by Kozlovskii in charge of the busy Zhlobin station ensured that “goods were shipped to Gomel no less than 2-3 times a week,” while two other smaller stations nearby also operated in an “exemplary manner,” avoiding “any conflicts

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<sup>97</sup> Anisiaev, *Stanovlenie voennoi kontrrazvedki Belarusi*, 188.

<sup>98</sup> Shishkin, *Sovetskoe gosudarstvo i strany Zapada*, 140.

or misunderstandings with either the contracting agents or military authorities.”<sup>99</sup> However, the Narkomtorgprom had effectively given up on reconciling practice with policy and becoming the sole importer of goods across the front.

In addition to the VSNKh and its Chusosnabarm, the frontline was traversed by agents of the Central Collegium for Prisoner of War and Refugee Affairs, known by the acronym Tsentroplenbezh, or (locally) as Plenbezh. For the millions of people displaced by years of war, Plenbezh became a powerful and mercurial deity, permitting and denying passage, dispatching and stopping trains, allowing and limiting baggage, and providing (and failing to provide) shelter, food, and medicine. The latter needs became especially acute at points where the refugees assembled awaiting permission from Soviet and Polish authorities to cross the front. However, the army laid first claim to such medical supplies as were available.<sup>100</sup>

Accordingly, like other frontline organizations, the Plenbezh resorted to smuggling supplies from enemy territory. While Kozlovskii was scrambling to catch up to the Chusosnabarm, he learned that one Mishkind, “an agent of the Plenbezh, also furnished with an authorization to bring medicines across the front” was already “ferrying his pharmaceutical goods” into Rogachev. Kozlovskii did not even try to argue, merely impressing on Mishkind the need to register his imports at a customs station that Kozlovskii set up for the purpose. Returning a week later, Kozlovskii found that besides taking turns to “monitor passing carts” on the city’s two bridges, his subordinates were busy “inspecting the mostly pharmaceutical goods that the Plenbezh brings here

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<sup>99</sup> RGAE 413/14/61: 8+ob, 45ob-46.

<sup>100</sup> On the Plenbezh, see I. B. Belova, *Vynuzhdennye migrancy: bezhentsy i voennoplennye Pervoi mirovoi voiny v Rossii, 1914-1925* (Moscow: AIRO-XXI, 2014); I. P. Scherov, *Smolenskii Plenbezh: sozdanie i deiatel’nost’* (Smolensk, 2000).

from across the demarcation line” – suggesting that Mishkind’s agents did not limit their imports to medicines alone.<sup>101</sup>

Mishkind’s flouting of the Narkomtorgprom’s official monopoly on Soviet foreign trade was buttressed by the personal cachet and connections of his organization’s leadership. The chairman of the Tsentroplenbezh was none other than Solomon’s partner in “state contraband” and Cheka Collegium member, Aleksandr Eiduk. It was in the latter two capacities that, together with deputy VSNKh chairman Lomov and deputy Cheka Special Department chairman Pavlunovskii, Eiduk approved a set of instructions aimed at “preempting possible espionage” by stipulating that all shipments coming in across the front be inspected by three-person commissions made up of representatives of the Plenbezh, the head of the local Cheka Special Department, and the head of the local Transport Cheka.<sup>102</sup>

Glaringly absent from this lineup was any mention of the Narkomtorgprom or its customs apparatus. Indeed, while Eiduk occupied an office at the Commissariat’s headquarters at 3 Miliutin Alley, his primary affiliation remained with the Lubianka. Solomon’s recollection that Eiduk “personally recommended to me his own candidates, whom he knew well” suggests that by installing Eiduk at the Narkomtorgprom, the Cheka had moved beyond vetting Solomon’s “fortune-seekers,” aiming to replace them with men from its own ranks. This was both a prophylactic measure and an attempt to use the trade as cover for intelligence operations, as well as a probable source of income for the agency. Simon Liberman, a Menshevik in charge of Soviet timber production and exports who had a number of run-ins with Eiduk, recalled that while

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<sup>101</sup> RGAE 413/14/61: 44ob-45, 47.

<sup>102</sup> Anisiaev, *Stanovlenie voennoi kontrrazvedki Belarusi*, 188–89. That Eiduk continued to supervise the frontline trade even as he oversaw the sprawling Plenbezh is also indicated by his signature on one Narkomvneshtorg agent’s report, which Eiduk received and reviewed at his Plenbezh office in April 1920. See RGAE 413/14/41: 22.

“several Soviet offices resorted to contraband dealing at the borders … [t]he Cheka was especially active in such smuggling activities.”<sup>103</sup> By moving to establish Cheka oversight of all contraband imports, Eiduk was attempting not only to combat espionage, but to consolidate the security organs’ control over the traffic.

### ***Risky Opportunism: the Narkomvneshorg and the May 1920 Decree “On the Struggle with Contraband Trade”***

By midwinter 1919-20, the Bolsheviks had regained their confidence. Iudenich’s forces, after coming close enough to Petrograd to see the sun reflecting seductively off the gilded cupola of St. Isaac’s Cathedral, were forced back into Estonia, where they were interned and disarmed.<sup>104</sup> The Estonian government, wary of the former Imperial officers’ stubborn insistence on “one and indivisible” Russia, was eager to make peace with the Bolsheviks. In the east, Admiral Kolchak was betrayed, handed over to the Bolsheviks at Irkutsk, interrogated, and shot, his body pushed into a hole in the river ice and carried away by the current. Denikin’s advance on Moscow from the south had turned into a retreat towards his Volunteers’ last remaining stronghold of Novorossiisk, from where they would evacuate to make their last stand in the Crimea.

Meanwhile in London, Prime Minister Lloyd George had concluded that if the Whites could not topple the Bolsheviks, an Allied blockade certainly would not. “We have failed to restore Russia to sanity by force. I believe we can do it and save her by trade. Commerce has a sobering influence in its operations,” he argued before the House of Commons on February 10, 1920. “Trade, in my opinion, will bring an end to the ferocity, the rapine, and the conditions of Bolshevism surer than any other method … We must fight anarchy with abundance.” Domestic

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<sup>103</sup> Liberman, *Building Lenin’s Russia*, 37–40, 63.

<sup>104</sup> Jonathan Smele, *The “Russian” Civil Wars, 1916-1926: Ten Years That Shook the World* (Oxford and New York: Oxford University Press, 2016), 129.

economic troubles in Britain (and on the continent) were probably even more important in encouraging a rapprochement with the Soviets.<sup>105</sup> The Allies' Supreme Economic Council had formally lifted the blockade three weeks prior. British destroyers would no longer intercept shipments bound for Soviet Russia. Once the ice would break on the Gulf of Finland that spring, the Bolsheviks would, in theory, be free to trade out of Petrograd.<sup>106</sup>

Indeed, they could begin even sooner. After concluding an armistice with the Bolsheviks hours before the New Year, Estonian diplomats signed a peace treaty on February 2, 1920, the first diplomatic recognition enjoyed by either government. Tallinn soon buzzed with the dizzying prospects of fielding international deals as Soviet Russia's first gateway to the West.<sup>107</sup>

The new gateway required a fence. One week after Soviet representative Ado'Ilf Ioffe affixed his signature to the treaty document in Tartu, the Sovnarkom ordered the Commissariat of Foreign Trade – as Solomon's Commissariat of Trade and Industry was colloquially called, now with increasing justification – working with the Red Army command and the Commissariat of Internal Affairs (NKVD), to “adopt emergency measures” that would “bolster the protection of the Republic’s border,” with the aim of “impeding the import and export of forbidden goods.” At the same time, testifying both to the continued consideration accorded Solomon’s agents and to their continuing travails at the hands of frontline authorities, the Sovnarkom enjoined the

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<sup>105</sup> White, *British and American Commercial Relations with Soviet Russia*, 109–12.

<sup>106</sup> Norbert H. Gaworek, “From Blockade to Trade: Allied Economic Warfare against Soviet Russia, June 1919 to January 1920,” *Jahrbücher für Geschichte Osteuropas* 23, no. 1 (1975): 60, 63, 67. In practice, many diplomatic and military hurdles remained to be overcome. Shishkin, *Sovetskoe gosudarstvo i strany Zapada*, 152–56.

<sup>107</sup> McMeekin, *History’s Greatest Heist*, 135; Solomon, *Sredi krasnykh vozhevi*, 335–435, *passim*.

Narkomvneshorg to “smooth out the passage into Soviet Russia and back of those [im]porters who, at their own peril and risk, import foreign goods in small consignments.”<sup>108</sup>

On April 17, 1920, a month after Lenin endorsed the Narkomvneshorg’s proposal for a border guard operated jointly with the military, Gorchakov chaired a meeting of the Commissariat’s top customs and border guard officials with representatives of the Red Army command. The men had gathered to put the finishing touches on the agreement that Krasin and Sklianskii were due to present to the Kremlin. The program the attendees approved, in the form of a draft resolution of Lenin’s Defense Council, was decidedly ambitious. “Direct the RVSR [Military-Revolutionary Council] to immediately allocate military units of the strength required for the protection of the [following] borders: White Sea, Estonian, Latvian, Romanian, Black Sea, and Western Siberian” – the frontiers where fighting had stopped, or was expected to stop soon; “and in the future also allocate [troops] in accordance with the general strategic situation to the Finnish, Polish-Lithuanian, Transcaucasian, and Turkestani” frontiers. The number of men necessary for the first task was put at 33,700, excluding the Western Siberian border with China, troop requirements for which were still being determined. The officers agreed that once hostilities ceased, another 4,950 men would be needed to patrol the border with Finland, and some 18,000 more deployed along the Polish-Lithuanian frontier. The total manpower required to secure the Soviet borders from smuggling was thus projected at 56,650 soldiers, not counting the vast frontiers of Central Asia, Siberia, and the Far East – far exceeding the strength of the Imperial Special Border Guard Corps before the War.<sup>109</sup>

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<sup>108</sup> “Protokol Mezhdovedomstvennogo Sovetschaniia sostoiavshegosia pri Narkomvneshorge po voprosu o priniatii ekstrennykh mer k usileniiu okhrany granitsy Rossiiskoi Respubliki,” 18 February 1920, RGAE 413/14/7: 129-130ob.

<sup>109</sup> “Shtaty okhrany granitsy Respubliki,” “Protokol Mezhdovedomstvennogo Soveschaniia po voprosu ob okhrane granitsy Respubliki,” 17 April 1920; RGAE 413/14/7: 147, 149-150.

As Colonel Vasili Iakovlevich Tetereviatnikov, the fifty-five-year-old former Imperial border guard officer who presented these figures at the meeting surely recognized, this wish list was unlikely to be granted. Still, there was method to his math. By claiming that the borders could adequately be shielded only with the specified troop levels, Tetereviatnikov was preemptively shielding the border guards from blame for the inevitable failures to come. Moreover, the experienced Colonel knew the importance of staking out a position for the ensuing bureaucratic bargaining. Tetereviatnikov's fellow attendees concurred, resolving that the proposed troop levels should be considered the “minimal” required for the task. However, while Field Staff representative Lieutenant Colonel A. N. Vinogradov did not object to deploying troops to fight smuggling on those borders where combat had ceased (presumably drawing on forces already stationed in those areas), he cautioned that the Red Army had to prioritize “objectives of a military nature before all else,” and could allocate men “only insofar as the strategic situation at the fronts will allow.”<sup>110</sup>

Vinogradov had cause to dampen his colleagues' expectations. As a Field Staff officer, he would have been keenly aware of ongoing efforts to concentrate all available forces on the Western Front to preempt an expected Polish offensive.<sup>111</sup> Just that morning, fresh from leading the expulsion of Denikin's Volunteer Army from the North Caucasus, Semyon Budyonny, commander of the First Cavalry Army, rode into Rostov to facilitate the crossing of the Don River, enabling his storied *konarmiia* to swing west into Ukraine.<sup>112</sup> That same day, however, without waiting for Budyonny to bolster the Red Army's Western Front, Pilsudski ordered his forces to prepare for

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<sup>110</sup> RGAE 413/14/7: 149.

<sup>111</sup> Davies, *White Eagle, Red Star*, 95, 118.

<sup>112</sup> S. M. Budennyi, *Proidennyi put'*, vol. 2 (Moscow: Voennoe izdatel'stvo Ministerstva Oborony SSSR, 1958), 29; Davies, *White Eagle, Red Star*, 118.

attack. A week later, on April 25, the Polish Third Army launched the invasion, capturing Zhitomir within twenty-four hours; another week, and the Poles were in Kiev.<sup>113</sup> The Kremlin now faced far more pressing problems than smuggling. The border guard would have to wait.

However, even as Pilsudski's plans put a hold on their own, Narkomvneshorg officials saw an opportunity in the Polish invasion. On May 14, upon reviewing a draft proposal submitted by the Commissariat, Lenin signed a fiery resolution of the Council of Labor and Defense (*Sovet Truda i Oborony*, or STO), as the Council of Worker-Peasant Defense had been rechristened prematurely in April to reflect the Kremlin's plans to focus on economic reconstruction. Urgently telegraphed to the periphery and published in *Izvestiia* two days later, the decree, "On the Struggle with Contraband Trade," was the most high-profile and forceful Soviet government pronouncement on smuggling yet.<sup>114</sup>

Naming the enemy, and elevating this effort atop the growing pantheon of Soviet "struggles" – against White Guards, revanchist Polish lords, speculation, graft, drunkenness, bureaucratism, banditry, typhus, illiteracy, and other menaces to the young socialist state – the edict "categorically" prohibited "all institutions and organizations, as well as individuals, both military and civilian" to engage in "the acquisition of foreign goods in the frontline area." It admonished that any wares, money, or valuables found on persons attempting such forays would invariably be confiscated.<sup>115</sup>

With Soviet representatives negotiating trade deals in Tallinn, there was now less need for sundry "state smugglers" to hazard the frontline. Indeed, the "Minister of State Contraband"

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<sup>113</sup> Davies, *White Eagle, Red Star*, 99, 108–9.

<sup>114</sup> "Postanovlenie Soveta Truda i Oborony o bor'be s kontrabandnoi torgovlei," 14 May 1920, *Dekrety sovetskoi vlasti*, vol. 8 (Moscow: Izdatel'stvo politicheskoi literatury, 1957), 209–10.

<sup>115</sup> DSV, 8:209–10.

himself, Georgii Solomon, would take up residence in the Estonian capital that summer.<sup>116</sup> “[D]ue to the conclusion of peace with Estonia by the Soviet government, we decided, in addition to the contraband purchases, to expand the scope of our activity,” reported the agent who had negotiated deals while under Polish guard. “One of us traveled to Berlin for the purpose of familiarizing himself with the situation in Germany and in Europe in general, in terms of output and the feasibility of shipping goods from there to Russia.” In consistently conspiratorial fashion, however, the agent emphasized the necessity of “opening a number of offices under the cover of private firms” in key foreign cities such as Berlin, Szczecin, and Tallinn “for the purchase, warehousing, and shipping of goods needed by Soviet Russia.”<sup>117</sup>

Indeed, Soviet foreign trade officials would continue to devise elaborate schemes to circumvent Allied restrictions, most notably on the sale of former Imperial Russian gold and jewels. But the Soviets’ “accomplices” in this task would be foreign bankers and diplomats, not frontline smugglers.<sup>118</sup> “We have now outgrown the stage of unofficial contraband missions,” People’s Commissar of Foreign Affairs Georgy Chicherin counseled a Soviet representative to Germany in July 1920. “We demand that the mission be official, with authority binding upon those governments that enter into relations with us.”<sup>119</sup>

As the frustrated tone of the May prohibition suggested, however, the smuggling habit died hard. Capitalizing on the new martial atmosphere, the Narkomvneshtorg’s decree warned that the heads of those Soviet government institutions that continued to issue unauthorized permits for such

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<sup>116</sup> Jaak Valge, *Breaking Away from Russia: Economic Stabilization in Estonia, 1918-1924* (Stockholm: Almqvist & Wiksell International, 2006), 102.

<sup>117</sup> RGAE 413/14/41: 22.

<sup>118</sup> This story is impressively reconstructed in McMeekin, *History’s Greatest Heist*.

<sup>119</sup> DVP, 1958, 2:763n111.

purchasing ventures would be tried by military-revolutionary tribunals “as accessories to the organization of espionage.” Any individuals caught crossing the frontline without the twin permissions of the Commissariat of Foreign Affairs and the Cheka Special Department would be “viewed as spies” and “brought to justice in accordance with wartime-revolutionary laws,” often a euphemism for summary execution.<sup>120</sup>

To be sure, reliance on intimidation to bolster flagging enforcement was long-established Russian practice, embraced by all sides fighting over the ruins of the Empire. However, while the grave charge of spying was certainly intended to discourage would-be smugglers, the announcement was not disingenuous. The experience of Soviet frontline authorities and their foes over the preceding months had both reinforced and revealed the nexus between the two activities. The Red Army Field Staff officer reviewing the Narkomvneshtorg’s proposal observed approvingly that, despite its name, “[t]he aim of this decree is the struggle with espionage.”<sup>121</sup> But the Foreign Trade Commissariat was never primarily concerned about spies. The decree simply capped the Narkomvneshtorg’s longstanding struggle against its many competitors in the frontline trade.

However, the ruling also affirmed the role of the Cheka in securing the frontier against smugglers. In addition to the Narkomvneshtorg’s Customs Administration, the STO formally entrusted “the struggle with contraband trade” to the Cheka’s Special Department.<sup>122</sup> The Chekists were back in the business of border control. Of course, they had never really left; ever since the spring and summer of 1918, when runaway corruption among the curtain forces and border guards

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<sup>120</sup> DSV, 1957, 8:209–10.

<sup>121</sup> DSV, 8:209.

<sup>122</sup> DSV, 8:210.

first triggered the Cheka's intervention, the political police had maintained a foothold on the frontiers of the Soviet state. The Chekists' active participation in the frontline trade had certainly expanded their presence, as did their intelligence and counterintelligence activities. But combating economic contraband had remained primarily the purview of the Commissariat of Trade and Industry's customs officials, and such soldiers as they had been able to coax from the Red Army and the Internal Troops. Now, with the link between smuggling and espionage well-established and publicly affirmed, the Chekists were poised to extend their reach.

### ***Conclusion***

“This is how it was done. Daring young men were sent to the border regions. They were furnished with considerable sums of paper money, and the more reliable Communists among them were also given diamonds and other precious stones and jewelry to be used instead of currency,” Simon Liberman recalled. “Engaging the services of professional smugglers, the young messengers bought with this money and jewelry whatever foreign goods they could get.” While acknowledging “the ingenuity and hardihood of the young men,” Liberman dismissed their impact: “Inevitably, all such ‘foreign trade’ was of a hit-and-miss nature. It could not be seriously controlled or guided, and even its extent was miserably slight.”<sup>123</sup>

To be sure, Soviet foreign trade during the Civil War had shrunk to a minute fraction of the Russian Empire’s prewar external exchange – although lagging customs oversight meant that only a fraction of government imports and exports were recorded, to say nothing of contraband operations intended to go unnoticed. The contribution of Solomon’s and Eiduk’s smugglers –and their many competitors – to supplying the Red Army, Soviet civilians, as well as the masses of

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<sup>123</sup> Liberman, *Building Lenin’s Russia*, 63.

refugees assembled near the frontline, with medicines and other necessities, remains to be appraised. The comparatively low volume of this trade certainly magnified the relative significance of individual transactions, and of the individuals who made them possible.

Soviet concessions to these entrepreneurs reveal a pragmatic strain persisting amid the uncompromising atmosphere of War Communism. Historians have long debated the extent to which Bolshevik economic policies during the Civil War pursued ad hoc imperatives or the proactive, ideological construction of a socialist state. More recent scholarship has emphasized the legacy of wartime economic mobilization in shaping Bolshevik policies in such crucial areas as food supply.<sup>124</sup> However, all of these approaches share an emphasis on the mutual reinforcement of ad hoc imperative, Bolshevik ideology, and the legacies of tsarist and Provisional Government wartime mobilization. Thus, faced with widespread shortages and speculation, the Bolsheviks clamped down on private trade – a policy with tsarist and Provisional Government antecedents, prompted by the Bolsheviks' immediate anxieties, and cast in ideological terms as a step towards socialism. Less attention has been paid to how the Bolsheviks reversed course in the midst of War Communism, adopting pragmatic approaches entirely contradictory to their ideological program – approaches that foreshadowed the Great Retreat into the NEP

The state monopoly on foreign trade was a cherished tenet of the Bolshevik program. It also enjoyed both strong tsarist wartime policy roots and short-term imperative justifications. It was a reasoned response to wartime chaos and to industrial backwardness alike, and it fit squarely into the Bolshevik ideal of centralized planning. It made intuitive and emotional sense as well: if private businessmen could not be allowed to operate inside the country, they certainly could not

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<sup>124</sup> See Holquist, *Making War, Forging Revolution*.

be allowed to liaise with foreign capitalists. But diplomatic non-recognition and blockade changed the Kremlin's calculus. Suddenly, the Bolsheviks discovered that they had need for risk-takers and fortune-seekers *par excellence*.

Of course, this was a very limited retreat. But it demonstrated to Soviet authorities that retreat was possible – and ideological purity could be comfortably sacrificed for survival. For beleaguered entrepreneurs deciding whether to flee or to stay, such a signal might have offered reason for hope. Certainly, the Allies' abandonment of the blockade was predicated on hope in the "sobering influence" of commerce.

In the realm of foreign trade, at least, exigency caused expediency to trump ideology. To be sure, given the limited number of "contracting agents" and the relatively small scale of their operations, the stakes were low. It would take another year, capped with famine and rebellion, for the Bolsheviks to countenance such a retreat in the infinitely vaster realm of the domestic economy. In this sense, Solomon's smugglers might be considered early harbingers of things to come, willing canaries lowered into the capitalist mine.

Perhaps they saw themselves this way. Surely, the Bolsheviks would come to their senses, and submit to the natural order of things. They would need managers, and markets, and merchants. It would be possible to deal with them yet. Wasn't this smuggling business proof enough? Soon, the Kremlin would have to contend with Paris, London, and New York – and when it comes to francs and pounds, at least, the Allies would not allow the Bolsheviks to push them around. Allied statesmen certainly thought so themselves.

In the event, foreign trade became a bastion of Bolshevik intransigence. Even as Lenin introduced the New Economic Policy, allowing the reemergence of private enterprise inside the

country, he fought bitterly until the end of his life to preserve the state monopoly on foreign trade. However, Lenin's opponents in this struggle were not only Western capitalists and their allied, anonymous armies of smugglers operating throughout the country. His own government institutions clamored for unfettered access to foreign markets and circumvented the Narkomvneshorg's bureaucracy, while local authorities around the Soviet periphery saw no harm in procuring supplies across the border without consulting Moscow. Solomon's smugglers, and their colleagues working for the VSNKh and other agencies, had whetted officials' appetites for too long. Reliance on smugglers during the Civil War made it more difficult to censure and eradicate such practices in peacetime. Even in the absence of war and blockade, the legacy of "state contraband" endured.

Of course, this was now contraband only in the eyes of Soviet border control authorities, and of Narkomvneshorg officials jealously guarding their monopoly on the state monopoly on foreign trade. Once the hostilities had ceased, the Polish and Baltic governments came actively to support contraband trade on their Soviet borders. In so doing, they hoped to reclaim some of the former Russian imperial market and raw materials that were the price of independence.

They did not have to look far for inspiration. "In reality, trade relations with Soviet Russia have existed for a long time. It is the contraband trade," observed an editorial in the Polish commercial journal *Przegląd Przemysłowo-Handlowy* in June 1921. "Before concluding trade treaties with foreign states ... the contraband trade was supported and even organized by the Soviet government itself, its military and frontier organs, and above all, its Commissariat of Foreign Trade." "After the conclusion of the preliminary peace at Riga, contraband trade between Poland and Russia as well as Ukraine began quickly to develop. However, the chief driver of this kind of

trade in the recent period is no longer the Soviet government, but the very people of the Soviet republics ... Our task – in parallel with establishing, via the conclusion of a trade treaty, commercial relations with the Soviet government – is to support, and certainly not to combat, the contraband trade,” the editorial argued. “All the indications are that direct commercial relations with the Soviet government, at least in the first phase of these relations ... will not be positive in the balance of trade, while contraband trade will be profitable.”<sup>125</sup>

The author had few potential converts left, however. By the summer of 1921, his subversive suggestion had become the mainstream view around the Soviet periphery. As the following chapters reveal, the authorities in Warsaw were scrambling to catch up to their counterparts in Riga and Tallinn in facilitating contraband trade across the Soviet border.

At the same time, they had learned in their wars with the Bolsheviks that smugglers made good spies. This posed risks, but also opened opportunities. Soon after Riga concluded its peace treaty with Moscow in August 1920, the Latvian Ministry of Provisioning authorized the establishment of a network of “receiving stations” along the Soviet border, at which peasants from the Russian side could offload flax in exchange for necessities such as salt. The Ministry’s instructions, a copy of which was obtained by Cheka agents, stipulated that the stations were subject to strict supervision by military officers. “One must keep in mind that important information of a military and political nature can seep out to our White opponents via the smugglers,” deputy Foreign Trade Commissar Andrei Lezhava and acting customs chief T. Velikhov warned the Revolutionary-Military Council in early October 1920. “[T]he flax receiving stations, as institutions wholly dependent on the military authorities, will without any doubt,

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<sup>125</sup> J. Husarski, “Stosunki handlowe polsko-rosyjskie,” *Przegląd Przemysłowo-Handlowy*, June 1921, 5.

besides their direct purpose – collecting flax – carry out all the assignments of the military department, including providing it with the necessary intelligence about the RSFSR.”<sup>126</sup>

As foreign trade officials, Lezhava and Velikhov were not primarily concerned about spying. However, they worried that “[u]nless every possible impediment to its development is instituted, the contraband export of our staples will inevitably give rise to undesirable difficulties in the implementation of the Narkomvneshtorg’s export plan.”<sup>127</sup> Not only did the peasant smugglers deplete domestic supplies and Soviet export stocks, but the appearance of sizeable quantities of contraband Russian flax on foreign markets threatened to depress the price of the Narkomvneshtorg’s own shipments. However, securing the border required soldiers, which demanded the acquiescence of the Red Army command – a body not at all concerned about flax exports. To get the military to cooperate, Lezhava and Velikhov leveraged the menace of espionage.

In so doing, they reinforced the discursive link between smuggling and spying. This nexus would come squarely into Soviet authorities’ sights during the economic crises and political panics of the next two decades, with fateful consequences for those involved. Most smugglers were not spies, but enough of these traders had cooperated with enemy intelligence services to warrant concern. Moreover, smuggling had proved a popular disguise. Having learned both to rely on smugglers and to pose as smugglers themselves, Soviet intelligence operatives knew this all too well. The Latvian military officers supervising the “receiving stations” knew that, too, and would have been as concerned with weeding out spies as with mining the smugglers for intelligence about the Soviet side. Meanwhile, the participation of Jews in smuggling and espionage gave Polish

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<sup>126</sup> RGAE 413/14/7: 182-189ob; quotes are from 183ob.

<sup>127</sup> RGAE 413/14/7: 183ob.

authorities reason (and pretext) to doubt Jewish loyalties, further straining an already tense relationship.

The treacherous terrain between hostile states and their warring secret services became a school for smugglers, where they acquired the technical skills of their trade. Operating in a legal vacuum without state protection, they also learned to cultivate officials on both sides, to pay exorbitant bribes, and to trade information for access. Those who survived these trials would foster a flourishing shadow economy under the canopy of the New Economic Policy.

## Part II

### A Schizoid Frontier: New Nations, Smuggler States, 1920-21

#### Introduction

Shadow economies are commonly considered to be the offspring of anarchy; and no time is more anarchic than civil war.<sup>1</sup> Indeed, the story told in the preceding chapter unfolded against the backdrop of the vast, disturbed anthill that war and revolution had rendered the former Romanov Empire. Swarming its railroads and waterways, open-air markets and back alleys, the ubiquitous bagmen became synonymous with the anarchy of Russia's Civil War.

However, Solomon's agents and their fellow smugglers were best able to ply their trade precisely when frontlines stabilized for long enough to allow safe passage. Pilsudski's march on Kiev in April 1920 thus put an abrupt end to contraband purchasing operations along the Polish front. As open war rather than covert commerce became the order of the day, troops traversed the terrain vacated by smugglers.

Contraband trade – the illicit movement of goods between jurisdictions – requires a degree of stability. It demands the existence of separate jurisdictions, and a dividing line between them. As Niccolò Pianciola has emphasized recently in his study of the Sino-Russian opium trade, it is a mistake to see smuggling as an erasure of the border. On the contrary: for a contraband economy

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<sup>1</sup> A growing scholarship has documented the symbiosis between civil wars and shadow economies, a relationship often expressed in the evocatively-termed "conflict commodities" such as African diamonds, Afghan opium, and Colombian cocaine. See, *inter alia*, Peter Andreas, *Blue Helmets and Black Markets: The Business of Survival in the Siege of Sarajevo* (Ithaca and London: Cornell University Press, 2011); Michael Charles Pugh et al., *War Economies in a Regional Context: Challenges of Transformation* (Boulder and London: Lynne Rienner Publishers, 2004); Karen Ballentine and Jake Sherman, eds., *The Political Economy of Armed Conflict: Beyond Greed and Grievance* (Boulder and London: Lynne Rienner Publishers, 2003); Mats Berdal and David M. Malone, eds., *Greed & Grievance: Economic Agendas in Civil Wars* (Boulder and London: Lynne Rienner Publishers, 2000).

to thrive, “[t]he border had to be porous to traders, but impermeable to policing from the other side”; “[o]nly when state boundaries were both existing *and* porous could people make use of them.”<sup>2</sup> Rather than the negation of a borderline, contraband trade thus becomes its celebration.

By replacing fluid frontlines with fixed frontiers, the conclusion of the Russian Civil War and its attendant borderland conflicts would enable smuggling to flourish anew. To be sure, the Kremlin itself no longer needed Solomon’s contrabandist corsairs. The Soviet state now had more reliable trade routes at its disposal.

Even as a ragtag Red Army pushed the Polish forces back, commencing a breathless westward thrust intended to carry the Revolution on to Warsaw and beyond, Soviet diplomats were growing accustomed to their comfortable quarters in capitalist Tallinn. The Estonians had reached an armistice with the Soviets just before midnight on December 31, 1919, and signed a peace treaty on February 2, 1920. Leveraging its port – the former Empire’s third-busiest for imports – as well as its railway connection to icebound Petrograd and centuries of commercial ties to Russia, Tallinn soon became the hub of official (if still often discreet) Soviet commercial contacts with the West.<sup>3</sup>

The Latvians, who concluded their own armistice with Moscow on February 1, 1920, looked on jealously. After all, in the run up to the Great War, Riga had successfully rivaled St. Petersburg itself for the coveted role of the busiest commercial seaport of the entire Russian

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<sup>2</sup> Niccolò Pianciola, “Illegal Markets and the Formation of a Central Asian Borderland: The Turkestan–Xinjiang Opium Trade (1881–1917),” *Modern Asian Studies*, 2020, 48; Niccolò Pianciola, “Opium Regimes of Imperial Collapse: A Comparison between Turkestan and the Russian Far East during the Civil War (1916–1922)” (Trade and Empire: Productivity, Economic Exchange, and Differences in Eurasia, Tyumen State University, Tyumen, Russia (via Zoom), 2020), 2.

<sup>3</sup> On Tallinn’s (then called Revel’ or Reval) share in the Empire’s foreign trade, see *Obzor vnesheini torgovli Rossii po evropeiskoi i aziatskoi granitsam za 1913 god. Chast’ I-aia.* (Petrograd: Izdanie Departamenta Tamozhennykh Sborov, 1914), 5. (I am grateful to Timur Valetov for sharing this source with me.) On its role as Soviet Russia’s window to the West, see McMeekin, *History’s Greatest Heist*, 135; Valge, *Breaking Away from Russia*, 99–107; Solomon, *Sredi krasnykh vozhelei*, 335–435.

Empire.<sup>4</sup> In 1912, the three Latvian ports of Riga, Vindau, and Libau together handled over a fifth of the Empire's foreign trade.<sup>5</sup> Despite Riga's eagerness to reclaim its preeminent entrepôt status, however, peace talks with the Bolsheviks dragged on late into the summer.

As Chapter Two reveals, the inhabitants of both Baltic nations did not wish to wait for the slow progress of trade negotiations when there was good money to be made here and now. Moreover, the new frontier suddenly enabled even ordinary peasants, draymen, and fishermen – to say nothing of experienced shippers and merchants – to try their hand at a lucrative international trade. Indeed, the most rustic borderland dwellers enjoyed all the advantages of local knowledge.<sup>6</sup> The chapter shows how the burgeoning business on Estonia's and Latvia's Soviet frontiers first prompted panic in both countries, eliciting forceful policing responses from Tallinn and Riga. However, despite considerable misgivings, Estonian and Latvian authorities would soon follow their citizens – and each other – in capitalizing on the commercial opportunities furnished by their Soviet frontier.

While the Baltics thus sought both to leverage their traditional roles as Russia's "windows to the West" and to exploit the new frontier windfall, Poland soon looked eastward with hopes of its own. Things there had evolved quickly. In August 1920, with the Red Army bearing down on

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<sup>4</sup> During the 1903-12 decade, the ruble value of the average annual turnover (the sum of exports and imports) of the port of Riga was the highest among all the Empire's seaports, narrowly edging out St. Petersburg and over a third higher than that of the Empire's next-busiest port, Odessa. In 1913, Riga fell slightly behind St. Petersburg, but now more than doubled Odessa's turnover. Calculated based on the figures in *Obzor vnesheini torgovli Rossii po evropeiskoi i aziatskoi granitsam za 1913 god. Chast' I-aia.*, 5.

<sup>5</sup> The total trade figure for the Empire excludes Russia's trade with the Grand Duchy of Finland; while this traffic crossed a customs boundary, it may be considered domestic trade within the Empire. Calculated based on the figures in *Obzor vnesheini torgovli Rossii po evropeiskoi i aziatskoi granitsam za 1913 god. Chast' I-aia.*, 5.

<sup>6</sup> On how the nocturnal nature of the contraband trade magnified the advantages of local knowledge, see Andrey Shlyakhter, "Traders in the Night: Smugglers and the Young Soviet State under the Stars," paper given at the Russian and East European History Workshop, Harvard University, Cambridge, MA, November 15, 2018.

Warsaw, the Poles had looked east with terror at their short-lived nation being swallowed by Moscow's maw. By October, with Polish independence no longer in danger, it was Russian reticence in the economic sphere that now posed the greatest threat to the young republic's postwar reconstruction. Chapter Three traces Poland's historical dependence on the Russian market, and reveals how this dependence combined with new opportunities for profit to shape the behavior of Polish citizens and authorities after the cessation of hostilities.

## Chapter Two

### **Fear and Longing in the Baltics**

#### *Foodstuffs Fears*

In December 1919, just as the Latvian General Staff was reporting all quiet on the “Bolshevik front,” the Latvian Ministry of Trade and Industry felt compelled to remind the country’s merchants that all exports remained prohibited.<sup>1</sup> There were reasons for concern. Peace brought welcome respite to the young nation’s devastated economy; but the experience of Latvia’s northern neighbor indicated that enterprising individuals did not wish to wait for the slow progress of trade negotiations. “With the commencement of the armistice, contraband trade between Estonia and Soviet Russia has intensified,” the Baltics’ leading Russian-language newspaper, the liberal Riga daily *Segodnia* warned its readers.<sup>2</sup> “The cost of living is already unfathomably high,” lamented the paper’s Estonian correspondent, pointing to the recently doubled price of the still-rationed bread. “Despite the border guard, we can still feel the fruit of contraband trade in grain, salt, etc. with Sovietlandia [*Sovdepiei*].”<sup>3</sup> “Bread, sugar, cloth, etc. – all began to gain sharply in price from the moment the armistice was concluded” on December 31, “and from the day of the signing of the [Estonian-Soviet] peace treaty” at Tartu on February 2, 1920, “the rise in prices has taken on a dizzying character,” fretted another observer. “The cause of the rising cost of living in Estonia has been … the siphoning of supplies to Sovietlandia … in the form of contraband.”<sup>4</sup> In

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<sup>1</sup> “Vnimaniu eksporterov,” *Segodnia*, 18 December 1919, 2.

<sup>2</sup> “Kontrabandnaia torgovlia,” *Segodnia*, 30 January 1920, 1.

<sup>3</sup> “K ekonomicheskому положению Эстонии,” *Segodnia*, 31 January 1920, 2; *Libausche Zeitung*, 5 February 1920, 1.

<sup>4</sup> “No measures can, of course, put a stop to this illegal seepage, because the harshest reprisals in such cases merely increase the risk, but also the profit.” G. Aleksinskii, “O mire s Sovdepiei,” *Segodnia*, 27 February 1920, 1.

mid-February, the Latvian Cabinet directed the Ministries of Provisioning and of Trade and Industry “to draft an order to combat the speculative export of goods to Soviet Russia.”<sup>5</sup>

Latvian anxieties on this score only increased when, just as the Red Army was bearing down on Warsaw, Riga signed its own peace treaty with Moscow on August 11. In an interview with the nationalist *Latvijas Sargs* newspaper the following day, Latvian Prime Minister (and future dictator) Karlis Ulmanis argued that, as in Estonia, the “abrupt rise in the price of bread and other foodstuffs” was caused by merchants seeking to profit from the peace. Hoarding flour and other provisions, these “malicious” profiteers planned to offload their commodities at much higher prices across the border. “However, the actions of the speculators will not bear out the hopes they harbor,” Ulmanis insisted. “The government will guard the borders … more stringently than hitherto, and in no case will it permit the export of flour or other foodstuffs.” Lest anyone doubted Riga’s resolve, Ulmanis emphasized that the wartime prohibition on taking foodstuffs out of Latvia remained in force: anyone caught smuggling out the scarce provisions would face fifteen years of hard labor, or the firing squad.<sup>6</sup>

Freed from customs inspections, Soviet diplomatic personnel prompted particular concern, becoming a visible focus for popular panic. Onlookers at the Riga train station were agitated by the number of unexamined packages (presumably full of foodstuffs) loaded into Soviet train cars. Thus, on October 22, 1920, five Soviet couriers reportedly left Riga shepherding around 1,300 kilograms of “diplomatic documents”; two weeks later, as the personal express train of Soviet

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<sup>5</sup> “Protokols Nr. 19 Ministra kabineta sehde,” 16 February 1920, Latvijas Valsts vēstures arhīvs (hereafter LVVA) 1307/1/278: 33+rev. Translated by Jānis Strankals.

<sup>6</sup> *Latvijas Sargs*, 12 August 1920, 1; “Mery po bor’be s[o] spekuliatsiei (Beseda s ministr-prezidentom),” *Segodnia*, 13 August 1920, 3.

diplomat Adolf Ioffe was being loaded with “crates, chests, and packets” weighing around a thousand kilograms, passengers waiting nearby demanded, without success, that the authorities intervene.<sup>7</sup> The satirical Riga weekly *Svari* lampooned the Soviet diplomats’ proclivity to smuggle foodstuffs home (the pig perhaps representing both the smuggled bacon and the porcine diplomat):

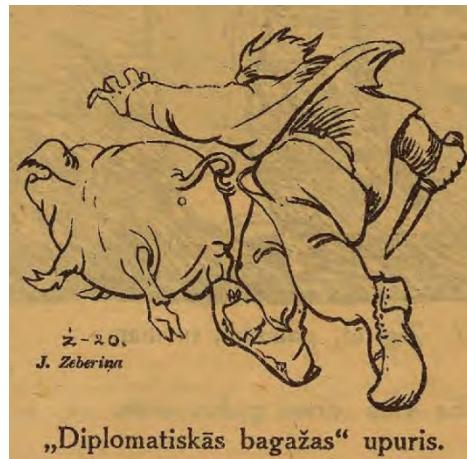


Figure 4: Victim of “diplomatic baggage.”

Source: *Svari*, 17 December 1920, 10.

As in Estonia a year earlier, the furtive outflow of provisions was widely blamed for the rapidly rising cost of living. Thus, Minister of Provisioning Augusts Kalniņš, a member of Ulmanis’s conservative Latvian Peasant Union, insisted in early April 1921 that “[t]he rise in the prices of foodstuffs, especially bread, has recently occurred because of the smuggling that has commenced across the border owing to the proclamation of free trade in Sov[iet] Russia.”<sup>8</sup> To be sure, as the spiking price of foodstuffs prompted nervous talk of an “impending catastrophe in

<sup>7</sup> “Veskie dokumenty,” *Segodnia*, 10 Nov 1920, 3. To be sure, many more provisions were carried off to Russia by Latvian and Estonian diplomats under the pretext of supplying their missions in Moscow and Petrograd, where the foodstuffs were exchanged for valuables that were then smuggled out – both infuriating Soviet authorities and handing the Bolsheviks a propaganda coup. This story remains to be told. For examples, see below, and Chapter Five.

<sup>8</sup> “Ministr snabženija o prodovol’stvennykh perspektivakh (Interviu),” *Segodnia*, 8 April 1921, 1.

provisioning,” and as a strike wave driven by demands for higher wages shook the country, the contraband traffic furnished Riga with a convenient scapegoat.<sup>9</sup> However, the sentiment that a surge in smuggling was responsible for the problem echoed across party lines. Thus, Minister of Trade and Industry Andrejs Bērziņš, a member of the left-wing Latvian Labor Party, rejected criticism of the government’s import restrictions, arguing that “Latvia has significant stores of sugar and wheat flour,” and “the only ones responsible for the high prices are the smugglers secretly ferrying these foodstuffs to Soviet Russia.”<sup>10</sup> The Parliamentary caucus of national minorities similarly excoriated “the ferrying of a significant quantity of foodstuffs to Soviet Russia,” and called for the introduction of martial law inside a 15-verst-wide belt of territory along Latvia’s Soviet border to “prevent the further outflow of foodstuffs from the country.”<sup>11</sup>

Yet even as he blamed unscrupulous smugglers for funneling enough provisions out of Latvia to raise commodity prices, Provisioning Minister Kalniņš insisted that “[t]he government is combating contraband trade in the most decisive manner.” “On the border with Soviet Russia we have established two security strips, through which it is rather difficult to ferry anything,” he maintained. “In these strips is still in force the order of the supreme commander, according to which all individuals caught smuggling suffer severe punishment.” Moreover, “[s]hipping foodstuffs into the second strip without special permission directly from the Ministry of Provisioning is prohibited, and on our end we limit the allocation of permits to a minimum.”<sup>12</sup> On May 5, the Cabinet announced the introduction of martial law in the 15-verst border belt.<sup>13</sup> Anxiety

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<sup>9</sup> Ibid, 1; “Posledstviia dorogovizny,” *Segodnia*, 8 April 1921, 1.

<sup>10</sup> “Ministr torgovli o dorogovizne,” *Segodnia*, 5 April 1921, 3.

<sup>11</sup> “V biuro men’shinstv,” *Segodnia*, 5 April 1921, 3.

<sup>12</sup> *Segodnia*, 8 April 1921, 1

<sup>13</sup> “Na zasedanii soveta ministrov,” *Segodnia*, 29 June 1921, 3.

about the outflow of foodstuffs east – to a Soviet state relaxing its own restrictions on the trade in grain – thus propelled the construction of the cordon sanitaire on the ground at least as much as did the fear of Bolshevik contagion.<sup>14</sup>

As the authorities on both sides of the border would repeatedly discover, however, smuggling out is always harder to police than smuggling in. Imported contraband might be confiscated at any point after entry; illicit exports can only be detained at the border itself. With their troops patrolling the Soviet frontier insufficient or unreliable, the Baltic governments attempted to limit the amount of foodstuffs that could be taken to smugglers' staging areas near the border. The Estonian cabinet ruled that no bulk commodities could be shipped into the 10-verst border strip without special permits.<sup>15</sup> Meanwhile, the Latvian Ministry of Provisioning prohibited anyone but select consumer cooperatives and local administrations from shipping salt, flour, and other necessities into Latgale, Latvia's eastern province, "with the aim of preventing the ferrying of these provisions across the border into Soviet Russia."<sup>16</sup>

While they purported to impose order, such blanket bans betrayed the authorities' impotence. Thus, even after the adoption of martial law, a conference of Latgale farmers' deputies complained of the "unprecedented speculation carried out on the Russian border," where "vast quantities of butter, meat, flour, leather, sugar, and other provisions are dispatched via the contraband route," and issued a "unanimous resolution" calling on the government to crack down on smugglers.<sup>17</sup> Why these farmers were unhappy about surging demand for these commodities –

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<sup>14</sup> Nuancing the prevailing narrative, e.g. Patrick Wright, *Iron Curtain: from Stage to Cold War* (Oxford: Oxford University Press, 2007), 181-84.

<sup>15</sup> *Riigi Teataja*, No. 155/156 (27 September 1920), 1233-1235.

<sup>16</sup> "Poiasnenie," *Segodnia*, 24 November 1920, 3.

<sup>17</sup> "Kontrabanda v Sov. Rossiu," *Segodnia*, 19 May 1921, 4.

with the important exceptions of sugar and salt, which they did not produce – is unclear; as the booming traffic indicated, however, many others were all too happy to embrace the resulting profits. These included the managers of those consumer cooperatives that succeeded in obtaining the coveted government permits for supplying Latgale – where, thanks to the threat of smuggling to Soviet Russia, they enjoyed nearly monopolistic pricing of their wares.<sup>18</sup> Not satisfied with these local profits, some Latvian cooperatives also turned their sights eastward, thereby perpetuating the traffic that justified their regional monopoly. “Due to the mysterious shipping of a large quantity of salt and other foodstuffs to Sov[iet] Russia, the entire governing board of the Posīne cooperative has been dismissed,” *Segodnia* reported in early July 1921. “A criminal prosecution has been launched.”<sup>19</sup>

### ***Latvian Longing***

However, the Latvian government’s policing measures – including restrictions on shipping supplies into Latgale, the prosecution of smugglers, and even the introduction of martial law along the Soviet frontier – were becoming an increasingly marginal side of its policy towards smuggling across Latvia’s eastern border. Even as they attempted to police this traffic, Latvian authorities sought to profit from it.

While Moscow now considered virtually all frontier commerce contraband, Riga was unencumbered by any commitment to the Soviet state monopoly on foreign trade. As detailed at the end of the preceding chapter, within a month of the signing of the peace treaty, the Ministry of Provisioning had set up along the former frontline a number of “receiving stations,” at which

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<sup>18</sup> “Prodovol’svennoe polozhenie Latgalii,” *Segodnia*, 21 October 1920, 5.

<sup>19</sup> “Kontrabanda v Latgalii,” *Segodnia*, 3 July 1921, 3.

peasant smugglers from the Soviet side bartered their flax for salt and other necessities. Trade talks with the Bolsheviks – for many still a contradiction in terms – would take time; and in any case, Latvia no longer required Russia’s permission to do business.

Moreover, the new nation had scores to settle with its erstwhile Russian rulers. As the tsar’s army retreated before the advancing Germans, it took Latvia’s industry with it, dismantling “entire factories (with workers) for re-assembly in the Russian mainland.” By one estimate, the Russians shipped east some 20,000 freight cars worth of industrial equipment worth around 500 million tsarist rubles (approximately 374 million prewar US dollars). By another, Latvia lost 800 factories with an annual output worth 200 million rubles. The Russian retreat (combined with wartime destruction, German occupation, and civil war) pulled Latvia decades back in development; by 1921, the share of manufacturing in its economy was just a third of what it had been a quarter-century earlier. Meanwhile, war fatalities, population displacement, and the flight of ethnic Germans and Russians had reduced the country’s inhabitants from 2.5 million in 1914 to 1.8 million five years later. What had proudly developed into “one of the most industrialized parts” of the Russian Empire – as well as its primary foreign trade hub – reemerged from the conflagration a peasant nation, diminished, destitute, and (economically) orphaned.<sup>20</sup> Under the circumstances, Riga could not afford to turn its nose up at any opportunity for profit. That it should come against the Russian government’s wishes could only have made the scheme more satisfying.

Because broad structural forces obscure the impact of local contingencies, however, it is worth noting here that the state-sponsored contraband trade across the Latvian-Soviet frontier also

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<sup>20</sup> Holger C. Wolf, “Inflation and Stabilization in Latvia: 1918–1922,” *Economic Systems* 25, no. 1 (March 2001): 34–35.

received a significant boost from an instance of massive bureaucratic bungling. The Latvian Ministry of Provisioning saw in the barter stations a pragmatic solution to an earlier commercial misstep. In the spring and summer of 1920, the Ministry had purchased from Norway over 100,000 barrels of salted herring, in the hopes of reselling a significant portion of the fish to the Soviet government following the conclusion of the peace. However, the Soviets successfully negotiated directly with the Norwegians the purchase of an even larger amount. Meanwhile, despite the food shortages, discerning Latvian consumers proved reluctant to abandon their prewar preference for Scottish herring. The resultant losses to the struggling Latvian Treasury caused a scandal, prompting a Parliamentary investigative commission to recommend criminal prosecution of those involved in the ill-conceived purchase. Scrambling to respond, the Ministry of Provisioning turned to the frontier.<sup>21</sup>

As the country's leading daily paper later quipped in a front-page exposé, the Ministry awarded concessions for the operation of barter stations catering to smugglers along the Soviet border, "conditional on the concessionaire undertaking to sell the herring of the Ministry of Provisioning, which had once fouled the air in the vicinity of Riga Castle."<sup>22</sup> A Latvian historian who has investigated the "Herring Affair [of] 1920" concludes that "most of the herrings flowed out [via] these concessions," "receiving in return flax, horses, precious metals and other goods from Soviet Russia."<sup>23</sup> Thus – out of a mix of commercial pragmatism, bureaucratic scandal, and

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<sup>21</sup> Viesturs Pauls Karnups, "Latvian and Norwegian Economic Relations - the Herring Affair [of] 1920," in *Enlargement of the European Union in the Baltic Sea Region: Social and Economic Challenges and Opportunities* (Riga, 2004), 222–28.

<sup>22</sup> "Mīklaina tirdzniecība," *Jaunākās Ziņas*, 20 July 1921, 1. Translated by Ieva Līne.

<sup>23</sup> Karnups, "Latvian and Norwegian Economic Relations - the Herring Affair [of] 1920," 227.

a recognition that the traffic would proceed with or without the authorities' blessing – a state-sanctioned smuggling economy was born on the Latvian-Soviet frontier.

### ***Estonia's Experiment***

#### *A Salty Start*

The linchpin of food preservation techniques for centuries, salt played an outsized role in Russian peasant households stocking meat and vegetables in the cellar for the "long and barren winter" ahead.<sup>24</sup> Salt was the key ingredient of such staple dishes as *rassolnik* (lit., brine soup), featuring pickled cucumbers, pearl barley, and pork or beef kidneys; *solyanka* (also, literally, brine soup), cooked with meat, fish, or mushrooms; *solonina* (lit., salted meat), or corned beef; a distinctive sauerkraut, fermented in large wooden barrels; and many others. A revered half of the traditional Slavic welcoming ritual of bread-and-salt, its white crystals were sprinkled to seal marriages and mollify the malicious nymphs menacing home and barnyard.<sup>25</sup> Not least, men and women from Pskov to Vladivostok downed the pickling brine, *rassol*, religiously in the morning to lessen the torments of a hangover.

However, neither the salt mines of the Urals and Ukraine, nor evaporation from the saline lakes of the lower Volga, Turkestan, and Siberia, or from the waters of the Caspian and Black seas, satisfied the Russian Empire's thirst for salt. In its last five years of peace, the Empire's customs houses registered an average of over 64, 000 tons of table salt imports annually; by 1913, the total approached 73, 000 tons. Nearly two-thirds of that amount came from Germany, which had dominated the Northern European salt trade since Hanseatic times.<sup>26</sup>

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<sup>24</sup> Mark Kurlansky, *Salt: A World History* (New York: Penguin Books, 2003), 173.

<sup>25</sup> Linda J. Ivanits, *Russian Folk Belief* (Armonk, N.Y.: M. E. Sharpe, 1992), 27, 53–55, 109, 114, 123, 170.

<sup>26</sup> Vinokur and Bakulin, *Vneshniaia torgovlia SSSR, 1918-1927/28*, 374, 575–76.

That salt flow fell victim first to the tsar's war with the Kaiser, and then to the collapse of Soviet foreign trade during the Civil War. Soviet customs checkpoints recorded no imports of salt at all in 1918; instead, 972 tons of salt were shipped *out* to newly-independent Finland. The following year, just 173 tons of salt were officially imported into Bolshevik-held territory, from newly-independent Poland (which had regained control of the Galician salt mines from its former Austrian overlords), and from Germany. In 1920, official Soviet imports of salt still totaled only 242 tons, and a mere 232 tons arrived in the first nine months of 1921.<sup>27</sup>

While Estonians did not produce salt, they had long traded in it. Stout wooden barges, rigged with a Viking-style square sail or towed along the shore with long ropes, had plied Lake Peipus (Peipsi or Chudskoe) since the fourteenth century, carrying salt (as well as cloth, beer, wine, and spices) from Hanseatic League merchants to barter for Russian furs, honey, and wax. By the nineteenth century, over five hundred barges, little different from their medieval predecessors, helped maintain a lively trade between the Estonian and Russian coasts.<sup>28</sup>

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<sup>27</sup> Vinokur and Bakulin, 8–9, 24–25, 38–39, 57.

<sup>28</sup> See <https://www.lodi.ee/come-sailing/the-barge-jommu>. The author has enjoyed a trip on this replica barge, constructed by local enthusiasts in 2006.

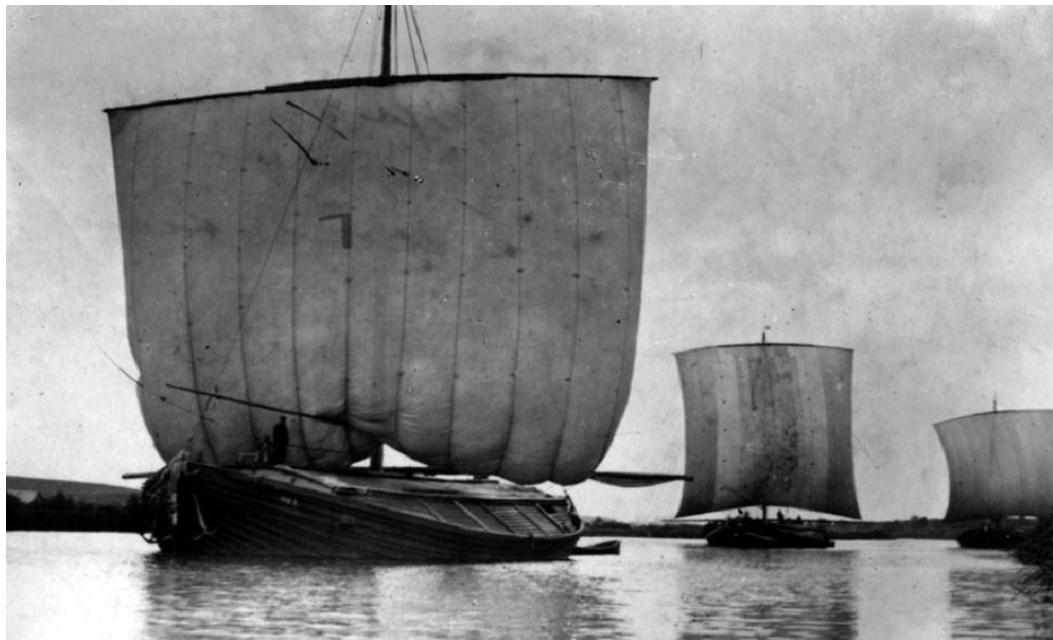


Figure 5: The Peipus Lake barges (early 20<sup>th</sup> century)

Source: <https://www.visitestonia.com/en/the-jommu-barge>

After the signing of the Tartu peace treaty, shortages of salt on the Soviet side prompted the barges to set sail once more – but this time against the wishes of Russia’s rulers. The Estonian government “especially patronizes the export of salt into the Soviet Republic,” the commander of Soviet border guard forces in the area observed in July 1920, reporting that “large barges laden with salt, guarded by Estonian sentries and armed ships” were “constantly anchored” near the northern and southern mouths of the narrows linking lakes Peipus and Pihkva (Pskovskoe) – that is, “at the very borderline” – for the convenience of Russian fishermen-smugglers. After ferrying the salt back to the Soviet coast, the “fishermen” would disappear up its dendritic rivers, their nimble skiffs hidden by the thick brush covering the marshy shores.<sup>29</sup>

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<sup>29</sup> Solov’ev and Chugunov, *Pogranichnye voiska SSSR, 1918-1928*, 326–29.

Estonian government support for the smuggling of salt to Soviet territory was a departure from its efforts to suppress this traffic only a year earlier. In 1919, Estonia's own imports of salt totaled less than 2,000 tons, and the supply was rationed.<sup>30</sup> However, “[d]espite every kind of obstructive measure, salt somehow still reached the border. Even draymen from the remote Felinskii [Viljandi] county would show up at the border with salt, to say nothing of the Yuriev [Tartu] and Verro [Võru] speculators,” recalled a resident of Petserimaa, the Estonian county lying along the southern stretch of the Russian frontier across from Pskov. “In the mornings, by the police precinct and at the border guard post, one could see dozens of detained horses – some without the owner, as the latter, seeing the approaching pursuit, would abandon the horse, reasoning that with the next lucky trip, everything will be covered.”<sup>31</sup>

Indeed, even two years later, when Estonian authorities would sanction the trade with Russian smugglers, thereby ending the need for a risk premium on the Estonian side, a three-pood (fifty-kilogram) sack of salt still fetched a five-ruble tsarist gold coin. With the merchants' expenses at 90 marks per pood, and the coin worth 900 marks, profits could exceed 300 percent; and with Estonia's imports of salt rising to over 18,000 tons in 1920 – exceeding the total weight of every other commodity imported into the country that year – there would be plenty left over to fill the smugglers' sacks.<sup>32</sup>

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<sup>30</sup> H. Kukk, “Eesti Väliskaubandus (Lühike Ülevaade) 1919-1921 a.,” *Eesti Statistika Kuukiri*, no. 5 (1922): 37.

<sup>31</sup> “Esche o tovaroobmennykh punktakh,” *Pecherskii vestnik*, 11 January 1922, 1; Kukk, 37.

<sup>32</sup> *Pecherskii vestnik*, 11 January 1922, 1; H. Kukk, “Eesti Väliskaubandus (Lühike Ülevaade) 1919-1921 a.” *Eesti Statistika Kuukiri*, no. 5 (1922): 37.

### *The Land Captain's Proposal*

Johannes Reinalt was a practical man. It was likely his pragmatism, no less than his patriotism, that prompted his selection for a position that would demand deep reserves of both. In November 1920, Reinalt was appointed “land captain” of Petserimaa. As the former chairman of the governing council of Harju county, home to the Republic’s cosmopolitan coastal capital of Tallinn, the forty-five-year-old economist and newspaperman might have regarded his new posting as a kind of patriotic exile.<sup>33</sup>

Grafted onto Estonia at the Tartu peace settlement earlier that year, Petserimaa quickly proved a thorn in the side of the young Republic. Nearly two-thirds of the county’s 61,000 inhabitants identified themselves as Russian in the 1922 census. Most of the rest belonged to the Seto, a Russian-Orthodox Estonian ethnic minority speaking a local dialect. With their absent surnames and the lowest rate of literacy in the country, Petserians might have proven difficult subjects in the best of times. Their uncertain loyalties and enduring cross-border ties, a moribund imperial bureaucracy staffed by resentful Russian officials, an influx of refugees from the East, and Russian monarchists vying with Communists in challenging the new order meant that the vulnerable frontier region demanded an even more decisive approach. A special land captainship (*maaülem*) enjoying sweeping authority and reporting directly to the Ministry of the Interior was instituted in late summer 1920, and Reinalt formally assumed his duties on November 23.<sup>34</sup>

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<sup>33</sup> Reinalt, Johannes,” *Eesti biograafiline andmebaas ISIK*, <http://www2.kirmus.ee/biblioserver/isik/index.php?id=3051>;

<sup>34</sup> *Estonica: entsiklopediia ob Estonii* [http://www.estonica.org/ru/Интеграция\\_Печорского\\_уезда\\_в\\_Эстонскую\\_республику](http://www.estonica.org/ru/Интеграция_Печорского_уезда_в_Эстонскую_республику); Alenius, “Dealing with the Russian Population in Estonia, 1919–1921.”



*Figure 6: Petserimaa Land Captain Johannes Reinthal (1875-1945), on assuming the office in 1920*

*Source:* Eesti Kirjandusmuuseumis, Eesti Kultuuriloo Arhiiv, A-137: 112.

It did not take the land captain long to identify his new fiefdom's most pressing challenge, and to propose a radical change in policy. "The county of Petseri is far behind the other counties of the Republic in terms of its infertile land, unorganized governance and low cultural background," Reinthal informed the Interior Ministry on February 17, 1921. "Therefore, the tax receipts from Petseri county are low, and it is doubtful that the expenses of governing it will be met. It is most probable that the country will have to grant additional funds to Petseri county. To avoid a situation in which one county would have to live off the other counties' earnings, the productivity of Petserimaa must rise."<sup>35</sup> The solution, the land captain suggested, lay in what the authorities had considered a problem: the frontier.

In Reinthal's view, Petserimaa's greatest liability was also its major asset. "Petseri shares a border with Russia, which is important because in Russia there is always a need for certain

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<sup>35</sup> Eesti Rahvusarhiiv (hereafter ERA) 13/1/21: 58. Translated by Kerli Etti.

articles. In our country there are certain goods, such as salt and alcohol, of which we have plenty, but which are, however, in high demand in Russia,” Reinthal argued methodically. “As I am aware, these goods are transported to the other side of the border by means of the contraband trade … As real life demonstrates, it is impossible to keep this contraband trade from happening with the current manner of governance.”<sup>36</sup>

“This contraband trade has some great disadvantages,” Reinthal explained. Mindful of his role as an Interior Ministry official tasked with securing Estonia’s exposed underbelly – the chief concerns of his audience at the Ministry’s headquarters in Tallinn – the land captain first emphasized the security risks. “It is impossible to exercise control over who is engaged in the contraband trade, in terms of establishing their identities,” Reinthal warned. “Such persons appear suspicious, and it is possible that they may not be loyal to the Republic.”<sup>37</sup> Indeed, the experience of the recent war had shown that smuggling served as the camouflage of choice for Bolshevik agents.

Moreover, Reinthal argued pragmatically, “[t]he contraband traders earn substantial sums, on which they do not pay taxes.”<sup>38</sup> The land captain was not concerned about the Estonian State Treasury’s loss of customs duties, an academic abstraction amid the anarchy reigning on the frontier. Rather, smuggling across the Soviet border was simply Petserimaa’s most profitable proposition. That the county government should ignore this flourishing trade while struggling to balance its budget with taxes scraped from poor farmers and fishermen offended both sense and

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<sup>36</sup> ERA 13/1/21: 58. Translated by Kerli Etti.

<sup>37</sup> Ibid, 58. Translated by Kerli Etti.

<sup>38</sup> ERA 13/1/21: 58 rev. Translated by Kerli Etti.

sensibility. The smugglers profiting from Petserimaa's location, Reinthal reasoned, should be made to pay for its upkeep.

Finally, Reinthal inveighed, “[t]his kind of contraband trade demoralizes local soldiers and inhabitants.” The locals “abandon their household chores to earn easier money.” Not only were the smugglers not paying county taxes, they were also depressing the productivity of Petserimaa’s already-struggling farmers, while simultaneously eroding the Petserians’ moral fiber and their respect for Estonian government authority. “This contraband is also encouraged by the border guards, who obtain either Imperial Russian or Soviet money, or flax and furs in exchange,” Reinthal lamented. Simply intensifying border control risked encouraging greater abuses: the soldiers “might start to harass or even blackmail the locals under the pretext of hunting for smugglers.”<sup>39</sup>

The solution to this illicit traffic’s manifold ills lay in its legalization. “To eliminate these negative effects of the contraband trade, it would be expedient to set up trading shops, in which salt, alcohol, etc., could be traded for flax and fur,” Reinthal concluded, “as it is practiced to good effect in Latvia.”<sup>40</sup> Estonia’s southern neighbor and competitor thus offered both inspiration and precedent for a radical change in policy on the frontier.

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<sup>39</sup> ERA 13/1/21: 58-58 rev. Translated by Kerli Etti.

<sup>40</sup> Ibid. Translated by Kerli Etti.

### *Baltic Leapfrog*

But why was Estonia playing catchup to Latvia in legalizing the Soviet border trade? After all, Tallinn had signed its peace treaty with the Soviets in February 1920, over half a year before Riga did the same. Estonia's frontline thus began its transformation into a frontier sooner than did Latvia's; and Tallinn, not Riga, became Soviet Russia's first window to the West. Why did the Estonian authorities fight smuggling across the Soviet frontier for over a year before finally moving to legalize the trade – while their Latvian counterparts set up frontier barter stations within a month of signing a peace treaty?

To be sure, this divide was not quite so clear-cut. As detailed above, even as they combatted contraband, by the summer of 1920 Estonian authorities were happy to barter salt for flax with Russian fishermen-smugglers on Lakes Peipus and Pihkva. Meanwhile, Latvian authorities struggled against the smuggling of foodstuffs out of their country even as they encouraged Russian peasant smugglers to trade flax for salt at the frontier barter stations.

Broadly speaking, however, the Estonians likely took longer to embrace the illicit Soviet frontier trade for several reasons. For one, shortages of staples such as flour lasted for well over a year after the Tartu peace, making Estonian authorities especially wary of the freewheeling frontier exchange. Moreover, with lucrative trade deals struck in Tallinn, steamships crowding its port, and the Narva-Petrograd railway operating at capacity, Estonian officials saw little reason to foster the shadowy traffic and risk diplomatic complications with Moscow. Although guarded by Estonian patrol boats, the salt barges catering to smugglers that summer on the vast frontier lakes anchored far enough from the Soviet shore to avoid embarrassing either side.

The Latvians enjoyed no such topographical fig leaf; but they were eager to catch up to the enterprising Estonians, who had been facilitating Soviet commercial contacts with the West for the better part of a year. A wartime culture of muscular state intervention in the economy, especially in the realm of trade, encouraged Latvian officials to regard the frontier traffic as their rightful preserve. Most directly, the state monopoly on flax, administered by the Ministry of Provisioning, prompted the Ministry to expand its operations into the collection of flax smuggled in by Russian peasants. Finally, there was the matter of the Norwegian herrings, which the same Ministry was eager to offload before they spoiled and further “fouled the air in the vicinity of Riga Castle.”<sup>41</sup>

In legalizing the Soviet frontier traffic, then, the Estonians were catching up to the Latvians – who themselves were compensating for the Estonians’ head start in the broader competition for Soviet trade. While security concerns and moral panic both played a part, in both countries the primary motive for legalizing the trade was economic. In Latvia, the push came from bureaucrats at the Ministry of Provisioning; in Estonia, from a border county chief struggling to balance the local budget. Everywhere, governments were catching up to developments on the ground, and attempting to channel the smugglers they struggled to control.

### *Implementation*

“To implement this in practice,” Reinald proposed, “I, alongside a local commander, will mark off 15-30 places near the Russian border where we could open the barter stations.”<sup>42</sup> The land captain insisted that “[t]he concessions for the stations should be given to respectable

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<sup>41</sup> “Mīklaina tirdzniecība,” *Jaunākās Ziņas*, 20 July 1921, 1. Translated by Ieva Līne.

<sup>42</sup> ERA 13/1/21: 58 rev. Translated by Kerli Etti.

companies of which we can be certain that they will not act against the interests of our country. The shop employees should be selected by the local administration, which will also ensure that no suspicious people accumulate on the border.”<sup>43</sup> Even legalized, the frontier trade would remain too suspect to leave in the hands of suspect operators.

Reinthal’s instructions and his choice of words make it clear that the land captain harbored no illusions about the illicit nature of the visitors from the Soviet side: “[f]or every trading center, an opening in the [barbed] wire should be left through which the border guard could, at a certain hour, escort the smugglers to the shop, and, when the smugglers have received their barter, send them back to where they came from through the same spot.”<sup>44</sup> Like his Latvian counterparts, Reinthal had no qualms about trading with Soviet smugglers. Inviting them into the country, however, risked providing contraband cover to Bolshevik agents. Supervision would therefore be even more crucial than before.

It would also be more challenging - and not only because Soviet smugglers, no longer considered smugglers by Estonian authorities, would be able to move about with impunity. Reinthal recognized that legalizing the trade would deprive Estonian frontier patrols of the substantial illicit income they garnered from smugglers’ bribes. “The keepers of the shops should pay the soldiers a certain sum,” the land captain proposed pragmatically, “which would ease the soldiers’ living conditions on the Russian border.”<sup>45</sup>

Everyone would benefit. “Establishing a legal avenue for the trade will definitely eliminate contraband trade because the smugglers” – those Estonian citizens who had bartered illicitly with

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<sup>43</sup> ERA 13/1/21: 58 rev. Translated by Kerli Etti.

<sup>44</sup> ERA 13/1/21: 58 rev. Translated by Kerli Etti.

<sup>45</sup> ERA 13/1/21: 58 rev. Translated by Kerli Etti.

their Soviet counterparts – “would not earn as much as before, and will therefore cease their activities,” Reinthal enthused. “Our country would receive many commodities which can be traded for foreign currency, the receipts of the county and the country will increase in the form of taxes, and it will be easier to exercise control over the interactions with the land beyond the border.”<sup>46</sup>

By the time Reinthal’s proposal arrived in Tallinn, however, government ministries and well-connected entrepreneurs were already angling to partake in the bonanza on the Soviet frontier. In late February and early March 1921, the Ministry of Finance – its appetite whetted by the valuables accruing to the State Treasury through the efforts of Estonian diplomats and couriers immune from Soviet customs inspections – signed several “contracts with civilians to transport spirits illegally to Soviet Russia,” in the evocatively prosaic formulation of a pioneering scholar of this trade.<sup>47</sup> That the Estonian Ministry of Finance had inherited its Imperial Russian predecessor’s administration of the state alcohol monopoly surely encouraged its proactive role in the traffic. The Ministry of War, whose infantry still guarded the frontier, was instructed not to interfere with these shipments; and in March, Estonian military authorities permitted the first permanent “trading stations” (*kaubapunktid*), of the kind that Reinthal had proposed, to open on the frontier.<sup>48</sup>

Reinthal had warned in his memorandum that “[i]t is advisable not to monopolize the business with one or two companies alone,” lest the perceived favoritism “prompt envy in other businessmen”; but the demand for well-situated barter stations quickly outpaced supply. Thus, a March 19 application from “Petseri city merchant” Jakob Uibo for the establishment of a “barter

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<sup>46</sup> ERA 13/1/21: 58 rev. Translated by Kerli Etti.

<sup>47</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1204. Translated by Mari-Ann Kass.

<sup>48</sup> Valge, 1205.

station” (*vahetuspunkt*) in the frontier village of Volkovo – conveniently located within a short wagon ride from the local railway stop – was rejected by the commander of the Army 2<sup>nd</sup> Division’s 5<sup>th</sup> Regiment on the grounds that another merchant had already set up shop in the village by permission of the Ministry of Trade and Industry.<sup>49</sup>

Indeed, the booming trade soon called for greater regulation than could be provided by the ad hoc permits issued by the Finance Ministry or frontline commanders. Moreover, as a burgeoning component of Estonia’s foreign trade, the frontier traffic was coming increasingly into the sights of the Ministry of Trade and Industry. On April 14, following consultations with the Ministries of War, Interior, Finance, and Transport, its head Juhan Kukk signed a secret set of “procedures” governing the traffic. Circulated to Reinthal and his police chief as well as to the commanders of the two army divisions guarding Estonia’s Soviet frontier, the instructions ordered all “businesses and entrepreneurs who have been granted trading permits by military organs” to “cease their activity on the Petseri border” until they obtained permits from the Ministry of Trade and Industry. Following Reinthal’s recommendation, Kukk’s instructions stipulated that permits would be issued “only to such businesses to which can be attributed the status of a 1<sup>st</sup> category business” – the highest tax bracket, reserved for wholesale operations.<sup>50</sup> Tallinn agreed: the frontier trade was too fraught with security risks to leave it to smalltime speculators.

Indeed, the instructions sought primarily to balance the benefits of the traffic with the authorities’ security concerns. This required, per Reinthal’s proposal, restricting the trade to designated locations determined jointly by local military commanders and civilian authorities.

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<sup>49</sup> ERA 13/1/21: 1-2. Translated by Leeve Karmo.

<sup>50</sup> ERA 13/1/21: 6+rev. Translated by Mari-Ann Kass.

Erected behind Estonian lines, the border shops were to be cordoned off from the rest of the country by barbed wire, put up at the merchant's expense; the same requirement applied to shops that beckoned Russian smugglers' skiffs to the Estonian coasts of lakes Peipus and Pihkva. The barbed wire enclosures would help contain the Bolshevik subversion, espionage, and propaganda that might otherwise slip through amid the more innocuous contraband smuggled in by the peasants and fishermen from the Soviet side. To ensure the efficacy of this security and ideological quarantine, the instructions stipulated that "each barter station is accompanied by a military checkpoint" that would monitor the exchanges, and the Ministry of Trade and Industry was "entitled to add its own extra guard." No foreigners were permitted to operate the shops.<sup>51</sup>

Tallinn evinced less interest in controlling the contents of the eastern border trade than in policing its participants. Kukk's instructions stipulated that "all kinds of goods, materials, and objects may be imported from Russia via these barter stations."<sup>52</sup> Admittedly, the limited range of articles brought by the Russians reduced the need for regulation: flax, furs, coins, banknotes, and valuables, all enjoying virtually bottomless demand in Estonia and further abroad, dominated the westbound flow; Russian peasants also ferried in such staple commodities as onions, hemp, and horsehair, and led horses and other livestock across the border. Indeed, to facilitate the transactions, on April 16 the Ministry of Finance even requested that military authorities stop confiscating Russian currency (see below) from the traders. Although "only goods approved by the Council on Foreign Trade" were authorized for export east, most wartime export prohibitions – with the important exception of flour and lard – were repealed by the end of May.<sup>53</sup> While Soviet

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<sup>51</sup> ERA 13/1/21: 6+rev. Translated by Mari-Ann Kass

<sup>52</sup> ERA 13/1/21: 6+rev. Translated by Mari-Ann Kass

<sup>53</sup> Valge, "Mitteametlik kaubavahetus Eesti—Vene piiril," 1206–7.

representatives negotiated transit trade deals in Tallinn, the entire Estonian border would serve as a window to the West, whether the Kremlin liked it or not.

### *Disillusionment*

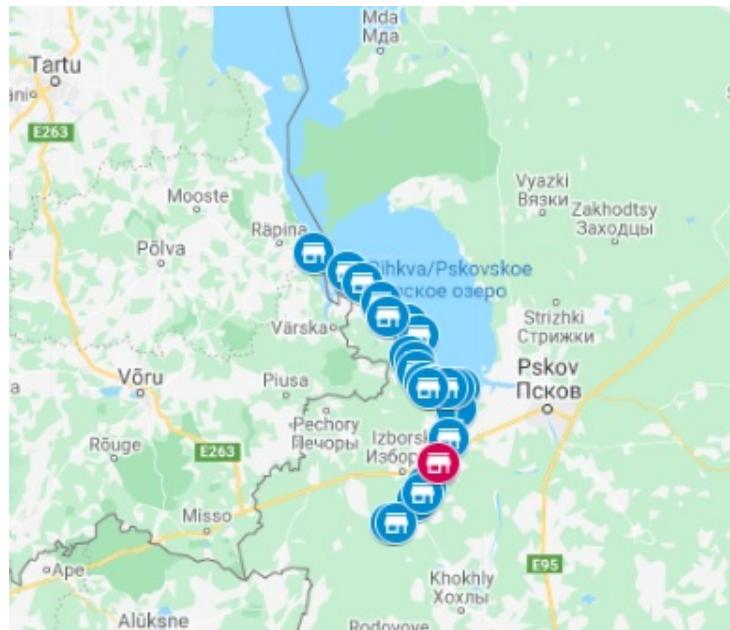
On November 2, 1921, as temperatures hovered around freezing, two men set out on the wet and slippery road leading from Petseri, the county capital, to Petserimaa's frontier with Soviet Russia.<sup>54</sup> District tax inspector A. J. Tomingas and head of the county department of trade and industry S. G. Scherbakov were on a mission. Starting in the south and working their way north, first along the land border and then the coastline of Lake Pihkva, Tomingas and Scherbakov would visit twenty-six of Petserimaa's frontier trading outposts, and report on what they found.<sup>55</sup>

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<sup>54</sup> Weather data from “Record of Climatological Observations,” Station: TARTU, EN ENE00175063, at <https://www.ncdc.noaa.gov/cdo-web/quickdata>.

<sup>55</sup> “Akt,” *Pecherskii vestnik*, 31 December 1921, 1-2 (a copy of the report is in ERA 31/3/5972: 4-5).

**Map 1: Estonian Frontier Barter Stations**



Source: “Smugglers’ Shops: Contraband Trade Outposts on the Soviet Frontier, 1920-24,” interactive map under construction at [https://www.google.com/maps/d/edit?hl=en&mid=1m3UncT95kw2StjKmULvyksUvaYA\\_9W3b&ll=57.904854595363545%2C26.87011170039055&z=8](https://www.google.com/maps/d/edit?hl=en&mid=1m3UncT95kw2StjKmULvyksUvaYA_9W3b&ll=57.904854595363545%2C26.87011170039055&z=8)

At least as far as the Estonian state was concerned, what the inspectors found was not encouraging. Subject to sizeable taxes but little oversight in their remote stations, the trading outpost operators had little incentive to report their turnover accurately to the authorities. Of the twenty-six sites Tomingas and Scherbakov visited, only three maintained satisfactory accounts of goods sold to Russian smugglers. Tellingly, those three shops – operated by the “Progress” company in coastal villages frequented by fishermen-smugglers from the Soviet side – belonged to the Petseri county administration itself. With the operator’s lease payments set at 35 percent of turnover, Land Captain Reinthal’s office had every reason to ensure accurate reporting.<sup>56</sup>

<sup>56</sup> “Esche o tovaroobmennyykh punktakh,” *Pecherskii vestnik*, 11 January 1922, 1; Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1208.

Accordingly, specially-assigned “controllers” from the county administration monitored Progress’s recordkeeping at all three stations.<sup>57</sup>

Elsewhere, unhindered by such close supervision, the outpost operators barely simulated compliance. “Records of turnover have begun to be kept only recently, and sloppily at that,” the inspectors reported of the Garantia Merchant Association’s station at Poddub’ye on the southeastern shore of Lake Pihkva (in business since at least October 1920 and patronized both by Soviet fishermen and smugglers crossing the land frontier). “Records of turnover are being kept, but not complete ones,” the Petseri officials reported of the trading outpost operated by “Kestler & Co.” at Novaia Derevnia; transaction logs were “weakly maintained” at the “Kosmos” company’s outpost at Anashkino, and were “only just beginning” to be kept at the merchant Egor Amosov’s shop at Mikhalevo.<sup>58</sup>

Other border businessmen did not even pretend to comply. The inspectors found that books were simply “not kept” at Kangro & Co.’s coastal exchanges at Drisliviki, Lis’ya, and Zimnii Borok villages, or at Kestler & Co.’s station on Kamenka island. The same blunt assessment applied to Bernhard Palm’s busy lakefront outpost at Usadische, which would report sales of an improbably precise (and presumably understated) 10,729,051 Estonian marks’ worth of alcohol and other goods to Russian smugglers the following year.<sup>59</sup>

The inspection confirmed what Reinthal had already come to recognize: while the frontier shops were doing a brisk business, the government was seeing little of the profit. Indeed, the land

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<sup>57</sup> *Pecherskii vestnik*, 31 December 1921, 1-2.

<sup>58</sup> Ibid, 1-2.

<sup>59</sup> Ibid, 1-2; H. Saarniit, *Kodanlik Eesti sõjajärse revolutsionilise kriisi aastail, 1920-1924* (Tallinn: Eesti Riiklik Kirjastus, 1958), 81.

captain likely dispatched Tomingas and Scherbakov to substantiate the concerns that he had just laid out in a secret memorandum to his superiors at the Interior Ministry in Tallinn. “Now that these [barter] stations have been operational for half a year, it is possible to assess whether they justify themselves and have brought the expected profit to the economy of the fatherland,” Reinthal wrote on October 31. “Due to the lack of data, I cannot show in figures how large the scope of trade has been on the border (registration [of the transactions] is the purview of the military), but the overall impression is definitely such that our goods have traveled to Russia in great quantities.”<sup>60</sup>

As the inspectors soon found, however, the military authorities were hardly better-informed. Although the April 1921 guidelines governing the border trade stipulated that “[e]very barter station is [to be] accompanied by a military checkpoint, where the nature of the imported and exported goods will be noted,” Tomingas and Scherbakov encountered no soldiers or officers stationed at any of the outposts. “Military control is not conducted on location; rather, the records are copied” – presumably by an occasionally-visiting officer – “from the books of the [barter] station manager,” the inspectors observed of Palm’s outpost at Usadische. The same procedure was followed at Garantia’s outposts at Poddub’ye and Volkovo, as well as at Egor Amosov’s outposts at Mikhalevo and at Kot’ya Gora by Lake Poganoe. Making a mockery of an already sham process, at the latter outpost, the transactions copied by the visiting officer were themselves initially recorded not at the border shop where the exchanges took place, but at a warehouse three kilometers inland. Other frontier trading outposts apparently saw even less supervision.<sup>61</sup>

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<sup>60</sup> ERA 13/1/21: 68-69. Translated by Mari-Ann Kass.

<sup>61</sup> *Pecherskii vestnik*, 31 December 1921, 1-2.

Through the fall of 1921, then, both the outpost operators on the Estonian frontier and the Russian smugglers they serviced thus benefitted from the Estonian authorities' benign neglect. While the outpost operators simulated compliance, the military maintained the appearance of supervision, an arrangement ripe for mutually-profitable understandings. In a vestige of prior practice, several coastal outposts (at Zimnii Borok, Kamenka, Lis'ya, Drisliviki, Shartovo, and Berez'ie) continued to obtain ad hoc permissions from local military authorities to ship goods to the frontier, creating further opportunities for graft but leaving the traffic largely unregulated, and unrecorded.<sup>62</sup>

Those minding the interests of state finances – and especially of the deficit-ridden local budgets – found this arrangement increasingly untenable. “Up to now, there was hope of receiving a little something” from the border exchanges, “at least in the form of income tax,” the lead editorial in *Pecherskii vestnik*, the county administration’s bilingual paper, mused on December 17<sup>th</sup>. “[B]ut we are compelled to acknowledge that even those crumbs that were supposed to be pried from the merchants may be lost.” Having anticipated the problem of taxing the shadowy traffic well before his November tour of the frontier outposts, Petseri district tax inspector Tomingas (along with “some of the more sophisticated members of the county administration”) had tried to compel the merchants to make advance payments based on their expected turnover. “Naturally, nothing came of it,” the paper observed, with phlegmatic provincial fatalism.<sup>63</sup> Some local administrations, such as the governing council of Petserimaa’s frontier Izborsk volost, sought to take matters into their own hands, resolving to levy a tax on “all transit-barter stations” in the

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<sup>62</sup> Ibid, 1-2.

<sup>63</sup> “Pervyi bankrot,” *Pecherskii vestnik*, 17 December 1921, 1.

bailiwick; but such patchwork efforts only underscored the Estonian state's broader failure to tame the traffic.<sup>64</sup>

To be sure, Estonian state finances profited from the frontier traffic even if the authorities failed to tax the trade directly. The bulk of the goods sold to Russian smugglers – with the major exception of alcohol – were first imported into Estonia from further west. When ships carrying the future contraband docked at Tallinn, Estonian customs agents duly collected import duties. When the goods were loaded onto freight trains and ferried to Tartu, to be shipped down the coasts of Lakes Peipus and Pihkva, or else carried all the way to Petseri and then hauled to the trading outposts along the land border, the state collected freight and postage fees and taxed the shipping companies. Producers of alcohol and other articles made (or at least processed) in Estonia also paid industry taxes, excise, and license dues.<sup>65</sup> Moreover, according to the April 1921 regulations, entrepreneurs wishing to open trading outposts on the frontier had to pay the standard annual fee for a 1<sup>st</sup>-category business license. While some operated without authorization, most seem to have complied with this requirement. The problems of oversight notwithstanding, Reinthal nonetheless insisted that “the incomes of the barter station owners are, of course, accounted for in the determination of business and income taxes.”<sup>66</sup> Finally, the frontier trade generated and powered an ancillary economy of its own.

Still, “[d]espite all of this, a number of abuses have come to pass at the barter stations, the continuation of which cannot be allowed,” the land captain argued in his October 31 memorandum to the Interior Ministry. “Not all firms are conducting business respectably; instead, they attempt

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<sup>64</sup> *Pecherskii vestnik*, 5 November 1921, 2.

<sup>65</sup> ERA 13/1/21: 68-69. Translated by Mari-Ann Kass.

<sup>66</sup> ERA 13/1/21: 68-69. Translated by Mari-Ann Kass.

to dispatch illegal goods such as flour, fats, etc., across the border.”<sup>67</sup> Indeed, several days later, his inspectors would discover in the storeroom of Garantia’s outpost at Zagriv’ie supplies of “wheat flour, which it is forbidden to export.” Admittedly, the inspectors found no prohibited provisions stockpiled at the other twenty-five barter stations they visited.<sup>68</sup> But the share of flour and lard in the turnover of the barter stations was limited less by the occasional inspection than by the competing profitability of the many other exportable articles – which also enjoyed all the advantages of unfettered acquisition and distribution.

In any case, the sale of restricted foodstuffs to Russian smugglers was no longer regarded as the frontier traders’ primary transgression. A bigger problem turned out to be what the outposts imported into Estonia. “It is a great flaw that many merchants do not adhere to their pledge to accept as payment only certain articles (flax, furs, etc.), as had been intended for these trade points,” Reinthal rued. “[I]nstead, they accept as payment various Russian notes, which flood our domestic market and indirectly devalue our own mark.”<sup>69</sup>

When he had argued for legalizing the frontier trade, Reinthal had hoped to stem this influx. “The contraband traders use Russian currencies of dubious value,” he deplored, “and moreover, we have plenty of Russian currencies in our country.”<sup>70</sup> Sent to Petserimaa to bring the borderland firmly into the fold of the Estonian Republic, Reinthal took his mandate seriously. The county paper would report that spring that the land captain had personally removed a district chief for “accepting as tax payments several thousand tsarist and Duma rubles, which currencies, as is well

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<sup>67</sup> ERA 13/1/21: 68-69. Translated by Mari-Ann Kass.

<sup>68</sup> *Pecherskii vestnik*, 31 December 1921, 1-2.

<sup>69</sup> ERA 13/1/21: 68-69. Translated by Mari-Ann Kass.

<sup>70</sup> ERA 13/1/21: 58 rev. Translated by Kerli Etti.

known, have no value at the present time.”<sup>71</sup> That monetary obituary appeared premature, however; the same paper soon published a table detailing the rates at which the county treasury redeemed Russian notes and coins of every vintage.<sup>72</sup>

Indeed, Jaak Valge, the leading Estonian economic historian of the period, reports that “[t]he average Estonian citizen barely used the Estonian mark as a means of payment during the first years of independence. Tsarist roubles [sic] and occasionally German marks were preferred for savings purposes.”<sup>73</sup> Amid the dizzying succession of regimes, ideologies, and currencies, not to mention the period’s seismic personal dislocation and physical destruction, Estonians (among others) stubbornly clung to measures of value from a simpler past. Tsarist rubles remained a repository of value because they were all that remained. It would take time for the Imperial Russian eagle to loosen its grip on the mental habits of the empire’s former subjects, and it would take longest along the Russian frontier. Legalizing and regulating the border trade, Reinthal had hoped, would enable Estonian authorities to check the influx of Russian currency and finally pry loose its tsarist talons.

(For its part, in late November 1920, the Latvian government prohibited the import of all Russian paper currency after December 1, although it made an exception for returning refugees; in all other cases, unless authorized by special permission from the Ministry of Finance, Russian banknotes were “liable for confiscation as contraband.”<sup>74</sup> The ban was evidently poorly enforced, as in April 1921, Trade and Industry Minister Bērziņš excoriated smugglers secreting foodstuffs

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<sup>71</sup> “Otstranenie ot dolzhnosti,” *Pecherskii vestnik*, 11 May 1921, 2.

<sup>72</sup> “Pokupnoi kurs inostrannoi valiuty v kaznacheistvakh,” *Pecherskii vestnik*, 7 September 1921, 1.

<sup>73</sup> Valge, *Breaking Away from Russia*, 79.

<sup>74</sup> “Raspriazhenie otnositel’no russkikh denezhnykh znakov,” *Segodnia*, 28 November 1920, 4. On Riga’s struggle to exercise sovereignty over the country’s currency, see Wolf, “Inflation and Stabilization in Latvia.”

to Russia “in exchange for worthless tsarist money.” “The best remedy,” Bērziņš proclaimed, “is to explain to the citizens that the tsarist money they receive has long lost all real value.”<sup>75</sup> While such paternalistic pronouncements probably did little to change habits, the gradual displacement of prerevolutionary Russian notes by local currencies would compel smugglers to adopt media of exchange that caused far greater concern to *Soviet* authorities.)

The Petserimaa land captain’s objection to the influx of Russian currencies through the trading outposts was not grounded in sentimental nationalism, or even a desire to assert Estonia’s monetary autonomy. Because most of the goods sold at the frontier outposts were first imported into Estonia, Reinthal argued that “the goods dispatched to Russia are recorded in our import balance, that is, they increase it” – while the subsequent ‘reexport’ of these goods to Russian smugglers went unrecorded in Estonia’s foreign trade statistics. “Nothing is known abroad about our [frontier] trading points,” the *Pecherskii vestnik* echoed the land captain. “The goods sold in them we have ourselves purchased outside the country. For this very reason, foreign businessmen are under the impression that alongside massive imports, we have relatively low exports.” “Of course, it would be different if we received real goods from Russia in exchange,” the paper explained. “Unfortunately, however, there is much less flax coming in from there than there ought to be.”<sup>76</sup> When Russian smugglers paid with flax and furs, these goods were subsequently exported from Estonia and recorded in the country’s customs statistics, thus helping to balance its trade deficit; but when the smugglers paid in Russian currencies, Reinthal argued, “no real value makes

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<sup>75</sup> “Ministr torgovli o dorogovizne,” *Segodnia*, 5 April 1921, 3.

<sup>76</sup> ERA 13/1/21: 68-69, translated by Mari-Ann Kass; “O tovaroobmennyykh punktakh,” *Pecherskii vestnik*, 19 November 1921, 1.

up” for the imported goods recorded earlier – and, as the paper explained, “this pushes the exchange rate of the mark downward.”<sup>77</sup>

To be sure, the contraband trade across the Soviet frontier was only one of myriad forces acting upon the value of the Estonian currency. Whatever the Russian smugglers’ impact, it was surely dwarfed by the monetary policy of the Bank of Estonia; over the course of 1921, its printing presses nearly doubled the number of marks in circulation.<sup>78</sup> But with the recorded trade balance growing dramatically negative – Estonia officially imported nearly twice as much value that year as it exported – the shadowy traffic became a natural locus of anxiety about the young Republic’s economic prospects.<sup>79</sup>

However, the Estonian authorities’ misgivings about the trade were never primarily economic. Security concerns – preventing infiltration by Soviet spies, saboteurs, and propagandists – reigned paramount. Recent experience had demonstrated the Soviet intelligence services’ predilection for both employing smugglers as agents and disguising agents as smugglers. Accordingly, Reinthal’s February 1921 proposal had emphasized the need to convoy the smugglers from the border and back, and the Ministry of Trade and Industry’s April guidelines had called for the border shops to be cordoned off from the rest of Estonian territory with barbed wire put up at the merchants’ expense. However, the merchants did not appear eager to comply, and the border guards failed to enforce the rules. Tomingas and Scherbakov found the requisite “isolation” in

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<sup>77</sup> ERA 13/1/21: 68-69. Translated by Mari-Ann Kass.

<sup>78</sup> Valge, *Breaking Away from Russia*, 121.

<sup>79</sup> *Väliskaubandus 1921 ja 1922 a.* (Tallinn: Riigi statistika keskbüroo väljaanne, 1923), 14.

place at just four of the twenty-six outposts they visited; all four belonged to the Petseri county administration itself.<sup>80</sup>

Elsewhere, neither fencing nor soldiers interfered with the Russian smugglers' movements or their interactions with the locals. "The retail space is situated inside the settlement, in the house where the owner's family resides," the inspectors reported of Egor Amosov's shop at Mikhalevo. "There is no isolation of any kind, and customers come into the village as they please." Trading outposts were similarly nestled inside the frontier villages of Anashkino, Poddub'ye, Novaya Derevnya, Volkovo, Zagriv'ye, Gryadische, Zaput'ye, Vidovichi, and Molochkovo; although the latter was situated on the lakeshore and accessible only by boat, the inspectors noted that "one can constantly witness scores of people from both sides" of the border. It would have been difficult to isolate the shops from villages spilling out onto the recently-established frontier; and it was even harder to corral off those outposts that sat half a kilometer deep into Estonian territory (as at Novaya Derevnya, Volkovo, and Poddub'ye), or those (as at Kotya Gora) that stockpiled the goods at warehouses as far as three kilometers inland.<sup>81</sup> In any case, nobody seemed interested in trying.

Without barbed wire or border guards to limit their movements, smugglers acting as Soviet agents, or Soviet agents disguised as smugglers, could easily carry out more nefarious tasks. Mixing with the villagers, they could pass and receive messages; socializing at the trading outposts, they could gauge popular discontent with the authorities, plant rumors, or learn about troop deployments or the construction of fortifications. Slipping away unnoticed in the bustle, a

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<sup>80</sup> *Pecherskii vestnik*, 31 December 1921, 1-2.

<sup>81</sup> *Ibid*, 1-2.

“smuggler” could perform reconnaissance, rendezvous with a resident Soviet intelligence officer, or even join fellow agents at a prearranged spot to conduct a guerilla operation.

To tighten controls over the barter stations, Reinthal proposed drastically reducing their number, with “no more than 10-15” offered to the highest bidders.” The recipients “should not trade in contraband, accept Russian currency as payment, [or] hire speculators to work at their barter stations,” and should put up a large security deposit to ensure compliance. Finally, Reinthal insisted that it was imperative “not to grant any concessions to firms that do not furnish proof of their respectability even if they offer a higher price.”<sup>82</sup>

However, Tallinn found the land captain’s report and the county inspectors’ findings too alarming to entertain further experimentation – the more so as the Ministry of War complained that that “illicit” dealings taking place at the barter stations were “demoralizing the border guard.”<sup>83</sup> After further interministerial deliberations, on January 10, 1922, Minister of Transport and Acting Trade and Industry Minister Karl Ipsberg submitted to the Cabinet a memorandum recommending that the frontier barter stations be shut down by the end of the month. President Konstantin Päts signed off on the decision the following day: the barter stations were to be closed by February 1. Estonia’s experiment with state-sponsored contraband trade on the Soviet frontier was over – at least on paper.

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<sup>82</sup> ERA 13/1/21: 68rev. Translated by Mari-Ann Kass.

<sup>83</sup> “Seletuskiri ettepaneku juurde kaubavahetuse korra muutmise ajus Venemaaga piirii punktide kaudu ühenduses mannermaa piiriäärase maariba muutmisega,” n. d. [10 January 1922], signed by Karl Ipsberg, ERA 31/3/5972: 6-7.

## ***Latvia: Riga's Reforms***

### ***The Frontier as a Site of “Speculation”***

Meanwhile to the south, the flourishing frontier traffic that had inspired the Estonian authorities was causing considerable controversy in Latvia itself. Protests against the unchecked smuggling out of foodstuffs across the Soviet border were now joined by caustic criticism of the government-sanctioned frontier shops. “Latgalian farmers have repeatedly argued that speculation in Latgale takes place mainly on the Russian border, through private barter stations ... [T]ools, boots, cloth, bread, butter, and everything else, goods that are very needed here in Latvia, are flowing to Russia through the barter stations,” the Riga weekly *Jaunais Vārds* lamented in mid-May 1921. “The barter stations are organized in such a way that *they bring huge losses to the country*. Only the shop owners enrich themselves ... The actions of some of the barter shops are so obscene that they have raised extreme indignation in the local farmers. Thus, for example, in Liepna parish, farmers rebelled against the activities of the flax department,” at which “the farmers cannot buy anything using money. They are required to bring grain, which in turn then flows to Russia.” Even more scandalously, the paper reported that “the shops that purchase horses only promote the stealing of horses in Latgale. Stolen horses are being transported across the border by agents and terrible horses are brought back to Latvia.”<sup>84</sup>

While opposition to the frontier barter stations stemmed from a broad range of concerns, the cry of “speculation” – a charge more typically associated with the Soviet side of the border – was especially ubiquitous.<sup>85</sup> It reflected popular anxiety over hyperinflation, propelled by Riga’s

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<sup>84</sup> “Spekulanti,” *Jaunais Vārds*, 22 May 1921, 3, translated by Jānis Strankals. Emphasis in the original.

<sup>85</sup> See also “Mainas punkti,” *Latvijas Vestnesis*, 27 May 1921, 1.

desperate attempt to balance the state budget through the printing press. The successive issues of over a billion and a half new Latvian rubles in December 1920 and March 1921 had nearly tripled the country's money supply in just three months. Prices rose even more quickly, as merchants sought to shield themselves against currency depreciation.<sup>86</sup>

The crisis precipitated the resignation of Prime Minister Kārlis Ulmanis in June 1921 and the appointment of a new Cabinet, albeit one headed by a founding member of Ulmanis's own conservative Latvian Farmers' Union, Zigfrīds Anna Meierovics. In July, just as Moscow was beginning its experiment with economic liberalization, Riga issued a sweeping decree on the "registration of food-stocks and other goods, and measures against profiteering" that might have been mistaken for one of the early declarations of War Communism. "Merchants and other physical or juridical persons, being in possession of or having in their charge articles of food and other goods — on the spot or en route — have to register their stocks: in towns or villages within 2 days' time; in all other parts of Latvia — within 4 days' time from the day when the Ministry of Interior issues an order to this effect," the ruling announced. "It is entirely prohibited to stock for resale butter, flour, meal-products, meats, meat-products, potatoes, corn, peas, beans, vegetables, fats, groats, milk-products, fruit, and eggs, in streets, on roads or in stands in towns." A special commission of the Interior Ministry would determine "whether a business operation is to be regarded as profiteering" and "whether the increase of prices for certain goods is justifiable." Violators would face confiscation of stocks — of which 35% would be used to reward the informers — as well as fines of up to 3,000 gold francs and imprisonment of up to a year.<sup>87</sup> The new Cabinet

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<sup>86</sup> Wolf, "Inflation and Stabilization in Latvia," 42–43.

<sup>87</sup> "Regulation concerning registration of food-stocks and other goods, and measures against profiteering," *The Latvian Economist*, 1 August 1921, 188.

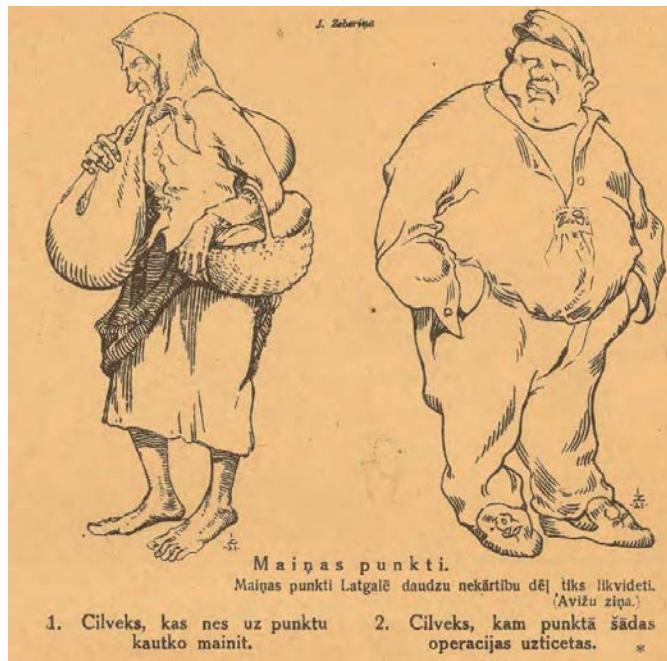
ominously promised to “take energetic steps against the parasite elements which are not engaged in any useful work, but carry on various kinds of dark business, thereby menacing the sound organism of our state, and highly demoralizing the honest and industrious citizens.”<sup>88</sup>

Popular criticism of the barter shops on the Soviet frontier as dens of speculation and thievery thus resonated with language deployed by conservative Latvian authorities, which itself echoed Bolshevik slogans. Indeed, a biting caricature in the satirical weekly *Svari* (“Scales”) depicting the opposing “types” encountered at a barter shop – a bony, barefoot, grim Russian peasant woman and a porcine, haughty Latvian merchant – might as well have been printed on the Soviet side:

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<sup>88</sup> “The New Government,” *The Latvian Economist*, 1 August 1921, 169.

Figure 7: Cartoon of Latvian Frontier Barter Station Operator and Visitor



#### *Barter stations*

Barter shops in Latgale will be liquidated due to much disorder. (Newspaper reports)

1. The person carrying something to barter at the shop.
2. The person to whom such operations are entrusted.

*Source: Svari, 29 July 1921, 263. Translated with the assistance of Ieva Līne.*

Historians have typically understood Western resistance to economic engagement with the Soviets as stemming from a disdain for Bolshevik ideology. Just as the NEP was taking hold on the Soviet side, however, Latvian opposition to the freewheeling frontier trade was animated by an anti-market discourse that straddled the frontier.

#### *Political Patronage*

However, the secretive manner in which the Latvian government had organized the trade came in for especially caustic criticism, with charges of cronyism and corruption at the highest levels of government. “The terms of trade were very favorable for Latvia. If set on the right track,

the exchange could be a source of never-ending revenue for the state. But the trade organized by the Ministry of Provisioning at the barter shops did not yield the expected material gains to the state,” the country’s leading daily, *Jaunākās Ziņas*, inveighed in July in a front-page exposé under the masthead. “The extraordinarily profitable shops for the exchange of goods are first of all established by those in ‘important’ circles, who, with political combinations, are able to secure very large and profitable concessions for their commercial undertakings.”<sup>89</sup>

In return for permission to trade on the frontier, the paper alleged, the barter shop operators quietly funneled a portion of the profits to their political patrons in Riga. “The concessionaires’ ‘wheat blossomed’ until the end of their friendly former government, especially the Ministry of Provisioning. With the new course in the country’s life” – the accession of the Meierovics Cabinet in June – “the curtain that had carefully concealed the widespread trade on the Latvian-Russian border was raised. In a fairly short period of time, the exchange of goods has yielded about 300 million rubles to narrow interest groups, not counting the enormous profits of speculators outside the barter shops that flowed past the state treasury,” *Jaunākās Ziņas* thundered. “[T]he barter trade in the frontier exchanges, from which at least relief for the shaken public finances could have been expected, has been used to a large extent to raise funds for the political party newspaper which, without hundreds of thousands in annual subventions, could not survive. Large sums, whose real place should be in the state treasury, were spent for one-sided political purposes. If in tsarist Russia ... the monarchy-sponsored newspapers were fed with state money, then in a democratic country

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<sup>89</sup> “Mīklaina tirdzniecība,” *Jaunākās Ziņas*, 20 July 1921, 1. Translated by Ieva Līne.

where different political movements operate in public life, it is not acceptable that such a group, using its privileged position, provides itself with profitable concessions at the expense of all.”<sup>90</sup>

While *Jaunākās Ziņas* did not explicitly name the political party involved, it did not have to: its readers would have understood that the accusations were directed at the leadership of the Latvian Farmers’ Union, which had dominated Ulmanis’s Cabinet and controlled the Ministry of Provisioning that awarded the barter shop concessions. The entrepreneurs who secured the coveted permits had agreed not only to offload the Ministry’s baneful barrels of Norwegian herring to Russian smugglers – “the hungry Russians will consume those rotten herrings, and if not – the profits are quite high, so they might be ferried to the border and buried in the ground”<sup>91</sup> – but may also have helped fill the governing party’s coffers, even funding its press organ, *Brīvā Zeme* (“Free Land”).<sup>92</sup> With the barter shops operating in the dead of night and their profits invisible to the tax authorities, it was the ultimate dark money in politics. *Svari* was even less subtle in its critique: the “Z. S.” prominently embroidered on the merchant’s paunch in the caricature above stood for *Zemnieku savienība*, or Farmers’ Union.<sup>93</sup>

### *The Debate*

While the party retained the Prime Minister’s chair following the Cabinet transition in June, its control of other portfolios fell from five to two, and the Ministry of Provisioning was dissolved even before the Ulmanis Cabinet had disbanded. But it was the cash-strapped Finance Ministry,

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<sup>90</sup> “Mīklaina tirdzniecība,” *Jaunākās Ziņas*, 20 July 1921, 1. Translated by Ieva Līne.

<sup>91</sup> “Mīklaina tirdzniecība,” *Jaunākās Ziņas*, 20 July 1921, 1. Translated by Ieva Līne.

<sup>92</sup> While the owners of *Jaunākās Ziņas* may have been eager to denigrate a competing press organ, that the erstwhile Minister of Provisioning, Augusts Kalnīņš, took over as editor of *Brīvā Zeme* in 1922 lends credence to the alleged relationship. See [https://limbazubiblioteka.lv/novadnieku\\_enciklopedija/kalnins\\_augusts/?a=K](https://limbazubiblioteka.lv/novadnieku_enciklopedija/kalnins_augusts/?a=K).

<sup>93</sup> I am grateful to Aivars Stranga for this insight.

which the party had never controlled (and which must have eyed the potential revenue flowing past the Treasury at the barter shops) that “was the first to show civic courage” and demand a review of the frontier trade.<sup>94</sup> “The Ministry of Finance would like for trade with Russia not to be interrupted, but instead to expand as much as possible,” deputy Finance Minister Voldemārs Āboltiņš reassured a gathering of some thirty ranking officials and representatives of the country’s business circles who had assembled in Riga in the evening of July 7, 1921, to discuss the future of the frontier traffic. “However, there are very strong objections to the way it is right now.”<sup>95</sup>

Āboltiņš reported that when Finance Ministry officials conferred on the previous day with their counterparts from the Ministries of Trade and Industry, Defense, and Foreign Affairs, “two opposing interests” were expressed: “the Finance [and the] Trade and Industry Ministries would like for Latvia to use its position as a transit country and to develop trade, which would bring material benefits to Latvia. On the other hand, the Ministry of Defense, for the sake of national security, wants to stop the trade and close the border completely.” The Ministry of Foreign Affairs, evidently anticipating diplomatic difficulties, likewise opposed the trade, as did the Finance Ministry’s own Customs Department. Ultimately, “the majority wanted to stop the trade and close the border, because the conference believed that the evils that come with the trade outweigh its benefits.”<sup>96</sup>

What did Latvia stand to lose? Not surprisingly, as the head of the state flax monopoly Oskars Šķipsna observed, given the nature of the trade, the authorities had “no hard data on

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<sup>94</sup> “Mīklaina tirdzniecība,” *Jaunākās Ziņas*, 20 July 1921, 1. Translated by Ieva Līne.

<sup>95</sup> “Protokols Finansu Padomes Sehde,” 7 July 1921, LVVA 6824/1/406: 1-7; here, 1+rev. Translated by Jānis Strankals.

<sup>96</sup> LVVA 6824/1/406: 1-7; here, 1+rev. Translated by Jānis Strankals.

imported goods” at the Russian border. “So far, the main focus has been on flax and hides,” Šķipsna reported, but admitted that “exactly how much flax has come from Russia is hard to say, as some of the flax from the local residents” – who also offloaded their crop at the same collection shops – “is mixed in.” Although “the exchange of goods has not been taking place on a large scale and has been going on only for a short time,” Šķipsna estimated that Russian smugglers had delivered “[a]pproximately 2-2.5 thousand tons” of flax. However, a well-informed Latgalian representative reported that “[t]he flax was mostly not exchanged at the barter shops, but was ferried further than 20-35 versts from the frontline, where the chances of obtaining goods are better.” While the unchecked movement of Russian smugglers’ carts across the frontier and deep into the Latvian interior was certainly cause for concern, it also meant that “the figures provided should be increased by about 50%,” the Latgalian representative insisted. “[T]his flax, if sold, would earn about 350 million rubles in half a year.”<sup>97</sup>

Whatever reservations the Foreign Ministry had voiced the day before about Latvian state support for the contraband trade were not aired at this meeting. That Riga concluded a peace treaty with Moscow, exchanged ambassadors, and that diplomats from both sides were negotiating a trade agreement did not mean that Latvian officials – particularly conservative ones – respected the Bolsheviks’ writ. De jure did not imply de facto. “The circumstances in Russia differ from other countries,” insisted Ādolfs Klīve, a founding member of the Latvian Farmers’ Union party that he represented in Parliament. “[T]he inhabitants there do not pass on their economic [surplus] value to the government, and if *by better organization at the border we are in a position where we*

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<sup>97</sup> LVVA 6824/1/406: 1-7. Translated by Jānis Strankals.

*can get economic value directly from the people without the government's knowledge, a sensible economic policy says that it should be used.”*<sup>98</sup>

If anyone had doubts on this score, Klīve pointed to Latvia's northern neighbor. “That this situation can be used, we see it from the Estonians, and what reason do we have to not draw on these benefits[?]” he demanded. That the Estonians had themselves looked to the Latvians to justify the establishment of barter shops catering to Russian smugglers was beside the point. Klīve was particularly enthusiastic about leveraging Latvia's role as an intermediary, arguing that “when it comes to goods that we can get from abroad in unlimited quantities, such as saccharin” – a reliable component of contraband flows into Russia since Imperial times – “and can get great value for them from Russia, that certainly should be welcome.”<sup>99</sup>

As in Estonia, security concerns supplied the starker objection to the frontier trade. “This trade demoralizes the troops … because it is difficult for them to reject gold and other things,” deputy Finance Minister Āboltiņš warned. “In fact, we do not have a real border with Russia, because, due to the barter stations, the border guards allow everyone to pass who carries or transports any goods. On the other borders, no one can cross without a visa, they get stopped, and after two warnings even shot; nothing of the sort is done on the Russian border. It would be preferable to guard the border here just as rigorously and even more rigorously, so as to prevent unwanted and dangerous elements from entering the country and endangering our national security.” Substantiating this charge, Border Guard Division Commander Lieutenant Colonel Jānis Luters, lamented that while “the most reliable people are sent” to the Russian border, “they become

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<sup>98</sup> LVVA 6824/1/406: 1-7. Translated by Jānis Strankals. My emphasis.

<sup>99</sup> LVVA 6824/1/406: 1-7. Translated by Jānis Strankals.

demoralized,” with “whole companies taking part in speculation.” With the Latvian army’s history of frontline trade, this was hardly surprising: “[t]hey have to deal with speculators constantly, they see that higher-ranked and better-situated people are enriching themselves, and ask why they, being poorer and simpler, are prohibited from doing so.”<sup>100</sup>

Meanwhile, smugglers “flow from the Russian side with flax, leather, bristle, flaxseed sacks under the arm,” *Jaunākās Ziņas* elaborated. “Where to direct the stream, to one barter station or another, depends on the border guard. He is placed between two fires: on the one hand, he is tempted by the hungry Russian peasant, and on the other, by the agents of the barter shop operators. In such a situation, consciousness of duty often fades away.” “The regiments are so demoralized that in case of a clash with Russia we cannot expect to derive any utility from them,” Luters warned. “The second harm: all kinds of elements come over the border, there is no control, they have the right to come at night and day and in whichever place they want.” “[T]he passport for entrance to Latvia is flax or a calf skin, and for exit from Latvia – a government herring under the arm,” *Jaunākās Ziņas* despaired. “With these ‘visas,’ the road across the border is open not only for the Russian peasant, but also for all those whose only aim is to demolish the new foundations of the Latvian state.”<sup>101</sup>

If corruption and subversion were not reason enough to shutter the barter shops, Luters argued that the frontier trade also fostered violence. “Several gangs have formed along the border, armed with weapons,” he reported. “The police was unable to deal with them, several companies of border guards had to be sent in. If this continues, then eventually a whole regiment will have to

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<sup>100</sup> LVVA 6824/1/406: 1-7, translated by Jānis Strankals; *ANTIK-WAR Latvijas Kolekcionāru Forums*, at <https://www.antik-war.lv/viewtopic.php?f=167&t=402564>.

<sup>101</sup> “Mīklaina tirdzniecība,” *Jaunākās Ziņas*, 20 July 1921, 1. Translated by Ieva Līne.

be sent, and there will be a smugglers' war.”<sup>102</sup> Whether these gangs preyed on smugglers or ran protection rackets or strong-armed the border guards is unclear; most likely, they did all three. The legal twilight zone between the Soviet state monopoly on foreign trade that cast all those who crossed the frontier with goods as lawless smugglers and the lawlessness of corrupt concessions and grifting patrols on the Latvian side afforded a natural terrain for privateers. Most frustratingly for Latvia’s police and military authorities struggling to enforce order on the frontier, the government-sanctioned barter shops nourished the noxious traffic. “Free trade is not possible and the shops need to be completely closed,” Luters insisted.<sup>103</sup>

The border guard commander’s report certainly made an impression. “If the circumstances are so bad, then we cannot put our trade interests above national interests,” mused Jānis Bisenieks, the head of the Latvian Farmers’ Economic Society. “We put 350 million on one cup of the scales and Latvia on the other,” pronounced Pauls Titmans, head of the Finance Ministry’s Industry Department. Even Jānis Vēciņš, the founder of the Latvian Merchants’ Union, admitted that “the security of our country is worth more than the revenue from this trade … After hearing the army’s spokesman, we have to come to the conclusion that it is better to abandon the trade than to destroy Latvia.”<sup>104</sup>

Yet Latvia’s cup did not pull down its side of the scales as decisively as such dramatic rhetoric would suggest. The perennial fear of competition from the country’s northern and southern neighbors – as well as envy of these neighbors’ profits – discouraged the kind of radical sealing of the border advocated by the military authorities. “We need to expand our trade with Russia,

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<sup>102</sup> LVVA 6824/1/406: 1-7. Translated by Jānis Strankals.

<sup>103</sup> LVVA 6824/1/406: 1-7. Translated by Jānis Strankals.

<sup>104</sup> LVVA 6824/1/406: 1-7. Translated by Jānis Strankals.

because if the current begins to flow in one direction, then it will stay there and expand,” argued former Trade and Industry Minister Spricis Paegle. “If trade is channeled via the side routes, through Lithuania and Poland, then it will be difficult for it to return.” “The Estonians also did not get as much profit from the barter shops as from large-scale transit,” one merchant argued. “However, some of the revenue was gained at the border, and we also should close the border and set up a few customs posts. If in practice they prove to be desirable, more posts can be opened.”<sup>105</sup> Others expressed skepticism that outlawing the frontier trade entirely would actually cause it to cease. “If the border is closed, the soldiers will trade and speculate secretly,” argued the merchant E. Kahnels. If the Russians “will not be able to cross the border, then they will bribe the border guards,” echoed another participant. “We know that the desire exists, and it can be prevented by giving it a direction. If we install customs offices and let pass through them, there will be no aspiration for illegal trafficking,” he concluded hopefully.<sup>106</sup>

As the meeting drew into the night, the scales balanced towards a compromise that would allow the barter shops to operate under the supervision of Latvian customs officials, and the participants turned to the thorny questions of implementation. “It is difficult to solve this issue because the trade for the Russian population is illegal, even a crime,” the former Finance Minister Roberts Erharts reminded the conference. “If we establish some points where the merchants will gather, the Russian government will know this and the merchants will be captured easily.” However, the pragmatic Bisenieks, who had earlier suggested shutting down the trade altogether, now argued that “[t]he matter is quite simple. We establish a reinforced [border guard] post on the

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<sup>105</sup> LVVA 6824/1/406: 1-7. Translated by Jānis Strankals.

<sup>106</sup> LVVA 6824/1/406: 1-7. Translated by Jānis Strankals.

border, which inspects the Russian peasants and leads them to the customs offices in twenty-person groups.” The customs offices would be “positioned a couple of versts from the border … *All of this would take place on Latvian territory, no one else has the right to say anything about it.*”<sup>107</sup>

Finally, a vote was taken, confirming that “the majority is against the complete closure of the border.” Echoing the Estonian approach, the conference resolved that “the currently-established method of trade used on the Russian border should be abolished,” and that “only respectable, well-known organizations and persons authorized by the government may trade under strict control through the customs posts.”<sup>108</sup> Despite this apparent resolution, however, the conference crystallized the tense tradeoff between security risk and economic opportunity that the Soviet frontier traffic would continue to pose for the Baltics and Poland for years to come.

#### *Latvia’s System and its Discontents*

By the end of July, the Finance Ministry announced plans to establish six customs posts at which the frontier traffic could continue under the authorities’ supervision. In addition to the customs houses already operating at the frontier railway stop towns of Ritupe (Žogova) and Zilupe, the Ministry would open four more customs offices to oversee the trade. Their location at the frontier towns of Rodovoje, Goliševa, Pasiene, and Indra (Balbinova) – across from the Soviet railway hubs of Ostrov, OPOCHKA, Sebezh, and Polotsk, respectively – suggest that the Latvian authorities were looking well beyond the flax and cowhides smuggled in by border-area peasants.<sup>109</sup> Such raw materials were valuable, of course, but even more seductive were the

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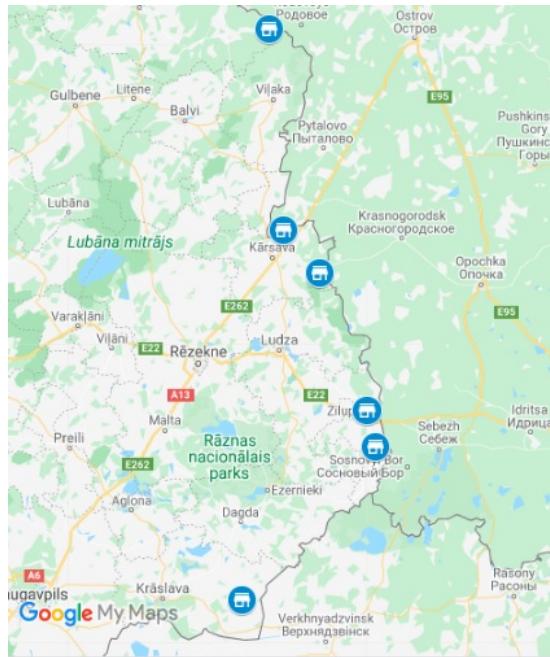
<sup>107</sup> LVVA 6824/1/406: 1-7. Translated by Jānis Strankals. My emphasis.

<sup>108</sup> LVVA 6824/1/406: 1-7. Translated by Jānis Strankals.

<sup>109</sup> “Novye tamozhennye punkty,” *Segodnia*, 28 July 1921, 3; “Regulierung des Grenzhandels mit Räterußland,” *Libausche Zeitung*, 28 July 1921, 1.

mouthwatering markets waiting to be tapped along the Petrograd-Pskov-Polotsk line, to say nothing of the Zilupe-Moscow railway.

**Map 2: Latvian Frontier Customs Trade Zones, 1921**



Source: “Smugglers’ Shops: Contraband Trade Outposts on the Soviet Frontier, 1920-24,” interactive map under construction at [https://www.google.com/maps/d/edit?hl=en&mid=1m3UncT95kw2StjKmULvyksUvaYA\\_9W3b&ll=57.904854595363545%2C26.87011170039055&z=8](https://www.google.com/maps/d/edit?hl=en&mid=1m3UncT95kw2StjKmULvyksUvaYA_9W3b&ll=57.904854595363545%2C26.87011170039055&z=8)

To be sure, Latvian entrepreneurs had been exploiting these markets, and the porous frontier, for over a year; but Riga would now attempt to ensure that, at least on the Latvian side, the trade would acquire a more respectable character, contribute its share to the Treasury, and no longer serve as a conduit for Bolshevik subversion. “[B]y each customs post, there will be fenced-off a ½ square-verst area in which the barter shops will be located and where the exchange of goods will take place,” a report on the new regulations announced. “All goods brought into this territory and to be taken out of it are to be cleared with customs duties in the ordinary manner.

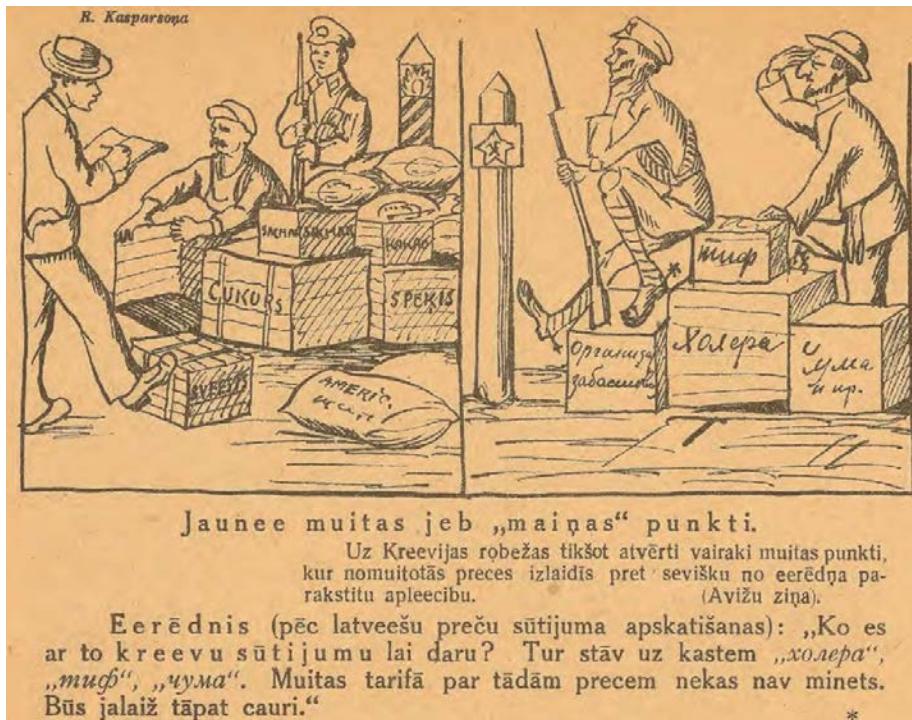
Barter operations outside of these locales are forbidden, and crossing the border is permitted only at these points ... The rest of the border is absolutely closed.” The barter shops could be opened “only on the basis of concessions,” granted by the Ministry of Finance for a fee of 250 gold francs. Reflecting the Latvian authorities’ ambivalence about the arrangement, however, the concessions were limited to three months, and “liable to be taken away at any time, without explanation.”<sup>110</sup>

The new regulations thus reinforced the bifurcated system of smuggling on the Soviet frontier. While Soviet authorities would continue to consider all private cross-border commerce contraband, the Latvian government would prove more discriminating. Those who could pass scrutiny and pay the concession fee and the customs duties would operate the barter shops catering to Soviet smugglers; those who could not would be considered smugglers themselves. As a cartoon in the following week’s *Svari* suggested, however, not everyone shared the authorities’ confidence in their ability to control the traffic:

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<sup>110</sup> *Segodnia*, 28 July 1921, 3; *Libausche Zeitung*, 28 July 1921, 1.

Figure 8: Cartoon Critique of Riga's Reforms of the Frontier Trade



*New customs or “barter” stations.*

Several customs shops will be opened on the Russian border, where the goods will be released against a special certificate signed by an official.

(Newspaper reports).

*Official* (after inspecting the Latvian goods shipment): “What should I do with that *Russian shipment?* On the boxes it says ‘cholera,’ ‘typhus,’ ‘plague.’ There are no such goods written in the custom tariff. Let them in, just like that.”

*Source: Svari, 5 August 1921, 274. Translated by Ieva Līne.*

While the Latvians offload sugar, cocoa, butter, lard, and American flour, the Russians bring typhus, cholera, plague, as well as “the organization of strikes.” Peering eagerly into Latvia from behind the cadaverous Soviet border guard, a hook-nosed Jewish merchant stands ready to slip these “goods” past the credulous Latvian customs official. To be sure, Soviet border guards were hungry; Jews were heavily involved in the contraband trade; and the frontier barter shops did serve as conduits for both infectious diseases and Bolshevik agents. However, the cartoonist fused the

trope of the Jew as an avaricious purveyor of subversion with the tropes of Judeo-Bolshevism and of Bolshevism as a contagion, thus deploying all three tropes together to ridicule Riga's shortsighted plan.

Indeed, while the new customs areas for authorized dealing would not open until mid-September, and permits for the new barter shops not be disbursed until later still, lax enforcement – despite the prolongation of martial law in the 15-verst border belt “for the purposes of the struggle with speculation and contraband” – ensured that fully-contraband trade on the Latvian-Soviet frontier continued to flourish.<sup>111</sup> “[G]old coins have appeared increasingly in circulation lately in Latgale,” *Segodnia* reported in early September. “When selling their produce, many peasants have switched to the ‘golden hard currency,’ and set prices in the old rubles. The influx of gold is explained by the thriving speculation at the border with Sov[iet] Russia.”<sup>112</sup> Salt and saccharin remained among the chief contraband exports. “At the sight of the border guard,” the paper explained the following month, “the smugglers pretend to be merely walking along the border, which is not forbidden; only goods seized at the border itself are considered contraband. Finding a suitable moment, the speculators cross the border and offload the aforementioned goods to the buyers.”<sup>113</sup>

#### *Implementation*

The Ministry of Finance finalized the new procedures in late September, just in time to take advantage of the flax harvest on the Soviet side. Like the Estonian regulations in April, these

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<sup>111</sup> “K otmene iskliuchitel’nago polozhenia v Latvii,” *Segodnia*, 10 August 1921, 3; “Otmana voennago polozhenia,” *ibid*, 13 August 1921, 3.

<sup>112</sup> *Libausche Zeitung*, 7 September 1921, 1; “Zolotaia valiuta v Latgalii,” *Segodnia*, 2 September 1921, 3.

<sup>113</sup> “Spekuliatsia v pogranichnom raione,” *Segodnia*, 18 October 1921, 5.

attempted to reconcile the Latvian government's conflicting economic and security concerns. Entrepreneurs wishing to open barter shops in one of the six designated customs zones along the Soviet frontier had to secure concessions from the Finance Ministry's Customs Department, which in turn had to obtain the approval of the Political Security Department of the Ministry of Internal Affairs, as well as from the Border Guard Directorate of the Ministry of Defense. Like the Estonian regulations, the Latvian rules also called for the customs zones to be fully isolated with barbed wire, with entrance allowed "only to persons and shop staff who have the rights to trade there ... and to persons who are crossing the border from the other side." The Latvian merchants and staff were to carry special permits bearing their photographs. As the Ministry had proposed in July, the permits cost 250 gold francs (25,000 Latvian rubles), but the merchants reportedly also had to pay a ten-percent tax on sales.<sup>114</sup>

For all the vetting and the fees, there was no shortage of entrepreneurs wishing to partake in the profits. "It is understandable that the number of applicants for such concessions is very large," observed *Rigasche Rundschau*, the leading paper of the wealthy Baltic German community, "but the Ministry of Finance examines all applications closely," and the concessions are granted only to "absolutely trustworthy people."<sup>115</sup> Reducing uncertainty for entrepreneurs, however, the Ministry now reportedly granted the permits for six months instead of three.<sup>116</sup> By the end of September, the Ministry had issued such licenses to more than 50 individuals and companies.<sup>117</sup>

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<sup>114</sup> "Mainas punkti," *Latvijas Sargs*, 29 September 1921, 1. Translated by Ieva Līne; "Tauschpunkte an der Grenze," *Rigasche Rundschau*, 29 September 1921, 7.

<sup>115</sup> *Rigasche Rundschau*, 29 September 1921, 7.

<sup>116</sup> *Latvijas Sargs*, 29 September 1921, 1. Other sources still reported a 3-month term: *RR*, 29 September 1921, 7.

<sup>117</sup> *Latvijas Sargs*, 29 September 1921, 1.

The country's Latvian-, German-, and Russian-language papers were soon dotted with advertisements from entrepreneurs seeking "reliable" and "trustworthy" business partners "with capital" between 50,000 and 100,000 Latvian rubles (or at least enough for a "large deposit") to participate in setting up new frontier barter shops or to help operate "fully-furnished" ones.<sup>118</sup> In language seemingly designed to validate the Kremlin's Manichean worldview, one such announcement simply read, "[C]apitalists sought for barter station on the Russ[ian] bord[er]":

**Figure 9: "Capitalists sought for barter station on the Russian border"**



Source: *Segodnia*, 11 November 1921, 5.

Others, like the "experienced cashier with a deposit of 30,000 rubles" who sought placement either "in an industrial enterprise or at the points of barter with Soviet Russia," looked to the frontier barter stations as an increasingly legitimate employment option.<sup>119</sup>

However, the emphasis on potential partners' honesty and ability to put up a deposit betrayed the uncertainty and even opprobrium still surrounding the trade. Indeed, advertisements for business partners or positions in the barter shops were always anonymous, with interested parties encouraged to contact the newspapers' editorial offices. Even as they publicized the traffic, Latvia's leading papers thus also served as discreet clearinghouses for the capital and personnel that powered the contraband trade across the Soviet frontier.

<sup>118</sup> *Latvijas Sargs*, 13 December 1921, 4; *Libausche Zeitung*, 16 December 1921, 4; *Segodnia*, 11 November 1921, 5; *ibid*, 16 November 1921, 3; *ibid*, 28 February 1922, 5; *ibid*, 9 May 1922, 5; *ibid*, 27 May 1922, 5. Latvia's Yiddish press, which I have not yet had the chance to consult, was surely no exception.

<sup>119</sup> *Rigasche Rundschau*, 18 February 1922, 7.

In a testament to the legitimacy formally accorded the business, however, manufacturers and merchants also began to target barter shop operators in their announcements. One entrepreneur beckoned "cooperatives, barter stations, and wholesalers" to procure "shoe-sole and upper leather" from "the finest foreign manufacturers" at his Riga warehouse, while conveniently offering to buy up "any quantity" of hog bristle, horsehair, and furs – some of the chief media of exchange on the Soviet frontier; another enterprising dealer simply announced the "urgent sale of a large consignment of high-demand articles for barter stations"; yet another offered a 40-square-meter wooden shed to be used as a "barter station, warehouse, etc."<sup>120</sup> Even a needle factory in the former crusader stronghold of Kuldīga (Goldingen) in western Latvia advertised its wares specifically "for the barter stations on the border with Russia":

*Figure 10: Needles for the Barter Stations*



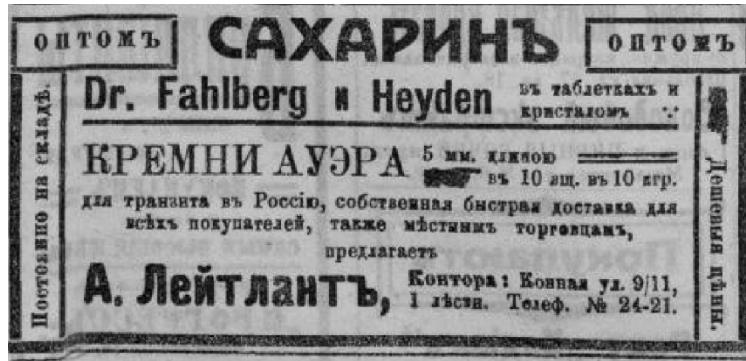
*Source: Rigasche Rundschau*, 5 November 1921, 3; a Russian version appeared in *Segodnia*, 6 November 1921, 6.

Some entrepreneurs, perhaps wary that legitimacy did not yet confer respectability, referred euphemistically to "transit trade"; but the nature of their goods left little doubt as to the nature of the transit. Thus, one Riga merchant promised to deliver quickly "for transit to Russia" wholesale consignments of German saccharin "in tablet and crystal form," as well as Austrian flintstones in

<sup>120</sup> *Rigasche Rundschau*, 17 December 1921, 16.

ten-kilogram crates, while a competitor advertised the same two articles at prices “beyond competition.”<sup>121</sup> Anyone familiar with the contents of Soviet smugglers’ packs would not have raised an eyebrow at this seemingly incongruous pairing of merchandise.

*Figure 11: Saccharin and Flintstones “for transit to Russia”*



*Source: Segodnia, 13 April 1922, 6.*

Nutritive foodstuffs, too, continued to pour across the frontier, despite ostensibly requiring special export permissions from the Ministry of Finance.<sup>122</sup> In the fall of 1921, while Russia struggled with famine, an “exceptional” harvest in Latvia yielded more than double the prior year’s crop, causing domestic agricultural prices to plummet.<sup>123</sup> “The peasants, who had previously held off from selling their stocks, have now apparently become disappointed in their hopes due to the sharp drop in prices, and are now overloading the markets with their produce,” a *Segodnia* correspondent reported from Latgale in December. “It is not surprising that the gazes of many Latgarians have inadvertently turned towards the place where there is nothing, where everything gets bought up, and where they pay well for everything.” “Barter – that is the magic word that one

<sup>121</sup> The merchant later added cocoa oil to his assortment. See also the advertisement of Fahlberg, List, & Co. Saccharin Factory representative S. Elliott, boasting “transit goods always in stock” at his Riga bureau. (*Rigasche Rundschau*, 8 May 1922, 3.)

<sup>122</sup> “Export Duties,” *The Latvian Economist*, 1 November 1921, 258.

<sup>123</sup> Wolf, “Inflation and Stabilization in Latvia,” 44.

now hears frequently in borderland Latgale,” the correspondent observed, wryly noting that “this word is interpreted variously and flexibly” by “anyone ‘working’ at the border” – suggesting that the trade was by no means limited to the authorized barter shops.<sup>124</sup>

Indeed, even as Riga sanctioned and facilitated contraband traffic in violation of the Soviet state monopoly on foreign trade, Latvian authorities stepped up policing of smuggling across the Soviet border that violated Latvian prohibitions or failed to flow through the designated channels. Although – or perhaps because – Lieutenant Colonel Luters’s call to shutter the barter stations did not carry the day at the July conference, the border guard commander poured his efforts into mitigating the damage through stringent disciplinary measures. “If previously there were rumors about speculation carried on by the border guards, and perhaps these rumors had some basis, for it is difficult to find a family without a cripple, then now, especially after the last ‘cleansing’ ... there are no grounds for such rumors,” the Riga paper *Jaunais Vārds* insisted in October 1921. “The situation ... has noticeably improved in the last few months, especially after Lieutenant Colonel Luters’s appointment ... The latter ... stamps out all problems and criminal activities without mercy.” Besides arrests of grafting soldiers and officers, Luters oversaw “a major reform ... which includes the removal from the border guards ... those soldiers who lived in villages near the border or were in any way interested in cross-border traffic. Now the soldiers serving at the border have no relationship with any of the residents living near the border; they are completely alien to them.”<sup>125</sup>

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<sup>124</sup> I. M., “Latgal’skaja zhizn’,” *Segodnia*, 10 December 1921, 4.

<sup>125</sup> “Apsardzības ministrs pierobežu apgabalu,” *Jaunais Vārds*, 13 October 1921, 4. Translated by Jānis Strankals.

Paradoxically, facilitating the frontier traffic may thus have encouraged Latvian authorities to otherwise tighten controls on the Soviet border. In one reflection of this newly aggressive approach to *unauthorized* smuggling, over the course of 1921, Latvian customs agents, border guards, and policemen carried out 412 confiscations of contraband goods along the Soviet frontier, a fourfold increase over the prior year (and nearly as many as the 426 confiscations they effected in 1921 along Latvia's borders with Estonia, Lithuania, and Poland combined).<sup>126</sup> Of course, this uptick may also have reflected the swell of a flow that would not be contained within the walls of the Riga-sanctioned barter stations.

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<sup>126</sup> Alfrēds Ceichners, “Latvijas maksājumu bilance,” *Ekonomists* 6, no. 22 (November 15, 1925): 1085.

## Chapter Three

### **Poland: Longing, Deluge, and Doubts**

#### ***Lódź's Longing***

In January 1921, the leading daily paper of the Polish city of Łódź – lying over 500 kilometers west of the new nation's armistice demarcation line with the Soviet state – reported that the city's textile manufacturers were disposing of their merchandise only “reluctantly,” expecting prices to rise with increased demand. The source of that demand was no secret. “Buyers eager to ship goods out speak of purchases for export to Eastern Galicia, chiefly to Tarnopol, as well as to Pinsk,” the *Kurier Łódzki* observed, referring to two major market towns in Poland's new eastern borderlands. “Needless to say, what is intended is smuggling to Bolshevikland (*szmugiel do Bolszewji*), which appears to be blooming beautifully despite the non-establishment of official trade relations.”<sup>1</sup>

Only a few months earlier, in August 1920, the Red Army had overrun much of the country and was menacing Warsaw itself. The Poles had forced the Bolsheviks back, reclaiming the lost territory and then some, even briefly recapturing Minsk; but the struggle continued until the combatants finally agreed to an armistice that commenced after midnight on October 18.<sup>2</sup> The white eagle had torn more than its share of flesh from its former two-headed overlord. The mutual bloodletting had finally ended nearly a century-and-a-half of Russian domination. Both sides now fell back to lick their wounds and nurse their grudges – both old and new.

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<sup>1</sup> “Konjunktury handlowe,” *Kurier Łódzki* (henceforth *KL*), 21 January 1921, 4.

<sup>2</sup> Borzecki, *The Soviet-Polish Peace*, 141.

Even a forced and troubled marriage rarely makes for a happy divorce. The Russo-Polish divorce proceedings that dragged on in Riga from September 1920 through March 1921 were more acrimonious than most. After so much time together, there was so much to divide. Territory, population, and property, shared imperial debts and mutual war damages: these would have tested even the most amicable separation, to say nothing of one in which each partner had come to regard the other as a historical monstrosity destined for the dustheap.<sup>3</sup>

Yet the sweetness of independence is often punctured by pangs of loneliness. Amid all the suspicions, recriminations, and resentments (including new ones generated by the negotiations themselves) Warsaw's representatives knew that Poland could not afford to sever its eastern ties. To be sure, the Poles had long suffered under heavy-handed Russian rule; but imperial belonging had also had its benefits, particularly in an empire committed to modernization. Unlike the colonial powers that saw their possessions primarily as mines (of raw materials) and markets (for the metropole's manufactured goods), Russia's rulers were not averse to industrializing their Empire's periphery. Leveraging its proximity to western experts and technologies on the one hand, and the protectionism afforded by Imperial Russian customs tariffs on the other, Kingdom Poland burst into the twentieth century as second only to the Moscow Industrial Region (and ahead of St. Petersburg) in the total value of industrial output.<sup>4</sup>

The Russian imperial market was crucial to Poland's ascendance. Between 1880 and 1910, the value of Kingdom Poland's exports to the rest of the Romanov Empire grew nearly eleven-

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<sup>3</sup> For a detailed analysis of the claims and counterclaims, see Borzęcki, *The Soviet-Polish Peace*.

<sup>4</sup> Jacek Kochanowicz, "The Polish Kingdom: a Periphery as a Leader," paper prepared for the XIV International Economic History Congress, Helsinki, Finland, August 21-25, 2006, 1-21, at <http://www.helsinki.fi/iehc2006/papers3/Kochan.pdf>

fold, dwarfing Polish exports to the West. Textiles, the production of which was concentrated in the rapidly-growing western Polish city of Łódź, were central to this traffic. Indeed, between 1879 and 1911, Poland's export of cloth to the tsars' other domains grew over twenty-fold. By 1910, the major textile goods (cloth, yarn, and thread) comprised nearly seventy percent of the value of the eastbound flow.<sup>5</sup>

While the Russian market was central to the flourishing of the Polish textile industry, Polish textile manufacturing was crucial to the Russian market. In 1912, while home to less than 7.5 percent of the Empire's population, Kingdom Poland produced 15 percent of the Empire's factory-made cotton cloth, 20 percent of its cotton yarn, 32 percent of its wool cloth, and some 47 percent of its wool yarn. But it was in the affordable half-woolen textiles that Poland (read, Łódź) truly dominated, its spindles producing over 60 percent of the Empire's half-woolen cloth and over 65 percent of the yarn. At the same time, Polish textile makers carved out sizeable market shares in the most luxurious fabrics, producing that year over a quarter of the Empire's velvet, as well as some 88 percent of its silk yarn, 93 percent of its embroidered cloth, and over 99 percent of its tulle and gauze.<sup>6</sup>

Even more significant was Poland's share in the Empire's output of ready-made clothing, knitwear, and the manifold accessories loosely known as haberdashery (*galantereya*) that would become a mainstay of contraband flows across the Soviet frontier during the NEP and beyond. In 1912, Kingdom Poland was responsible for the industrial production of around 80 percent of the

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<sup>5</sup> Between 1880 and 1910, Kingdom Poland's exports to the rest of the Empire rose from 47 to 515 million silver rubles; over the same period, its exports to the West grew from 68 to 105 million rubles. Andrzej Jezierski, *Handel zagraniczny Królestwa Polskiego, 1815-1914* (Warsaw: Państwowe Wydawnictwo Naukowe, 1967), 151.

<sup>6</sup> Calculated based on the figures in Henryk Tennenbaum, *Bilans handlowy Królestwa Polskiego* (Warsaw: E. Wende, 1916), 494–537.

Empire's output of knitted shirts, skirts, dresses, vests, jackets, and long johns; 100 percent of the Empire's neckties; over 98 percent of its knit gloves (including all those made of wool, half-wool, and silk); over 75 percent of its wool and felt hats; some 75 percent of its socks and stockings (including all those made of silk or half-silk); and over half the shoelaces, string (including the elastic string used in underwear or suspenders), and ribbon. The latter included not only the decorative but also the essential: *all* of the 43,200 rolls of typewriter ribbon produced in the Russian Empire during 1910-12 were manufactured in Warsaw.<sup>7</sup> The total value and volume of these articles were far more modest than those of the bolts of cloth that the freight trains carried from Łódź; but with many of these wares manufactured in Warsaw itself, the loss of this market would have been felt especially keenly in the Polish capital.

### ***Deluge***

As in the Baltics, however, the Soviet-Polish contraband traffic would begin with more basic necessities. And, like their Latvian and Estonian counterparts, Polish authorities struggling to catch up to developments on the ground pursued similarly inconsistent policies. On the one hand, fears of the unchecked outflow of provisions amid rising prices at home prompted the bolstering of patrols along the demarcation line, “with the aim of checking smuggling to Russia” by speculators who had allegedly hoarded “unheard-of quantities” of scarce supplies for this purpose.<sup>8</sup> On the other, Polish military authorities did not attempt to stamp out the frontier traffic entirely, seeking instead to control the trade and to profit from it. Following the conclusion of the

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<sup>7</sup> Tennenbaum, 494–537.

<sup>8</sup> “Novyi vid svobodnoi torgovli,” *Segodnia*, 9 January 1921, 2; “Obrady Sejmowe,” *KL*, 2 March 1921, 1; “Fala Taniości,” *KL*, 21 April 1921, 3.

armistice in late October 1920, the Sixth Army command began to issue “concessions” to individual merchants willing to hazard the frontline.<sup>9</sup>

What the army’s vetting process involved is unclear; but given how systematically Solomon’s smuggler contractors had cultivated Polish frontline gendarmes to secure the passage of wagonloads of goods to the Soviet side only several months prior, permits probably continued to go to those who best greased the way. “Anything may be transported to Sovietland [*Sowdepji*] via the Kovel-Stepan-Berezne smuggling route,” observed a member of the Borderland Guard, a Polish nationalist civic organization, from Równe, on the frontier with Soviet Ukraine, in his report for January 1921. “The control station there is an unusually rich source of income.”<sup>10</sup> “The worse the border guard functions, the faster the neighboring void will fill up with goods from Poland,” the lead editorial in a major Warsaw commercial weekly fretted in April. “For several months now ... [t]hrough the long and poorly-guarded border stretch forth from Russia into Poland numerous peasant carts seeking salt, matches, butter, bread, tobacco, etc. Great quantities of these goods are apparently found in Minsk, Moscow, etc.”<sup>11</sup>

“[C]rossing the border into either direction without documents of any kind does not pose the slightest difficulty,” despaired a Polish Foreign Ministry official sent to report on an uncovered cell of the *Zakordot*, the militant underground arm of the Ukrainian section of the Comintern, in August 1921. “As the testimonies of nearly all of the accused indicate, most of them entered Poland via the frontier checkpoints with the aid of larger or lesser sums ... [T]oday, it is possible to cross

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<sup>9</sup> “Konferencja w sprawie stosunków handlowych z Rosją,” *Przemysł i Handel* (henceforth *PiH*), 26 May 1921, 198; Stanisław Wartalski, “Dzisiejszy handel z Rosją sowiecką,” *Przegląd Gospodarczy* (henceforth *PG*), 1 October 1921, 681.

<sup>10</sup> Benecke, *Die Ostgebiete der Zweiten Polnischen Republik*, 49–50.

<sup>11</sup> “Zagadnienie Wschodnie (Wywóz i Tranzysto), *Tygodnik Handlowy*, 15 April 1921, 1.

the border in either direction for the minimal sum of 100-150 Polish marks.” When the official demanded of the arrested deputy leader of the Wołyń *Zakordot* cell whether its agents ever posed as returning Polish refugees, the prisoner simply “laughed” in his face, replying that such elaborate ruses were wholly unnecessary “because the crossing of the border does not pose any difficulties.”<sup>12</sup> Indeed, a Polish double agent returning from Soviet Ukraine in early June witnessed his Jewish drayman secure passage across the frontier with a mere gift of cigarettes to the Polish patrols.<sup>13</sup> “According to reports, bribery and smuggling have reached simply unprecedented levels at the border,” lamented the chief of the Polish Finance Ministry’s Customs Battalions that same month. “It appears that whole gangs of well-organized smugglers operating in concert with the sentries cross the border completely in the open and with impunity.”<sup>14</sup>

As the January *Kurier Łódzki* report had indicated, the traffic was already in full swing by the winter of 1920-21. “[T]he area is completely free of bandits, but smuggling flourishes here,” a local Soviet customs official reported in February 1921 after inspecting the demarcation line southwest of Minsk, where it traversed the Moscow-Warsaw highway. Indeed, Soviet and Polish efforts to eradicate frontier banditry probably made the terrain more hospitable to smugglers. The official identified the chief objects of contraband imported from Poland as table salt, shoe sole leather, textiles, haberdashery, saccharin, and medicines. The traffic here centered on the town of Kletsk, just inside Polish-held territory, where “any goods may be obtained for Nikolayevan

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<sup>12</sup> V. S. Sidak, “*Zakordot*” v systemi spetsluzhb Radians’koi Ukrayiny: zbirnyk dokumentiv (Kyiv: Vyd-vo Natsional’noi akademii SB Ukrayiny, 2000), 129.

<sup>13</sup> Sidak, 100.

<sup>14</sup> Henryk Dominiczak, *Granica wschodnia Rzeczypospolitej Polskiej w latach 1919-1939* (Warsaw: Wydawnictwo Naukowe PWN, 1992), 68; Bogusław Polak and Marek Jabłonowski, eds., *Polskie formacje graniczne 1918-1939: Straż Graniczna 1918- 1939: dokumenty organizacyjne: wybór źródeł* (Koszalin: Wydawnictwo Uczelniane Politechniki Koszalińskiej, 1999), 16-17.

currency, the so-called ‘knaki’ (hundred- and five-hundred-ruble notes),” the moniker apparently deriving from the crackling sound the still-crisp tsarist bills made when folded.<sup>15</sup> In a telling indication of the tenuous hold of Soviet authority in this borderland, the official reported that “the local peasants accept no other money already at the approaches to Slutsk” – a town lying some sixty kilometers into the Soviet interior – “to say nothing of the neutral zone” on the demarcation line with Poland.<sup>16</sup> “Smuggling flourishes in the Minsk district more than anywhere else,” a top customs official observed of the Belorussian capital after completing an inspection tour of the border that he had commenced at Sebezh. “[T]he smugglers are taking from us foreign exchange, gold, cattle, horses, as well as Nikolayevan currency.”<sup>17</sup>

Peasants on both sides of the border were reluctant to accept Soviet rubles due to the currency’s breathtaking inflation, to be sure, but also because they encountered so few representatives of Soviet power. Even as Soviet and Polish diplomats affixed their seals to the peace treaty in Riga in March 1921, formally establishing the frontier, the Foreign Trade Commissariat’s customs officials lamented their inability to establish any meaningful oversight over it due to “the lack of the needed quantity of personnel.”<sup>18</sup> The Cheka border guard patrolling a 120-verst stretch of the borderline in southern Belorussia that spring disposed of just 120 members, “including the female office clerks.”<sup>19</sup> Even if the detachment’s soldiers had patrolled

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<sup>15</sup> “Zavedyvaiuschemu Smolenskim Tamozhennym Okrugom,” signed by deputy head of Customs Post № 8 M. Razzhivin, Slutsk, 25 February 1921, RGAE 413/14/50: 201-203rev; A. Terne, *V tsarstve Lenina. Ocherki sovremennoi zhizni v R.S.F.S.R.* (Berlin: Izd. Ol’ga Diakova i ko., 1922), 267.

<sup>16</sup> RGAE 413/14/50: 201-203rev.

<sup>17</sup> “Doklad A. V. Veinberga,” Moscow, 27 May 1921, RGAE 413/14/50: 339-340rev.

<sup>18</sup> “Upravliaiuschemu Obschim Otdelom Tammatupra,” 24 March 1921, RGAE 413/14/50: 193.

<sup>19</sup> “Doklad A. V. Veinberga,” Moscow, 27 May 1921, RGAE 413/14/50: 339-340rev. Another report indicates that the detachment fielded around a hundred soldiers: “Zavedyvaiuschemu Tamnadzorom № 8,” from Senior Control Officer Mieczyslaw Mankowski, 4 May 1921, RGAE 413/14/50: 292-293rev.

around the clock, each sentry would be responsible for over a kilometer of terrain; the standard eight-hour watch shifts must have tripled that distance. Moreover, the sparsely situated Soviet sentries were no less eager than their Polish counterparts to reach mutually profitable accommodations with the locals.<sup>20</sup>

An incident reported by a Ukrainian newspaper on the Polish side in April 1921 offers an evocative illustration of the freewheeling barter that resulted from Soviet authorities' tenuous hold on the frontier. After Soviet border guards stopped a party of peasants en route to trade at the bustling Polish border town of Korzec, the peasants reportedly disarmed the soldiers, tied them up, and took them along across the border – where they allegedly “sold” their captives to Polish patrols for a *pood* of salt. Not to be outdone, the Polish border guards subsequently demanded – and received – 30 *poods* of grain to return the hapless prisoners to the Soviet side.<sup>21</sup>

Indeed, Deputy Commissar of Food Supply Briukhanov complained in early April that the “total absence of a guard on the Polish border” was enabling “unfettered exchange between the Polish population and the border area inhabitants” of Soviet Ukraine.<sup>22</sup> “From the border locales are arriving reports that the Belorussian peasants turning up there … are offering flax, skins, lard, and in exchange are demanding cloth, matches, and tobacco,” echoed a Polish news bulletin filed from Brest on April 24.<sup>23</sup> Meanwhile, after completing a two-week tour of the southern stretch of the Soviet-Polish frontier later that month, the Foreign Affairs Commissariat’s plenipotentiary in

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<sup>20</sup> See Andrey Shlyakhter, “Contraband, Corruption, and Conflict: Turf Wars on the Soviet Frontier, 1921-1925,” paper given at the Russian and East European History Workshop, Harvard University, Cambridge, Mass., April 19, 2018.

<sup>21</sup> V. G. Solovei, “Prykordonni konflykti na Volyni u 20-kh rr. XX st.,” *Viiskovo-naukovyi vysnik*, no. 11 (2009): 303.

<sup>22</sup> RGAE 413/14/100: 37rev

<sup>23</sup> “Handel wymienny sie rozpoczyna,” *KL*, 26 April 1921, 2.

Odessa lambasted the “nearly criminal inaction” of the Cheka and the Narkomvneshorg in securing the border and failing to prevent “the disastrous pumping out of our raw materials by Poland.” Thanks to “a well-organized and evidently seamlessly functioning organization, [t]his export stock … is slipping from our hands with complete impunity and being exchanged for worthless Polish marks,” the plenipotentiary warned, citing “outrageous facts” that revealed “the systematic, daily trafficking of up to 30 freight car loads of our raw materials across the frontier.”<sup>24</sup>

These flows did not align with Moscow’s visions. “Russia would like, above all, to receive agricultural machines and implements,” Polish Deputy Minister of Trade and Industry Henryk Strasburger informed a reporter of the *Kurier Warszawski* in early April. “The Soviet government is less interested in consumer articles … in linens and fibrous [i.e., textile] products. Representatives of the Soviets in Riga have confirmed that Russia is presently too impoverished to allow herself such ‘excess.’”<sup>25</sup> As the frontier traffic made clear, however, Soviet borderland inhabitants – and the consumers they serviced in the Soviet interior – saw things differently. Their desires aligned more closely with Łódź than with Moscow.

Warsaw had no intention of standing in the way. Even as he delivered the news that was sure to disappoint Łódź’s merchants and manufacturers, Strasburger mused that “[t]extile goods might be sold to the Russian people directly, inasmuch as such transactions will turn out feasible.”<sup>26</sup> Indeed, his Ministry would soon begin issuing special permits to wholesale merchants (those in possession of a 1<sup>st</sup>-category license) wishing to trade across the frontier.<sup>27</sup> Meanwhile,

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<sup>24</sup> Tsentral’nyi Derzhavnyi Arkhiv Vysshikh Orhaniv Vladi ta Upravlinnia (hereafter TsDAVOU) 3040/1/53: 1-2.

<sup>25</sup> Stanisław Łopatniuk, ed., *Polsko-radzieckie stosunki gospodarcze: dokumenty i materiały, 1921-1939* (Warsaw: Książka i Wiedza, 1976), 52.

<sup>26</sup> Łopatniuk, 52.

<sup>27</sup> *Dokumenty i materiały do historii stosunków polsko-radzieckich*, vol. IV (Warsaw: Książka i Wiedza, 1965), 32.

ignoring the Soviet trade representatives' protestations to the contrary, a Ministry of Industry and Trade circular to Polish businessmen emphasized that "above all, Soviet Russia will be in need of the following goods: undergarments, clothes, footwear, thread, needles, combs, buttons, glass, ceramic and porcelain wares, nails, lamps, spoons, forks, knives" – which happened to be the kind of portable merchandise easiest to smuggle across the porous frontier.<sup>28</sup> "The aspirations of [Poland's] economic entities are perfectly clear," the Ministry's Industrial-Trade Council observed at the end of April. "[T]hey aspire towards free trade along the entire [border]line, and wish to establish barter relations with Soviet Russia on this basis, which apparently will be facilitated by the concessions made by Russia to the private economy."<sup>29</sup> Combined with the concessions wrought from Russia by geography – manifested in Soviet authorities' inability to police the lengthy frontier – the New Economic Policy seemed to promise the kind of unfettered exchange for which Polish businessmen had longed.

"The development of trade relations with Russia" requires "the establishment of the principle of complete freedom of this trade," the Industrial-Trade Council resolved. While this did not mean freedom from customs duties – the Council called on the Ministry of Finance to "organize, as quickly as possible, the appropriate guarding of our customs border to the East" - it did mean doing everything in the government's power to facilitate the border trade. Accordingly, the Council called for the establishment of "certain permanent barter points at the border ... in which transactions between the interested parties would be concentrated."<sup>30</sup>

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<sup>28</sup> "Jakie towary Rosji potrzebne?", *KL* 3 May 1921, 4.

<sup>29</sup> "Rada Przemysłowo-Handlowa," *PG*, 1 July 1921, 497.

<sup>30</sup> *Ibid*, 497.

Like Tallinn and Riga, Warsaw was merely catching up to developments on the ground (as well as to the Baltic capitals themselves). On May 14, the Ministry of Industry and Trade hosted representatives from other Polish government agencies along with select members of the country's business community for a private informational session on trade with Russia. Focusing on "the spontaneous border trade between Polish and Russian merchants," Strasburger, who chaired the meeting, could only throw up his hands at the "prevailing relations" on the frontier. "As it turns out, the border trade has developed without any assistance or oversight by government agents, on the permission of military authorities alone," he shrugged. While he insisted that regular commercial relations with Russia could be established "only on the basis of a future trade treaty," the deputy minister knew that his audience was not in the business of waiting. After briefly touting one of Poland's chief advantages over its commercial competitors, its fleet of trophy Russian-gauge freight trains, Strasburger returned pragmatically to the present. "The second important point in the development of trade relations with Russia is the issue of salt, which the Soviet State does not possess. Anything can be bought for salt in Russia today," he reveled. With its "rich saline deposits," Poland stood ready to pour the white crystals into smugglers' sacks until the Soviets would allow the Polish trains to roll across the border.<sup>31</sup>

Polish officials felt compelled to facilitate the border trade not only because it was already underway, however. "Due to the conclusion of the recent peace treaty ... there arises the urgent need of establishing trade relations with Russia, with the aim of exchanging the stock of manufactured goods accumulated in Poland for raw materials and grain by means of barter trade,"

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<sup>31</sup> "Konferencja w sprawie stosunków handlowych z Rosją," *PiH*, 26 May 1921, 198; "Die polnisch-russischen Handelsbeziehungen," *Rigasche Rundschau*, 31 May 1921, 5.

Strasburger's superior, Industry and Trade Minister Stefan Przanowski, informed Finance Minister Jan Steczkowski on May 25, in a confidential letter marked "very urgent." "*Out of fear of competition from other European states*, this matter may not be put off until such time as the trade treaty between Poland and Soviet Russia is concluded," Przanowski insisted. Spared the Red Army's advance on their own capitals, Poland's Baltic neighbors had obtained a significant head start in the Soviet frontier traffic. Given the fevered pace of the barter, Warsaw shared Moscow's concern about Russia's dwindling supplies of convertible valuables and raw materials, albeit for different reasons.<sup>32</sup> With Riga and Tallinn wasting no time cashing in on the eastern windfall, Warsaw also saw no reason to wait for the slow grind of negotiations over a trade treaty – "the more so because, until its conclusion, it will be possible to regulate the barter trade effectively by way of unilateral, internal Polish ordinances," Przanowski argued.<sup>33</sup>

With trade rather than defense now the order of the day, Przanowski insisted on the necessity of "taking over supervision of the borderline by civilian authorities."<sup>34</sup> Indeed, two weeks earlier, the Polish High Command – likely eager to shield its troops from the corrupting influence of the frontier – had already absolved the army of responsibility for border control, transferring this unenviable task to the Ministries of Finance and Internal Affairs.<sup>35</sup> Przanowski accordingly appealed to the Finance Minister to establish a cordon of customs houses along the border to oversee the barter trade. A mere two posts had been operating since the Riga Peace,

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<sup>32</sup> On fears that the supply of valuables on the Soviet side would soon run out, see Chapters Four and Five.

<sup>33</sup> Łopatniuk, *PRSG*, 53–54. My emphasis.

<sup>34</sup> Łopatniuk, 54.

<sup>35</sup> Dominiczak, *Granica wschodnia Rzeczypospolitej Polskiej w latach 1919-1939*, 64.

inspecting returning refugees and POWs. Personnel shortages stymied expansion, however; only three more customs offices had opened along Poland's new Soviet frontier by the end of June.<sup>36</sup>

Polish businessmen were growing understandably impatient that their government was not doing enough to take advantage of the moment. "Do you know why it's so hard to find needles in Lwow?" one of the city's merchants inquired rhetorically of a journalist from the *Gazeta Wieczorna*, eastern Poland's leading daily. The trader answered his own question:

It's because to the east of Płoskirów, a peasant gives two chickens for a needle. That Ukrainian void sucks up and swallows everything ... Naturally, it is not at all necessary that the peasant give two chickens for a needle. Let him give one – nay, I'll even give him two needles for a chicken – but I must have those needles. The government should remember this, it should give me the opportunity to deliver the needed goods, owing to the absence of which, we are losing billions.<sup>37</sup>

"For instance, for the brush industry we need bristle – it's right there in the Ukraine! We could have brushes, even for export to that very same Ukraine!" the merchant continued excitedly. "But – our output won't suffice at present! ... It is necessary, you see, to organize a great movement of goods from the West to the East, like the Niagara. And it will look as if someone had smeared Poland with gold..."<sup>38</sup> Responding to such clamor from the country's business community, on June 22, the Polish Cabinet finally lifted the wartime restrictions on shipping goods to the country's former frontline provinces in the East; on July 19, it removed the requirement for special permissions to trade across the eastern border.<sup>39</sup> Poland's Soviet frontier was formally open for business.

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<sup>36</sup> "Urzędy celne na granicy wschodniej," *PiH*, 30 June 1921, 270; Łopatniuk, *PRSG*, 53; *DM*, IV:32.

<sup>37</sup> "Handel z Rosją," *Gazeta Wieczorna*, 26 June 1921, 4.

<sup>38</sup> *Ibid.*, 4.

<sup>39</sup> *Dziennik ustaw Rzeczypospolitej Polskiej* № 60 (14 July 1921), 1022-23; *ibid.*, № 60, 19 July 1921, 1154-55.

It did not take long to see the results. “[I]n the course of the last two weeks, the influx of gold, diamonds, and platinum from Soviet Russia has intensified immensely,” a correspondent of the *Kurier Łódzki* reported from Lwow on August 7. “[O]n the Lwow market, gold has appeared suddenly in such quantity as has not been seen for a long time. Due to the increase in supply, prices for gold in recent days have fallen from 800 marks a gram to 450 … According to the calculations of speculators, around 50 kilograms of gold have been brought to Lwow in the last week. Because it did not find buyers here, it has been taken further on to Warsaw … Moreover, large quantities of platinum have appeared, the price of which has fallen from 8,600 to 2,800 marks a gram.” While the report ascribed the influx of gold and diamonds primarily to the “throns” of refugees fleeing the famine in central Russia, it noted that “the platinum is brought in by speculators” – i.e., smugglers – in plates bearing “the old Russian government stamps.”<sup>40</sup> Meanwhile, other Polish papers gleefully reported from nearby Równe that the “enormous dimensions” of the border trade prompted a dramatic spike in demand for Polish marks on the Soviet side, where even financial statements were now rendered in the Polish currency.<sup>41</sup> Refugees arriving that fall witnessed “considerable Polish money used as much as two hundred kilometres East of the boundary.”<sup>42</sup>

To the north, the frontier traffic flourished in the Wilno region, occupied by Polish forces in October 1920. Ignacy Schiper, the leading interwar authority on the history of Polish trade, notes that the area came to enjoy “an especially favorable market conjuncture in trade and industry from the end of 1920 and over the course of 1921,” when it provided “very fertile soil for the transit

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<sup>40</sup> “Napływ brylantów i złota do Polski,” *KL*, 8 August 1921, 2.

<sup>41</sup> “Die polnische Mark in der Ukraine,” *Rigasche Rundschau*, 13 August 1921, 10.

<sup>42</sup> W. R. Nellegar, “Four Refugee Camps on the Polish Border,” *American Relief Administration Bulletin*, December 1921, 16.

trade, which on the one side flowed legally from Poland, and on the other side illegally from Russia and to Russia.”<sup>43</sup>

Over the first nine months of 1921, the number of trading enterprises in the commercial hub city of Wilno and surrounding shtetls grew by nearly half. Tellingly, the biggest increases came in realms of trade tied to the Soviet frontier traffic. Thus, the number of registered horse dealers rose from 8 to 58; the number of textile traders, from 132 to 319; tobacconists, from 34 to 108. Over 500 new merchants dealt in “colonial goods,” including sugar, cocoa, tea, coffee, and rice, while over 150 new traders offered haberdashery, shoes, and other leather wares. Crucially, nearly 80 percent of all trading enterprises, over 60 percent of the factories, and over 70 percent of artisanal workshops in the “Jerusalem of Lithuania” and its environs were operated by Jews. Leveraging prewar family and business ties, the semi-clandestine trade between Polish and Soviet territories, Schiper reports, was “developed and dominated almost wholly by the Jews of both sides.”<sup>44</sup> While Wilno powered the traffic, smuggling fostered the city’s postwar revival.

### ***Doubts***

As in Riga and Tallinn, however, the anarchic nature of the frontier traffic bred unease in Warsaw. “[T]he barter trade already taking place on the Polish-Russian border,” Minister of Trade and Industry Stefan Przanowski complained in his May appeal to the Finance Minister, “is carried out by irresponsible elements, with harm to the country and to the respectable merchanty.”<sup>45</sup> As in the Baltics, the trade aroused security concerns. “Although smuggling is the plague not only of

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<sup>43</sup> Ignacy Schiper, *Dzieje handlu żydowskiego na ziemiach polskich* (Warsaw: Nakładem Centrali Związku Kupców, 1937), 586.

<sup>44</sup> Schiper, 586–87.

<sup>45</sup> Łopatniuk, *PRSG*, 54. The anti-Semitic dimension of such allegations is analyzed in the next chapter.

our eastern borders, it is more menacing there,” the lead editorial of the organ of the Polish Merchants’ Association, *Tygodnik Handlowy*, warned ominously, “for Russia knows who and for what purpose it lets out through its borders.”<sup>46</sup> The close personal nature of the barter, with its attendant mixing of humans and animals and lack of sanitary oversight, also fueled fears “the infectious diseases spreading in Russia and the Ukraine among people and cattle”; the *Kurier Warszawski* reported in early August of eight cases of the ominously-named “Asiatic plague” (the virulent Newcastle disease, which afflicts poultry) in one border locale.<sup>47</sup> Like their Baltic counterparts, too, Polish officials fretted about the influx of “worthless banknotes, issued en masse by the Soviet government.” “The [Polish] government harbors the hope that the merchanty, in its own self-interest, will understand the necessity of selling their goods only by way of exchange for real valuables, whether in the form of raw materials, precious metals, or full-value currencies,” admonished a top Ministry of Industry and Trade official, Alfred Siebeneichen, in a front-page editorial in the Ministry’s official journal, “for only in this manner would the specter of starvation menacing Poland be eliminated.”<sup>48</sup>

Indeed, as the scale of the Russian famine was becoming apparent, concerns about the contraband outflow of grain to the east rose to the level of a full-fledged moral panic. Warsaw’s decision to reintroduce free trade in grain and most other foodstuffs inside the country beginning in mid-July 1921 further fanned popular anxiety about the seepage of scarce supplies abroad. While the export of provisions remained prohibited, Poland’s porous frontiers offered little reassurance

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<sup>46</sup> “Zagadnienie Wschodnie (Wywóz i Tranzyto), *Tygodnik Handlowy*, 15 April 1921, 1.

<sup>47</sup> Alfred Siebenichen, “Rozpoczęcie handlu z Rosją,” *PiH*, 28 July 1921, 327-329; “Chuma v Pol’she,” *Segodnia*, 11 August 1921, 3.

<sup>48</sup> *PiH*, 28 July 1921, 329

that this restriction would be enforced. “Shameless speculators,” the *Kurier Łódźki* warned in early August, “will attempt to take our grain out, especially to Germany as well as to Russia, which is currently undergoing a famine.”<sup>49</sup> The newspaper called on all Polish citizens to combat the “hydra of smuggling” perpetrated by the “locust profiteers.”<sup>50</sup> The involvement of Jews in the trade across both the German and Russian frontiers fueled accusations that “our neutral Semites will endeavor zealously … to supply these enemies with as many Polish riches as possible.”<sup>51</sup> Even the reported concentration of Red Army troops along the Belorussian border was interpreted as an effort to provision the soldiers with smuggled Polish grain.<sup>52</sup> As wounded veterans marched through the streets with banners proclaiming “death to profiteers,” Polish parliamentarians introduced urgent measures to combat smuggling. Proposals to raise the rewards for those who helped the authorities apprehend smugglers joined calls to stiffen the penalties for trafficking; several representatives, including at least one prominent clergyman, insisted that those caught smuggling grain out of the country should be put to death.<sup>53</sup>

To be sure, fears that foodstuffs would be smuggled out across the Soviet border were not entirely unfounded. As in the Baltics, the press decried “the diplomatic stripping-bare of Warsaw” by Soviet couriers who were “constantly taking with them a dozen or so *poods* of provisions.” “Barely a day passes without such a courier departing,” inveighed Poland’s country’s leading

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<sup>49</sup> The paper alleged ominously that certain “well-funded organizations … with the aid of a phalanx of agents dispersed throughout the country, have undertaken a concerted effort to smuggle grain over Poland’s borders.” “Wolny handel,” *KL*, 4 August 1921, 2.

<sup>50</sup> “Handlarze zboża oglądają Polskę,” *KL*, 29 July 1921, 3; “Walka z hydram przemytnictwa,” *KL*, 8 August 1921, 3.

<sup>51</sup> “Ochrona plonów,” *KL*, 24 August 1921, 4.

<sup>52</sup> “Mało im kląski zeszłorocznej?! Sowiety brzakają szabelką,” *KL*, 22 July 1921, 1.

<sup>53</sup> “Obrady Sejmowe,” *KL*, 29 July 1921, 2; “Rozprawy nad budżetem Rzeczypospolitej,” *KL*, 30 July 1921, 1-2; “Dalsza dyskusja,” 31 July 1921, 2; “Zwyżka, czy zniżka?,” *KL* 18 August 1921, 4; “Wolny handel ziemnopłodami i ich przetworami,” *KL*, 20 August 1921, 4; “Poland May Execute Smugglers of Food,” *Detroit Free Press*, September 15, 1921, 10; “Troska o potęgę i przyszłość Polski,” *KL* 6 October 1921, 2.

daily. “Hams, sausages, flour, sugar, etc. do not belong among diplomatic correspondence.”<sup>54</sup> (“Tout comme chez nous,” quipped the *Rigasche Rundschau*.)<sup>55</sup> A Polish army officer quartered in the rustic hut of a customs official reported that, “in addition to his official work,” his host “engaged in the smuggling of grain to Russia. Behind the thin wall of the ‘apartment’ was situated an illegal granary, which was besieged by rats [and] mice.”<sup>56</sup>

Far more significant, however, was the flow of contraband foodstuffs *from* Soviet territory – specifically, from its Ukrainian breadbasket – *into* Poland. The Polish Foreign Ministry reported in January 1921 that peasants in the southern Soviet Ukrainian region of Podolia had commenced smuggling out their grain in exchange for Polish salt and kerosene soon after the October armistice.<sup>57</sup> The advent of famine in Russia did not alter this pattern. As Deputy Commissar of Food Supply Briukhanov warned in early April 1921, Soviet Ukrainian peasants were taking full advantage of the absent border guard to barter “our feed grain” for the Poles’ salt and kerosene.<sup>58</sup> “[O]ur profiteers have miscalculated … in counting on Russia,” the *Kurier Łódzki* observed later that month. “[I]t now turns out that ‘famished’ Russia has grain for sale … [T]he peasants of Russia’s southwestern counties, who … succeeded in storing and secreting large quantities of grain from Bolshevik requisitions, are now very eager to sell it.”<sup>59</sup> “Smuggled grain is coming to us from starving Russia,” Kazimierz Świtalski, a close associate of Head of State Józef Piłsudski,

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<sup>54</sup> Wł. Perzyński, “Z dnia na dzień,” *Rzeczpospolita*, 1 August 1921, 5.

<sup>55</sup> “Russisch-polnischer Grenzschmuggel,” *Rigasche Rundschau*, 18 August 1921, 2.

<sup>56</sup> Ewa Pankiewicz, *Pułkownik Leon Mitkiewicz-Żółtek: działalność wojskowa i dyplomatyczna* (Białystok: Wydawnictwo Uniwersytetu w Białymostku, 1999), 63.

<sup>57</sup> Jerzy Tomaszewski, “Polsko-Radzieckie Stosunki Handlowe w Latach 1920-1929,” in *Druga Rzeczpospolita: Gospodarka, Społeczeństwo, Miejsce w Świecie (Sporne Problemy Badań)*, ed. Zbigniew Landau and Jerzy Tomaszewski (Warsaw: Książka i Wiedza, 1977), 401.

<sup>58</sup> RGAE 413/14/100: 37rev.

<sup>59</sup> “Fala taniości,” *KL*, 21 April 1921, 3.

noted dryly in his diary on June 20, “because there is plenty of it in Sluczyna,” the southwestern region of Soviet Belorussia adjoining Soviet Ukraine.<sup>60</sup>

The westward outflow of foodstuffs amid the famine frustrated Soviet authorities and flummoxed Western observers and relief officials. “Surprising as it may seem, in view of the famine in Russia, I am assured on good authority that considerable supplies of food, corn, and cattle are still coming into Poland from the Ukraine,” marveled the *Times*’ Warsaw correspondent on August 1. “This cross-frontier smuggling trade touches a belt about 200 miles deep on the Russian side.”<sup>61</sup> Following the harvest, the Cheka sounded the alarm in October about “the wholesale taking out of grain across the border” in the Wołyń region of Soviet Ukraine.<sup>62</sup> “The Russian peasants are smuggling grain into Poland,” noted Major W. R. Nellegar, chief of the American Relief Administration’s Polish mission, upon visiting the town of Ostrog on the western side of the frontier in late fall. “Rye in Poland is worth 1150 M[arks] per pood. Russian peasants bring it across the border and sell it for 500 M[arks] per pood. Three freight car loads of this rye were purchased and shipped to Warsaw last week.”<sup>63</sup> Even as the smuggling of foodstuffs from Poland to Russia prompted panic on the Polish side, the contraband flow of provisions in the other direction encouraged Soviet authorities both to reinforce their side of the frontier and to attempt to satisfy the locals’ demand for smuggled goods. “The Russian Government is placing many more patrols along the border to stop this smuggling,” Nellegar reported, “[and] sending many

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<sup>60</sup> Kazimierz Świtalski, *Diariusz, 1919-1935* (Warsaw: Czytelnik, 1992), 86–87. See also “Magistrat sprowadza ziemniaki,” *KL*, 29 August 1921, 3.

<sup>61</sup> “Food Smuggled Out of Russia,” *The Times*, 3 August 1921, 9.

<sup>62</sup> A. Berelowitch and V. A. Danilov, eds., *Sovetskaia derevnia glazami VChK-OGPU-NKVD, 1918-1939: dokumenty i materialy*, vol. I (Moscow: ROSSPEN, 1998), 522.

<sup>63</sup> W. R. Nellegar, “Four Refugee Camps on the Polish Border,” *American Relief Administration Bulletin*, December 1921, 15.

manufactured articles to towns near the border so that the people will not feel obliged to cross to Poland to do their trading.”<sup>64</sup>

### ***Accommodation***

Whatever misgivings Warsaw harbored about the frontier trade were overcome by broader “economic considerations” and the sheer “spontaneity of the movement of goods eastward” already occurring on a “vast scale.” The “complete suppression” of this traffic was not only “a difficult undertaking,” but an “inadvisable” one, Deputy Minister of Trade and Industry Strasburger counseled in a letter to Minister of Internal Affairs Leopold Skulski on July 22, following a conference on the subject a week earlier at Skulski’s Directorate of Public Security. Instead, Strasburger argued, what was needed was simply to bring the trade within “strictly defined legal norms” through “unilateral regulations by the Polish government.” The moment the relevant provisions were adopted, Strasburger insisted optimistically, “trade with Russia and Ukraine would proceed on an identical basis to that with other foreign countries.”<sup>65</sup>

To make this possible, Strasburger proposed channeling the traffic via sixteen locales along Poland’s Soviet frontier, where the Ministry of Finance was already in the process of establishing customs offices. State security and public health considerations demanded that each customs house be accompanied by a “political control post” and a quarantine checkpoint; for the same reasons, both the Ministry of Internal Affairs and the Chief Commissariat for the Struggle with Epidemics insisted that “the merchants arriving from Russia and Ukraine” were not permitted to venture

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<sup>64</sup> Ibid, 15. On the Soviet “stick and carrot” approach to the contraband challenge, see Andrey Shlyakhter, “La contrebande aux frontières de l’URSS dans les années 1920: méthodes d’évaluation et mesures de lutte,” in *Frontières du communisme. Mythologies et réalités de la division de l’Europe, de la révolution d’Octobre au mur de Berlin*, ed. Sophie Cœuré and Sabine Dullin (Paris: La Découverte, 2007), 406–27.

<sup>65</sup> DM, IV:30–31.

further into the Polish interior. To ensure compliance, the Soviet “merchants” would be issued permits for short stays, limited to a given frontier locale.<sup>66</sup>

Despite its dryly bureaucratic nature, the Polish officials’ language was not neutral. By referring to the Soviet smugglers as “merchants” (*kupcy*), Strasburger and his colleagues lent legitimacy and even a measure of respectability to the traffic and its participants. To be sure, Soviet authorities considered these traders not merchants but criminals; but even their fellow villagers considered the smugglers who actually ferried the goods across the frontier peasants or draymen rather than “merchants.” To better suit its purposes, Warsaw thus quietly elevated these humble borderland denizens into the status of international businessmen.<sup>67</sup>

On August 12, an interagency conference chaired by Industry and Trade Minister Przanowski endorsed Strasburger’s plan, and resolved to dispatch two commissions – each including representatives of the aforementioned Ministry itself as well as from the Ministries of Finance, Internal Affairs, Military Affairs, and the newly-formed Directorate of Customs Battalions – to personally review “relations on the ground” and establish seventeen locales along the border at which the barter could take place under the supervision of Polish officials. By the time the commissions departed in late August, one traveling north along the Belorussian segment of the frontier and the other journeying south along the border with Soviet Ukraine, the number of proposed barter zones had grown to twenty-three. Reflecting the special significance of the

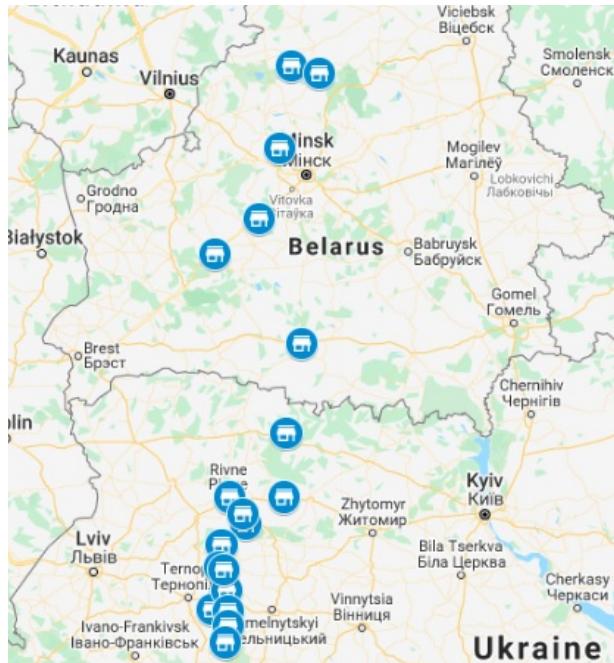
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<sup>66</sup> *DM*, IV:33–34.

<sup>67</sup> Indeed, Strasburger pointedly drew no distinction between the smugglers and official Soviet trade representatives. After emphasizing that the “Russian merchants” would not be allowed to proceed beyond the frontier locales, he suggested that “[i]n exceptional circumstances, especially when it would involve the visit of major Russian trade organizations to locales situated in the interior of the country, entry permissions would be granted by the Ministry of Internal Affairs on the application of the Ministry of Industry and Trade.” (*DM*, IV:34.)

Ukrainian frontier, one of Strasburger's top deputies joined the southbound mission. The commissions' ultimate objective, the *Kurier Łódzki* reported, was "to check the growth of smuggling and to bring the trade with Russia into the framework of a normal process."<sup>68</sup>

**Map 3: Polish Frontier Customs Trade Zones, 1921**



*Source:* "Smugglers' Shops: Contraband Trade Outposts on the Soviet Frontier, 1920-24," interactive map under construction at [https://www.google.com/maps/d/edit?hl=en&mid=1m3UncT95kw2StjKmULvyksUvaYA\\_9W3b&ll=57.904854595363545%2C26.87011170039055&z=8](https://www.google.com/maps/d/edit?hl=en&mid=1m3UncT95kw2StjKmULvyksUvaYA_9W3b&ll=57.904854595363545%2C26.87011170039055&z=8)

Polish authorities and businessmen nurtured no illusions about the limits of this normalization. "It must be made clear at this point," acknowledged Stanisław Wartalski, a Vienna-trained lawyer and economist who headed the Association of Polish Merchants, in early October 1921, "that inasmuch as on the side of Poland, legal trade with Russia is carried out on the basis

<sup>68</sup> With its customs battalions now assuming responsibility for border control, Finance Ministry representatives headed both delegations. "Komisja międzyministerialna dla handlu ze Wschodem," *PiH*, 18 August 1921, 380; "Handel nadgraniczny z Rosją," *KL*, 31 August 1921, 2.

of ... Polish legislation, the majority of transactions performed by the Russian counterpart must, from a formal standpoint and from the Russian point of view, be regarded as illegal.” However, because “the Bolsheviks prefer to discuss large transactions with those countries with which they have concluded trade treaties,” Wartalski argued, the “petty, individual trade ... possesses a first-rate significance and future.”<sup>69</sup>

“From the Polish side, goods are delivered by the railroads, waterways, automobiles, and carts,” Wartalski marveled, “but across the border they are ferried almost exclusively by cart, as even at those border-area railway hubs that are linked to the Russian stations, the transport of goods to the Russian side takes place in carts ... Thus, caravans of sixty carts at a time, laden with goods, are not uncommon ... Trade takes place in border shops, especially large numbers of which are scattered along the southeastern frontier” – the apparent Polish equivalents to the Estonian and Latvian barter stations. Particularly “emblematic” of the nature of this traffic, Wartalski observed, was that the Soviet inhabitants “conduct purchases primarily in the evening and at night, so as to elude the Russian patrols.”<sup>70</sup> By November, Wartalski was reporting to the Association that “hundreds of retail shops” had been “established in the border belt.”<sup>71</sup> Besides the massive traffic sanctioned by Polish authorities, Wartalski emphasized that “due to the weakly patrolled borders, the smuggling of imported goods, and especially of goods exported from Poland, is frightful” –

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<sup>69</sup> Stanisław Wartalski, “Dzisiejszy handel z Rosją sowiecką,” *PG*, 1 October 1921, 681; “Ś. P. Stanisław Wartalski,” *Polska Gospodarcza*, 6 August 1932, 933.

<sup>70</sup> *PG*, 1 October 1921, 681. On the frontier traffic’s nocturnal nature and its significance, see Andrey Shlyakhter, “Traders in the Night: Smugglers and the Young Soviet State under the Stars,” paper given at the Russian and East European History Workshop, Harvard University, Cambridge, Mass., November 15, 2018.

<sup>71</sup> “Stosunki handlowe z Rosją (Wieczór dyskusyjny w Stow. Kupców Polskich),” *TH*, 1 December 1921, 468-70.

allegedly causing “great harm to the state treasury and to legal trade, which finds it hard to compete with unscrupulous individuals.”<sup>72</sup>

Soviet authorities struggled in vain to suppress both flows. “With few exceptions, contraband goods pass through in enormous quantities without hindrance,” a Soviet customs official stationed at Negoreloe on the Polish border despaired in a report to his superiors in Moscow in November 1921. “The city of Minsk is inundated with foreign goods,” he lamented, with “wholesale merchants” stocking the NEP-sprung private shops with “billions of rubles” worth of contraband.<sup>73</sup> A freshly-returned Polish engineer enthused that “[o]ne can obtain in Minsk anything that there is in Warsaw.”<sup>74</sup>

Meanwhile, the Ministry of Industry and Trade expanded the number of designated barter areas along the Soviet frontier to twenty-three. In late September, asked by a reporter to elaborate on what the Poles were “importing” from their beleaguered eastern neighbor, Stefan Przanowski (who had just yielded control of the Ministry to his former deputy Strasburger) emphasized that “Russia has hides [and] quite a lot of flax and hemp,” but that “above all,” the Polish merchants were busy procuring horses: “a horse costs around a million Soviet rubles, which comes to 30 thousand marks in our currency, and thus significantly cheaper than here.”<sup>75</sup> The content of this flow left no doubt as to its illicit nature: desperately sought by the Red Army, horses were emphatically *not* an official Soviet export.<sup>76</sup> No doubt, the Soviet frontier traffic also helped

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<sup>72</sup> PG, 1 October 1921, 681.

<sup>73</sup> “V Transportno-Material’noe Upravlenie Narkomvneshtorga,” from Head of Customs Post No. 7 (Negoreloe) Gotlieb, 20 November 1921, RGAE 413/14/75: 192-194.

<sup>74</sup> *Tygodnik Handlowy*, 1 December 1921, 468-470.

<sup>75</sup> “B. Minister Przanowski o handlu ze Wschodem,” *Tygodnik Handlowy*, 1 October 1921, 357-358.

<sup>76</sup> In 1921, Soviet customs officials recorded the export of just ten horses around the entire Soviet perimeter. Vinokur and Bakulin, *Vneshniaia torgovlia SSSR, 1918-1927/28*, 43. On Soviet efforts to stop the smuggling of horses to

explain the appearance of “many individuals offering gold and diamonds for sale” to Warsaw jewelers already struggling to move their inventories in a glutted market.<sup>77</sup>

### ***The Red and the Gray***

Unlike speculation, with which it was often conflated on both sides of the Soviet border, smuggling violated relatively well-defined physical and legal boundaries. Yet a key factor behind the vast scale of this trade was the amorphousness of authority on the Soviet side. This is because the frontier game of cat-and-mouse was waged not only between Soviet authorities on the one hand and smugglers and their patron Polish officials on the other, or between smugglers and authorities on both sides of the border at once. Wartalski’s observation – that “the majority of the transactions performed by the Russian counterpart must, from a formal standpoint and from the Russian point of view be regarded as illegal” – elided the prominent role of local Soviet functionaries in fostering this shadowy traffic.

To be sure, since Moscow approved few of the multitude deals struck on the frontier that summer and fall, most of these transactions violated the Soviet state monopoly on foreign trade. “The sole legally competent executive authority for the purchase of goods on the Russian-Polish border in the RSFSR [*sic*]<sup>78</sup> is the NKVT [People’s Commissariat of Foreign Trade],” affirmed a conference of Soviet officials meeting in the hamlet of Orekhovo on the Belorussian-Polish

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Poland by corrupt Red Army Intelligence Directorate agents, see Shlyakhter, “Contraband, Corruption, and Conflict: Turf Wars on the Soviet Frontier, 1921-1925.”

<sup>77</sup> “Zastój ogarnął rynek warszawski,” *KL*, 9 November 1921, 6.

<sup>78</sup> The RSFSR (Russian Soviet Federative Socialist Republic) did not share a border with Poland – the nominally-independent Soviet republics of Ukraine and Belorussia did. However, Moscow’s official monopoly on Soviet foreign trade left little room for such niceties.

frontier on December 30, 1921. “The NKVT is in charge of both export and import. All contracts and deals with Polish firms on the border are concluded only by the NKVT.”<sup>79</sup>

As the very need for this affirmation made clear, however, not all Soviet officials respected the Commissariat’s writ. Russia’s powerful consumer cooperatives – whose nominal autonomy had proven such a useful fiction to all sides interested in ending the Allied economic blockade of the Soviet state – became particularly active in seeking out foreign partners. This was especially true along the borders, where the consumer cooperatives benefitted from weak central oversight and enjoyed the support of local officials, who depended on the cooperatives to provision both the officials themselves and the populations in their charge.

This was not something that conscientious customs men committed to securing Moscow’s monopoly on Soviet foreign trade could abide. “Upon inspecting the frontier, I found that the spot most favored by smugglers was the shtetl of Kubliche, where the Poles have set up their shops for disposing of goods,” reported one Pulikovskii, who assumed command of the Lepel customs house in northwestern Belorussia in the summer of 1921, along with responsibility for five subordinates and 100 kilometers of the Polish border. “Soon, the Lepel District Branch of the Provincial Consumer Cooperative Union arranged for the acquisition of Polish goods via Kubliche, but the very first consignment of salt was detained on my orders, for which I received a reprimand from the Vitebsk Provincial Executive Committee.”<sup>80</sup> The Vitebsk officials, it appears, then enlisted the support of Iosif Opanskii, the powerful Smolensk-based chairman of the Western Regional

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<sup>79</sup> “Protokol № 2 Zasedaniia komissii, organizovannoii Severo-Zapadnym Tamozhenn[y]m Pogranichnym Okrugom, dlia obsledovaniia i vyiasneniia vsekh voprosov, sviazannykh s vnesheui torgovlei,” 30 December 1921, RGAE 413/14/80: 136-37.

<sup>80</sup> “Protokol Soveschaniia predstavitelei Tamuchrezhdennii Severo-Zapadnogo Tamozhenn-Pogranichnogo Okruga,” 5 January 1922, RGAE 413/14/80: 142-49; here, 145rev.

Cheka, who in turn appealed directly to the People's Commissar of Foreign Trade, Leonid Krasin.<sup>81</sup>

Opanskii's telegram found Krasin in Moscow, fending off "a fierce attack" on the Foreign Trade Commissariat, as he wrote apologetically the following day to the wife and children he had left behind at the Soviet Trade Mission in London a month earlier.<sup>82</sup> Krasin did not elaborate on the nature of the "attack," but the bureaucratic infighting to which he referred probably entailed the early rumblings of what would soon develop into a full-fledged assault on the Commissariat's claim to the mantle of sole executor of the Soviet state monopoly on foreign trade.<sup>83</sup> For now, however, it appeared that Krasin had succeeded in keeping the wolves at bay. "The most intense period has passed," he assured his wife. "I am very pleased with the results, and the benefit of my interference has already become clearly manifest. I feel terrific, vigorous, happy."<sup>84</sup>

Two weeks earlier, the Politburo had reaffirmed Krasin's appointment as head of the Commissariat, and instructed him to submit a proposal for "a dictatorship for the collection of raw materials for export"; on August 10, the Kremlin approved the establishment of the Extraordinary Commission on Exports (*Chrezkomeksport*), an interagency body with sweeping powers charged with scouring the country for anything of value to Western trading partners.<sup>85</sup> The newly-emboldened Krasin wired Opanskii back the same day. "We authorize the purchase of imported

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<sup>81</sup> "Nachosobdelzapa Opanskому," signed by Krasin, 10 August 1921, RGAE 413/14/80: 307.

<sup>82</sup> Yu. G. Felshtinsky, G. I. Cherniavskii, and F. Markiz, eds., *L. B. Krasin. Pis'ma Zhene i Detiam. 1917-1926*, 2003, <http://lib.ru/HISTORY/FELSHTINSKY/Krasin.Pisma.txt>.

<sup>83</sup> On this momentous debate, which split the Bolshevik leadership, see Timothy Edward O'Connor, *The Engineer of Revolution: L. B. Krasin and The Bolsheviks, 1870-1926* (Boulder, Colo.: Westview Press, 1992), 166-86; Quigley, *The Soviet Foreign Trade Monopoly*, 24-36; Moshe Lewin, *Lenin's Last Struggle* (Ann Arbor: University of Michigan Press, 2010), 35-42.

<sup>84</sup> Felshtinsky, Cherniavskii, and Markiz, *L. B. Krasin. Pis'ma Zhene i Detiam. 1917-1926*.

<sup>85</sup> Rossiiskii Gosudarstvennyi Arkhiv Sotsial'no-Politicheskoi Istorii (RGASPI) 17/3/189: 1; O. Iu. Vasil'ieva and P. N. Knyshevskii, *Krasnye konkistadory* (Moscow: Soratnik, 1994), 123.

goods in the trans-border strip [*zagranichnoi polose*] by the Provincial Consumer Cooperative Unions,” the Commissar conceded – but “[on] condition of payment in low-value raw materials that have no market [in] [Western] Europe. We forbid payment in gold, Romanov [currency], or raw materials from the stock of the Narkomprod [People’s Commissariat of Food Supply] and the NKVT.”<sup>86</sup>



Figure 12: People’s Commissar of Foreign Trade Leonid Krasin (1870-1926)

Source: <http://www.rusrevolution.info/photos/rulers/view.shtml?07>

Shuttling between European capitals in well-tailored suits or a diplomat’s dress coat, Krasin appears to have lost sight of the decidedly grittier realities of trade on the frontier. “A strict adherence to the instructions indicated in the telegram is tantamount to closing the border,” affirmed the officials gathered in Orekhovo on December 30, 1921.<sup>87</sup> To be sure, enterprising local functionaries had not let the Foreign Trade Commissar’s directives unduly constrain their operations in the intervening five months. “The consequence of the seizure” of the salt purchased

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<sup>86</sup> RGAE 413/14/80: 307.

<sup>87</sup> RGAE 413/14/80: 137.

in Poland by the Lepel District Branch of the Vitebsk Provincial Consumer Cooperative Union (*Gubsoiuz*) “was com[rade] Krasin’s telegram permitting the *Gubsoiuz* to conduct the purchase of foreign goods, but exclusively for Soviet money,” Lepel customs house head Pulikovskii reported. “Following [in the footsteps of] the Lepel District Branch, representatives of the Senno District Branch, the Vitebsk District Branch, and oth[er] cooperative organizations [also] arrived in Kublichi. *It surprised me that Kublichi, situated at such a great distance from the railroad, became the favored place for foreign purchases.*”<sup>88</sup>

In fact, it was precisely the shtetl’s obscurity that rendered it so popular with the contrabandist cooperatives. “[L]ately I have begun hearing persistent rumors that” – in direct violation of Krasin’s orders – “the deals are made in exchange for gold and [valuable] raw materials,” Pulikovskii warned. “Lacking “concrete evidence,” however, he was powerless to intervene. “[I]n the presence of [Soviet] customs agents, payment was made exclusively in Soviet money,” Pulikovskii complained, “which were then illegally exchanged for gold or raw materials.”<sup>89</sup>

His was by no means an isolated case. “On the periphery, thanks to the detachment and distance from the stern eye of the center, the indulgence of the local extraordinary organs for the struggle with contraband [i.e., the Cheka], and the impotence of customs, there ensues a not-quite-playful game of ‘Foreign Trade Commissariat’ by the homebred local economists and merchandisers,” Pulikovskii’s immediate superior, the Northwest Customs Region head V. A. Russkii, lamented from Vitebsk in an October 14, 1921 letter to Customs Administration chief

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<sup>88</sup> RGAE 413/14/80: 145rev-146. My emphasis.

<sup>89</sup> RGAE 413/14/80: 145rev-146.

Khar'kov in Moscow. "Through their agents – who pull off their own quiet but not quite harmless deals – the province- and district-level cooperatives buy up goods for foreign currency of unknown provenance, and, with the blessing of the extraordinary organs, ferry them across the border in UNKNOWN quantities, PAST the customs houses. The result is speculation in the purchase of foreign currency, and perhaps of gold as well, in exchange for some unknown equivalent (raw materials or valuables), and then the transport of the goods by agents (not only for the cooperative but also for themselves), without the oversight of the NKVT."<sup>90</sup>

Krasin's telegram "is unclear and offers too many opportunities for various casuistic interpretations," Russkii rued. "I am inclined to consider it a one-time permission. The *Gubsoiuz*, for its part, intends to use it as cover for organizing its own permanent in-house foreign trade operation. The telegram clearly authorizes purchases in the frontline strip [*prifrontovoi polose*]" – an ill-defined, but presumably limited band of territory along the frontier – "yet the *Gubsoiuz* and other such outfits conduct purchases [far] beyond the border." "Would it be acceptable if we – while fighting against contraband and seizing smugglers and speculators and confiscating their imported goods, with practically no ability to verify and account for the quantity bought up by various agents of the cooperative[s] – should permit [the agents of the cooperatives] to acquire these [goods?]" Russkii demanded.<sup>91</sup>

Upon conducting a tour of the frontier over two months later, however, his deputy found little improvement. "[T]he purchase of goods by various cooperative organizations is conducted for Soviet money only for show," the deputy, Ia. I. Liubarskii, complained to a conference of the

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<sup>90</sup> "Nachal'niku Transportno-Material'nogo Upravleniya Narkomvneshtorga," 14 October 1921, signed by V. Russkii, RGAE 413/14/82: 10-13; here, 11rev. Capitalization in the original.

<sup>91</sup> RGAE 413/14/82: 12rev.

region's customs officials on January 5, 1922. “[T]he Soviet money is exchanged right at the border for foreign currency, gold, or horses, which are ferried illegally across the frontier.” Liubarskii reported that according to “reliable information” in his possession, “a herd of horses intended for smuggling across the border has been readied in Fastov,” a Ukrainian town lying over 400 kilometers to the south.<sup>92</sup> Traversing such long-distance with commodities as difficult to conceal as a herd of horses hinted at the clout that the Soviet cooperatives’ networks brought to the contraband trade; at the extent of official connivance; and, of course, at the distressing porosity of the Soviet frontier.

While Kublichei quietly served as a bustling entrepôt for consumer cooperatives running shadowy “in-house foreign trade operation[s]” along the northern stretch of the Soviet-Polish border, the traffic appears to have proceeded even more brazenly in the south, where efforts to ensure officials’ probity proved even more desultory than in the north. “As a result of arrests in Woloczyska and Proskuroff the trade activities on the small wooden bridge separating Podwolodyska [*sic*] from the Russian town of Woloczyska were slightly interrupted today,” the *Chicago Daily Tribune* correspondent L. C. Walter reported phlegmatically from the Polish frontier town of Podwoloczyska in early September 1921. “The vacant commissar posts in the Russian town are being filled by trusty men from Kieff. ‘As soon as they are all here,’ a Polish trader told me, ‘they will fall victims to the mighty lure of easy money.’”<sup>93</sup>

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<sup>92</sup> “Protokol Soveschaniiia predstavitelei tamuchrezhdennii Severo-Zapadnogo Tamozhennno-Pogranichnogo okruga,” 5 January 1922, RGAE 413/14/80: 142-149; here, 142.

<sup>93</sup> L. C. Walter, “Smuggler Gold Blinds Russian Border Guards. Deals in Millions Despite Soviet Decree,” *Chicago Daily Tribune*, September 9, 1921, 7.

Trade here proceeded in the open, with the little wooden bridge over the Zbrucz serving as a “clearing house” – or, in the evocative appellation of a Łódź textile firm representative who frequented the overpass, as a “smugglers’ bourse” (“*gielda ‘szmuglierska’*”). “Merchants from that side would walk up to the middle of the bridge and meet up with our merchants,” the Łódź businessman reported. “Samples would be examined, bargaining would ensue, and if the transaction took place, the goods would be delivered to the bridge – and that was that. If the deal could not be settled on the bridge, then, in accordance with the instructions, the watchful eye of the Polish policeman would close and the Soviet merchant would cross over to the Polish part of the town so as to inspect the goods at the warehouse and finally strike a bargain.”<sup>94</sup> Thus, “three commissars” – a catchall term for Soviet officials – “besides one representative of the Kieff cooperatives, and eight independent traders assembled in the middle of the Brucz [*sic*] bridge this morning to meet the agents of a Polish export syndicate,” Walter reported on September 8. “For more than two hours they eagerly talked about bargains and barter.”<sup>95</sup>

Whether the “representative of the Kieff cooperatives” was operating under the auspices of Krasin’s telegram or a similar bureaucratic fig leaf is unclear; but to gather and bargain on the frontier bridge in open daylight, the “independent traders” almost certainly wielded permits issued by interested local officials. Not that the local Soviet border guards or customs officials posed much of an obstacle: “Alexis Smiernoff, the commander or the bridge guard, arranged a deal amounting to 5,000,000 Polish marks, while Russian sentries on the bank of the river were idly puffing American cigarettes [*sic*] and discussing with *The Tribune*’s correspondent the comparative

<sup>94</sup> “Handel ze wschodem ulatwiony,” *KL*, 15 February 1922, 4. I am grateful to Tomasz Blusziewicz for help with this translation.

<sup>95</sup> *Chicago Daily Tribune*, September 9, 1921, 7.

merits of Russian and American prohibition,” Walter reported. “As neither of the young officers professed a profound interest in vodka, a bewhiskered customs officer interfered, saying: ‘Young men, prohibition in Russia is the handiwork of Nicholas II, Rasputin, and all the evil spirits combined. As a [S]oviet official, I do not touch vodka in Woloczyska, but this is a frontier bridge.’”<sup>96</sup>

Lubricated by alcohol and bribes, the deals entwined the highly profitable with the deeply personal. “One Russian trader, who lacked cash, offered to come to Podwolodyska [sic] to buy Polish goods for money realized by the sale of a pearl necklace and eight diamonds. One of the terms of the agreement was that the Polish trader should help smuggle his sister-in- law and three children to Polish territory tonight. Everything was arranged with the commissars on the Russian side of the border, he explained. All that was necessary was for the Polish authorities to look through their fingers. As the Polish trader is a man of great influence, the transfer of the woman and children across the river is a foregone conclusion and tomorrow the diamonds and pearls, as well as the purchase money, will be in Polish hands, while the Russian will get plows.”<sup>97</sup>

### ***Scale and Significance***

Whether smuggled through a frontier forest under cover of darkness, carted into Kubliche under cover of Krasin’s telegram, or ferried over the Podwoloczyska bridge with the connivance of Soviet officials, the contraband consignments turned Poland’s eastern frontier – usually understood as a focus of fear – into a locus of hope for the capitalist transformation of the country’s communist neighbor. For the Poles, the traffic was the most tangible everyday expression of the

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<sup>96</sup> Ibid, 7.

<sup>97</sup> Ibid, 7. For more on the traffic over the Podwoloczyska bridge, see Chapter Four.

New Economic Policy taking hold next door, offering reassurance that the Red revolutionaries who had menaced Warsaw itself only a year earlier would now cower before the forces of supply and demand.

Smuggling was both a manifestation and an engine of Russia's evolution. "It must be noted that despite the great danger inherent in this trade and the obstacles put in its path, the Russian merchants are flocking en masse to our eastern borders for making purchases or bartering goods, thereby giving expression to the eternal economic laws," the Chairman of the Association of Polish Merchants, Stanisław Wartalski, enthused. "There is no doubt that the entire Bolshevik ideology, which already must make concessions to the Russian people's unperturbed sense of private property, is thus being crossed out in practice. This ... is where the political-psychological significance of this trade lies."<sup>98</sup> What Moscow understood as the underhanded plunder of a prostrate Russia, Warsaw portrayed – of course, hardly disinterestedly – as a step toward its regeneration.

Western observers were taking notice. "Great Britain's efforts to resume economic relations with Russia by means of a Trade Agreement have hardly proved as successful as was hoped," commented Norman Leggett, Warsaw branch head of the Alliance Assurance Company, in late September 1921, "and it has been left for Poland to disclose that trade can penetrate into Russia through a long frontier much more practically than it can be directed into Russia along the lines of a commercial treaty, via Petrograd and Moscow, Odessa, or the Balkan States ... [D]uring the past few months the barter trade across the Polish-Russian border has increased rapidly and is now

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<sup>98</sup> Stanisław Wartalski, "Dzisiejszy handel z Rosją sowiecką," *PG*, 1 October 1921, 680-82 (also published as idem, "Handel ze Wschodem," *Tygodnik Handlowy*, 1 October 1921, 353-355).

attaining such substantial proportions that it is at the moment overshadowing all other modes of trade with Russia." Foretelling "a big transit trade that shall flow in from Western Europe and empty itself into Russia through the Polish-Russian frontier," Leggett called on western businessmen to visit the upcoming Eastern Fair in Lwow so as to "get into touch with the people who are at present carrying on the frontier trade."<sup>99</sup>

To be sure, Leggett was hardly a disinterested observer himself. Leggett's employer, the Alliance Assurance Company, founded a century earlier by the Rothschilds as a competitor to Lloyd's, had established itself as one of the world's premier underwriters; the company would have provided financial backing to the same Polish banks and insurers that financed the manufacturers and merchants behind the Soviet frontier traffic.<sup>100</sup> But the excitement was both genuine and general. "Although trade relations with Russia are not yet definitely established," the American Trade Commissioner Henry Bancroft Smith reported from Warsaw in an April 1922 pamphlet on Poland's cotton textile industry, "a large movement is taking place in the form of a 'pack trade,' which does not enter into official export records."<sup>101</sup> "At first the trade was of an illegal character and could not develop properly," echoed R. E. Kimens, the Commercial Secretary to the British Legation in Warsaw, in February 1922, "but gradually it increased in volume and

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<sup>99</sup> N. J. F. Leggett, "The Eastern Fair and the West of Europe," *Tygodnik Handlowy*, 1 October 1921, 355-56; on Leggett, see <https://www.flickr.com/photos/churchillarchives/13243680643>.

<sup>100</sup> Such financing included insuring the act of smuggling itself. "In Poland, there are special Societies that insure the [contraband] goods against capture," the Soviet Western Customs District chief would complain in July 1923. "Protokol № 40 Zasedaniia Tsentral'noi Komissii po bor'be s kontrabandoi," 30 July 1923, RGAE 413/14/72: 81. Similar insurers reportedly operated in the other "smuggler states" on the Soviet frontier as well. See the 1924 memorandum from the Commissariat of Finance to the Council of People's Commissars in RGAE 413/10/870: 72+rev; and D. Fedenev, "Bor'ba s kontrabandoi v SSSR," in *Kontrabanda i bor'ba s nei. Sbornik. Po materialam glavnogo tamozhennogo upravleniia*, ed. A. I. Potiaev (Moscow: RIO NKVT, 1925), 185. On Leggett's employer, see [https://www.rothschildarchive.org/business/the\\_alliance\\_assurance\\_company/history\\_of\\_the\\_alliance](https://www.rothschildarchive.org/business/the_alliance_assurance_company/history_of_the_alliance).

<sup>101</sup> H[enry] B[ancroft] Smith, *Cotton Textile Industry of Poland* (Washington: Government Printing Office, 1922), 9.

during the summer months of last year about 60 per cent of the textile productions [*sic*] of Łódź was exported to Russia” – an estimate likely based on the Commercial Secretary’s personal communications with Polish businessmen.<sup>102</sup>

While Kimens’s American counterpart acknowledged that “[n]o figures” of the usual kind “are obtainable in regard to the volume of this trade,” he proposed a clever workaround based on domestic Polish shipping figures. “The buying for Russia appears as a local demand from the border Provinces” – the *Kresy* – “where the goods are transshipped and sold for Polish marks or exchanged for commodities of value,” Smith explained. “[A] very good estimate can be derived from the amount of forwarders’ acceptances for the eastern districts.” “The purchasing power of the eastern districts themselves is extremely limited, owing to scarcity of population and the devastated condition of the area, and practically the entire amount of forwarders’ acceptances may be considered as covering goods destined for Russia,” Smith argued. During the month of September 1921, “these acceptances reached a total of about 1,000,000,000 marks.” Assuming an average price of 800 marks per meter” of cotton cloth, “the September forwarders’ acceptances would indicate sales of about 1,250,000 meters.” “Considering that the forwarders’ acceptances do not by any means include all business to Russia,” Smith concluded, “it is quite conceivable that Russia is the largest single export market for Polish cotton goods.”<sup>103</sup>

Smith’s audience of American businessmen would certainly be interested in this commercial intelligence. With the cotton fields of Central Asia and Transcaucasia now lying out of reach, Polish textile manufacturers had turned to the United States to supply their spindles.

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<sup>102</sup> R. E. Kimens, “Poland,” *The Board of Trade Journal and Commercial Gazette*, 25 May 1922, 569-571.

<sup>103</sup> Smith, *Cotton Textile Industry of Poland*, 9.

Unlike adjusting to the loss of the (legal) Russian market, this was not a difficult transition to effect: the United States had already furnished around 60 percent of the cotton spun in Russian Poland before the war. By the fall of 1921, official Polish statistics indicated that over 80 percent of the country's imports of raw cotton was coming from American plantations; accounting for resales through international intermediaries, industry experts estimated that the actual figure stood at 85 to 90 percent. The bulk of the contraband cloth spirited by smugglers across Poland's Soviet frontier was thus spun from cotton picked by the sundried fingers of American farmers and sharecroppers; the remainder came from British India, Egypt, the Belgian Congo, and other European colonies in Africa.<sup>104</sup> With its emphasis on secrecy and trust, this contraband trade was an intensely local activity, but one enabled by the global reach of capitalist commerce, the legacy of the transatlantic slave trade, and continued imperialist extraction.

To be sure, its Soviet frontier traffic was most consequential for Poland itself. Polish observers cited figures well in excess of Smith's (consciously conservative) estimate. "Turnover along the entire border reached up to 4 billion [marks] a month," the *Kurier Łódzki* enthused in early January 1922, "and thus a very significant sum for our industry, which ... produces much more than domestic market demand can absorb."<sup>105</sup> Others put the figure higher still. The Finance Ministry's top foreign trade expert observed that while "statistics on trade with the East, or rather, smuggling across the green border" – the favored euphemism that captured the lush forest cover and lack of customs oversight that made the Soviet frontier so hospitable to contraband trade – were unavailable, "[i]nformation obtained from individuals who study our trade with the East

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<sup>104</sup> Smith, 2–3.

<sup>105</sup> "Minister Downarowicz a handel ze wschodem," *KL*, 4 January 1922, 4.

indicates that our turnover across the green border may be put at around 100 billion marks” in 1921 – or around half the total value of Poland’s exports that year.<sup>106</sup>

Whatever the volume of the Soviet frontier traffic at this stage, its impact was certainly felt in faraway Łódź. While the city’s factories fashioned the foundation of the eastbound flow, this “invisible export of textile products,” the Łódź historian Helena Dzitkowska argued in her pioneering 1966 article on the trade, became “the driving force behind the extraordinarily rapid reconstruction of the Łódź textile industry.”<sup>107</sup>

*Figure 13: Łódź textile workers in shawls*

[REDACTED]

Łódź textile workers walking to the factory, wearing the fruits of their labor – the objects of contraband trade across Poland’s Soviet frontier.

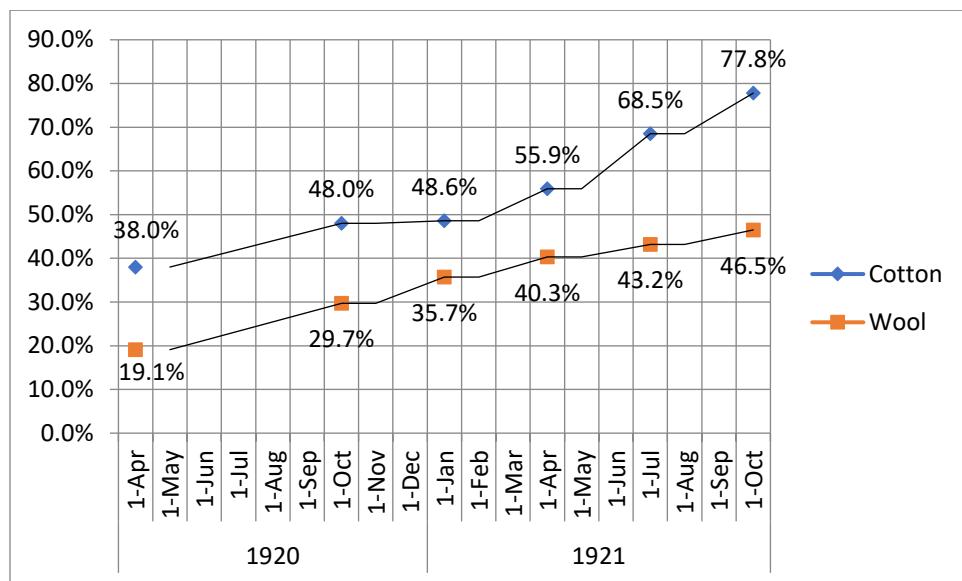
*Source:* Narodowe Archiwum Cyfrowe, Ilustrowany Kurier Codzienny – Archiwum Ilustracji, 1-P-2234 (n.d. – likely 1920s), as reproduced in Agata Zysiak et al., *From Cotton and Smoke: Łódź - Industrial City and Discourses of Asynchronous Modernity, 1897-1994* (Łódź and Kraków: Jagiellonian University Press, 2018), 111.

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<sup>106</sup> René Sygietyński, “Próbny bilans handlowy za rok 1921,” *PiH*, 25 May 1922, 328.

<sup>107</sup> Dzitkowska, “Zabiegi o rynek rosyjski,” 104–5.

*Graph 1:*  
**Employment in the Łódź Textile Industry as a Percentage of its Prewar Labor Force**  
**(1914 = 100 %)**



*Source:* Calculated on the basis of the figures in Z. M., "Z przemysłu włókienniczego," *PG*, 15 December 1921, 906-909; here, 909.<sup>108</sup>

Indeed, as illustrated in Graph 1 above, the number of workers in the city's chief textile mills more than doubled between April 1, 1920 and October 1, 1921. The recovery was especially pronounced in the cotton branch, which had rehired nearly 80 percent of its prewar labor force (49,790 out of 63,981 workers) by the latter date. The bulk of this recovery unfolded in the spring and summer of 1921 – just as the traffic intensified on the eastern frontier.<sup>109</sup>

<sup>108</sup> The figures reflect employment in the factories whose owners belonged to the Łódź-based Union of the Textile Industry of the Polish State, which comprised the country's chief cotton manufacturers. Because many major wool manufacturers (particularly those based in Białystok) were not members of the Union, the figures for woolens are less comprehensive, but sufficiently representative. *PG*, 15 December 1921, 907; Związek Przemysłu Włókienniczego w Państwie Polskim, *Sprawozdanie Zarządu z działalności w roku 1925* (Łódź: Zakłady Graficzne Z. Manitusa, 1926), 44.

<sup>109</sup> Calculated on the basis of the figures in *PG*, 15 December 1921, 909.

Admittedly, the slower recovery of the woolen branch of the industry, whose chief factories still employed less than half of their prewar workforce by October 1, 1921 (14,606 of 31,511 workers), seems to suggest that the impact of the eastern contraband trade on Łódź's revival may have been less decisive than Dzitkowska claims.<sup>110</sup> After all, it was the woolens and half-woolens that had woven the strongest links between Polish manufacturers and consumers elsewhere in the Russian Empire. Lighter and more compact than cottons, woolens were also easier to ferry furtively over the Soviet frontier and smuggle deep into Soviet territory. If the Soviet contraband trade really was “the driving force” behind the revival of Polish textile manufacturing, why did the recovery in woolens lag so far behind cottons?

Because the collapse of the Soviet textile industry was so much deeper in cottons than in woolens, however, it appears that Łódź had moved quickly to fill the gap. “[T]he textile industry ... was easily able to meet effective demand from Russia,” the British Warsaw Legation’s Commercial Secretary observed in February 1922. “The production increased in proportion to the demand.”<sup>111</sup> As the American Consulate in Warsaw reported in its economic review for 1922, “the smuggling, barter trade on [Russia’s] Polish and Rumanian borders” – the latter also in Polish textile goods (see Chapter Two) – “is brisker for cotton than for woolen textiles.”<sup>112</sup>

To be sure, because multiple forces acted upon the Polish textile industry simultaneously, assessing the role that the contraband trade played in its regeneration requires further research.<sup>113</sup>

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<sup>110</sup> Ibid, 909.

<sup>111</sup> *The Board of Trade Journal and Commercial Gazette*, 25 May 1922, 569-571.

<sup>112</sup> Consul General L. J. Keens, et. al., “Poland,” in United States Department of Commerce, *Supplement to Commerce Reports. Trade and Economic Review for 1922 No. 39* (Washington, D. C.: Bureau of Foreign and Domestic Commerce, 1923), 30. By the middle of the decade, the revival of Soviet cotton textile manufacturing, combined with improved Soviet border controls, would favor the smuggling of Polish woolens. See the contraband confiscation figures in Vinokur and Bakulin, *Vneshniaia torgovlia SSSR, 1918-1927/28*, 808-9.

<sup>113</sup> See Keens, “Poland,” 29-31.

But the contribution of the Soviet frontier traffic to Łódź's postwar revival cannot be measured only by the bolts of cloth and balls of yarn that the city shipped east. While the Polish Merchants' Association Chairman Stanisław Wartalski argued – wrongly, as it would turn out – that the “political-psychological significance of this trade” lay in its liberalizing effect on the Soviet side, the traffic's psychological impact on the Polish side was undeniable. The frontier trade offered Polish merchants, manufacturers, and workers cause to hope that the eastern market that had nurtured them for generations was not now lost forever.<sup>114</sup>

### ***Doubts Resurgent and Guerillas Insurgent***

Had the Finance Ministry retained responsibility for border control, its frontier functionaries surely would have further facilitated the Soviet border trade. Indeed, the notoriously corrupt customs battalions' *laissez faire* approach was partly responsible for the flourishing traffic. However, Warsaw's fears of the spread of “epidemics prevailing in the east,” as well as of “the influx of agitators and printed matter of a seditious and communist nature” overshadowed concerns about any loss of customs revenue to smuggling. As a result, in early September 1921 the Polish Cabinet reversed its earlier decision and entrusted the protection of the country's eastern frontier not to the Ministry of Finance but to the Ministry of Internal Affairs, which absorbed the customs battalions and deployed an additional 3,500 policemen to the Soviet border.<sup>115</sup> The new Internal Affairs Minister, Stanisław Downarowicz, who had served briefly as governor of the restive Wołyń province adjoining Soviet Ukraine, took a jaundiced view of the freewheeling frontier traffic. “The eastern border will be sealed,” he pledged in a confidential memorandum to Prime Minister Antoni

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<sup>114</sup> For more on Łódź's hopes and disappointments, see Chapters Four and Eight.

<sup>115</sup> “Handel z Rosją,” *Kurier Warszawski*, 8 January 1922, 16; “Walka z bandytyzmem,” *ibid*, 6; Dominiczak, *Granica wschodnia Rzeczypospolitej Polskiej w latach 1919-1939*, 68–70.

Ponikowski.<sup>116</sup> On October 28, the Ministry of Internal Affairs issued a sweeping decree outlawing trade anywhere along the border outside of 14 designated locales.<sup>117</sup>



*Figure 14: Stanisław Downarowicz (1874-1941), Governor of Wołyń (1921), Minister of Internal Affairs (1921-22), Governor of Polesie (1922-24), pictured in 1924*

Source: Narodowe Archiwum Cyfrowe (1-A-2928), at <https://audiovis.nac.gov.pl/obraz/76339/>

The deleterious consequences of this measure quickly became apparent. As former Latvian Finance Minister Erharts had cautioned at the border trade conference in Riga several months earlier, “[i]f we establish some points where the merchants will gather, the Russian government will know this and the merchants will be captured easily.”<sup>118</sup> Indeed, “on the other side of the border, at points across from our prearranged customs barter stations, are stationed the Bolshevik authorities who let through no goods from Poland nor to Poland,” lamented the lead article of the

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<sup>116</sup> Dzitkowska, “Zabiegi o rynek rosyjski,” 108.

<sup>117</sup> “Zamknięcie granicy wschodniej,” *Tygodnik Handlowy*, 1 December 1921, 1.

<sup>118</sup> LVVA 6824/1/406: 1-7. Translated by Jānis Strankals.

*Tygodnik Handlowy*, the organ of the Polish Merchants' Association, a month after the measure was announced. “[T]rade has come to a complete standstill.”<sup>119</sup>

Not all trade, of course: as eastern Poland's leading daily, the Lwów-based *Gazeta Poranna* inveighed, “[by] squeezing the entire trade with Russia along a 1000-kilometer [sic] expanse into 14 border locales, Minister Downarowicz's directive has severely undermined legal trade” – legal only on the Polish side, of course – “and given much impetus to all manner of speculators to cultivate contraband trade through the ‘green border.’”<sup>120</sup> The customs battalions, which still provided the bulk of frontier patrols, remained as corrupt as before – and perhaps even more so, as the new restrictions granted them greater power over would-be traders. Meanwhile, the advent of the cold season rendered these sentries more vulnerable and therefore more pliable. In early December, a Parliamentary commission called for urgently supplying the customs battalions with badly-needed warm clothing. Evidently considering them irredeemably corrupted, however, the commission also demanded that the government “immediately withdraw from the eastern borders the customs battalions currently stationed there, and send others in their place,” accompanied by special tribunals ready to convict malefactors.<sup>121</sup> The Internal Affairs Ministry's patrols proved scarcely more reliable; the police commandant of Wołyń province estimated that in 1921, “around 50 percent” of his border policemen had been dismissed and tried for offenses such as graft and abetting contraband trade.<sup>122</sup>

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<sup>119</sup> *Tygodnik Handlowy*, 1 December 1921, 1. See also “U źródeł kryzysu,” *KL*, 23 December 1921, 3.

<sup>120</sup> As quoted in “Minister Downarowicz a handel ze wschodem,” *KL*, 4 January 1922, 4.

<sup>121</sup> “W sprawie straży granicznej,” *Głos Wołyński*, 3 December 1921, 14.

<sup>122</sup> Oleh Razhyrayev, “Udział Policji Państwowej województwa wołyńskiego w ochronie granicy wschodniej w latach 1921–1924,” *Pamięć i Sprawiedliwość*, no. 1 (15) (2010): 212.

While smugglers and suborned sentries thus ensured that the traffic flowed despite Downarowicz's restrictions, the need to evade or buy off patrols on *both* sides of the border certainly complicated their task. Indeed, the well-informed American Trade Commissioner H. B. Smith cited "the effect on Łódź when the Galician frontier was closed in October" to illustrate "[t]he importance of this movement" of goods across the Soviet border for the city's factories. "Closing the frontier was instantly apparent in the textile industry," Smith observed, "and together with the recovery of the Polish-mark exchange" – over the course of October, the mark nearly doubled in value against the dollar, rendering Polish textiles more expensive both at home and abroad – "was responsible for curtailing operations to a basis of four days a week."<sup>123</sup> The *Kurier Łódzki* reported that the workweek in the city's cotton mills fell to just three days in November.<sup>124</sup>

Both the new policy and the Minister with whom it was identified quickly became the targets of an intensive campaign in the Polish press, particularly in the outlets most closely allied with the country's business interests. "[T]he complete closure of the Eastern border ... is equally damaging both to the development of our trade and to the ability to sell the products of our industry," inveighed *Tygodnik Handlowy*, arguing in a front-page editorial that if "the directive of the Ministry of Internal Affairs were not abolished, it would prompt ... a catastrophe in our economic situation."<sup>125</sup> "Minister Downarowicz will soon do away with this trade altogether," *Kurier Łódzki* lamented. "As a result of this directive, it will be difficult for us to develop a clientele in the Russian markets."<sup>126</sup>

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<sup>123</sup> Smith, *Cotton Textile Industry of Poland*, 9.

<sup>124</sup> "Situacja w handlu i przemysle Łódzkim," *KL*, 21 December 1921, 6.

<sup>125</sup> "Zamknięcie granicy wschodniej," *Tygodnik Handlowy*, 1 December 1921, 1.

<sup>126</sup> "Minister Downarowicz a handel ze wschodem," *KL*, 4 January 1922, 4.

While Downarowicz made for an easy target, however, the intensified effort to seal the Soviet frontier was prompted by more than the belief that “the Russian ‘merchants’ have brought decidedly more propaganda pamphlets into Poland than they have taken out goods.”<sup>127</sup> On the night of October 26-27, two days before Warsaw announced the effective closure of the border to the traffic, a 457-person strong force of Ukrainian guerillas forded the Zbrucz River from Polish to Soviet territory near the village of Kozyna in the Podolia region. Several smugglers whom the guerillas detained the previous night led the fighters to a good crossing point; their movements muffled by a churning water mill, the warband’s scouts managed to cut the barbed wire without disturbing the nearby Soviet sentry.<sup>128</sup>

The stealthy force was one of several expeditionary units of the army of the territory-less Ukrainian People’s Republic, headed by Symon Petliura. Languishing in Polish internment camps since their retreat from Kiev alongside Pilsudski’s forces in May 1920, its members viewed the Peace of Riga as a betrayal of Ukrainian nationhood. With the support of high-ranking officers of the Polish General Staff who believed in the need for an independent Ukrainian buffer state, and a loose network of confederates inside Soviet Ukraine, they nurtured hopes of a comeback. In the days following that nighttime fording of the Zbrucz, several more units, all told approximately 1,500 men, crossed into Soviet territory from Poland and Romania with the aim of sparking a mass uprising against the Bolsheviks. Although they met with some early successes, the ill-equipped invaders – up to half lacked rifles, a third went barefoot, and few were dressed to withstand the freezing rain, snow, and November wind – were soon routed by superior Red Army forces. The

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<sup>127</sup> “O drogi eksportowe dla łódzkiego przemysłu manufakturowego,” *KL*, 10 January 1922, 6.

<sup>128</sup> Y. Tyutyunnik, *Z poliakamy proty Vkrainy* (Khar’kiv: Derzhavne Vydavnitstvo Ukrainsky, 1924), 79–80.

mass of the participants perished, including some 359 prisoners summarily machine-gunned into a trench outside the Volynian village of Bazar on November 22. Survivors of the mission straggled back to Poland, where they were met by authorities deeply suspicious of Ukrainian nationalists and embarrassed by Soviet accusations of complicity in the raids.<sup>129</sup>

Not surprisingly, the entire episode proved bad for business. “The barter trade that has heretofore bloomed along the entire Polish-Ukrainian frontier has ceased completely as a result of the recent event in Podolia,” the *Libausche Zeitung* reported on November 15. “The Bolsheviks are fortifying their frontier by doubling border patrols and even putting up barbed wire.”<sup>130</sup> Perhaps not unrelatedly, Soviet patrols along the Polish and northern Romanian borders detained around 300 smugglers during the first two weeks of November, a proportionally higher haul than the 426 smugglers apprehended from late August through late September.<sup>131</sup>

For their part, eager to parry Soviet accusations of complicity in the attacks – well-substantiated with incriminating documents and confessions gleaned from captured insurgents – and to avoid giving the Kremlin any further pretexts for reneging on the terms of the Riga Peace, Polish authorities stepped up policing along the Soviet frontier. On October 29, an emergency nighttime meeting of the Polish Cabinet directed the Ministry of Internal Affairs to take measures against “armed bands … on the eastern border.”<sup>132</sup> Three weeks later, the Ministry of Foreign Affairs publicly informed the Soviet plenipotentiary representative in Warsaw that Polish

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<sup>129</sup> On what has become known as the Second Winter Campaign, see Snyder, *Sketches from a Secret War*, 11–15.

<sup>130</sup> “Ende des Grenzhandels,” *Libausche Zeitung*, 15 November 1921, 2.

<sup>131</sup> Solov’ev and Chugunov, *Pogranichnye voiska SSSR, 1918-1928*, 478, 483.

<sup>132</sup> *DM*, IV:99.

authorities had taken a series of steps to “cleanse the Zbrucz area of suspicious elements” and had conducted “a similar operation along the entire Polish-Soviet border.”<sup>133</sup>

The violent guerilla incursions and the intensified policing they prompted along both sides of the frontier likely contributed to the downturn in cross-border trade at least as much as did Downarowicz’s much-decried directive. At the same time, the defeat of the Ukrainian insurgents and the gradual eradication of other “political banditry,” as the anti-Bolshevik guerilla movements were labeled in Chekist dispatches, may have facilitated contraband traffic by reducing smugglers’ risks of robbery and extortion. Thus, in March 1921, an undercover Soviet agent attending a secret meeting of a Petliurite organization in the village of Dworzec just over the Polish border reported that the conference approved the “pillaging of passing speculators” – i.e., smugglers – to raise funds for the struggle against the Bolsheviks.<sup>134</sup> Eliminating the guerillas made smugglers safer – although where déclassé militants morphed into unabashed brigands, the “speculators” may have paid an even higher price.

By the outset of the new year, over 500 kilometers west of the Soviet border, Polish textile workers were still feeling the brunt of its closure. “The depression continues in the Łódź textile industry,” the Ministry of Industry and Trade journal *Przemysł i Handel* reported in January 1922. “In the wool industry the factories work barely 3 days a week and even that in the complete absence of orders ... Relative to October, prices in the cotton industry have fallen by 50 percent, in the wool branch by 30 percent.” While a number of factors, particularly the rapid recovery of the

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<sup>133</sup> “Echa ‘zamachu’ nad Zbruczem. Oczyszczenie rejonu pogranicznego z elementów podejrzanych,” *KL*, 20 November 1921, 1.

<sup>134</sup> V. S. Sidak and V. A. Kozeniuk, *Revoliutsiia naznachit’: eksport revoliutsii v operatsiakh sovetskikh spetsluzhb* (Kiev: Geneza, 2004), 141.

Polish mark, contributed to the situation, the journal noted that “the closing of the eastern border has also had a significant impact on the depression.”<sup>135</sup> “The inhibition of the frontier trade with the RSFSR,” Dzitkowska concludes, “became one of the chief causes of the industrial crisis in Poland.”<sup>136</sup>

The wages of Łódź textile workers fell precipitously.<sup>137</sup> While they could do little to affect the exchange rate of the mark, the workers could join their employers in calling on Warsaw to remove impediments to the contraband traffic across the Soviet frontier. Accordingly, in January 1922, the Council of the country’s trade unions demanded “ending support for the Ukrainian and Savinkovite bandit gangs that attack the Russian-Ukrainian border belt and inhibit trade.”<sup>138</sup> The Kremlin surely would have appreciated the Polish workers’ solidarity and the measures they demanded – if not the goal they sought.<sup>139</sup>

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<sup>135</sup> “Manufaktura. Łódź,” *PiH*, 19 January 1922, 41-42.

<sup>136</sup> Dzitkowska, “Zabiegi o rynek rosyjski,” 111.

<sup>137</sup> Lucjan Kieszczyński, “Walki strajkowe włókniarzy Łodzi i okręgu łódzkiego w latach 1919-1928,” in *Studia i materiały do dziejów Łodzi i okręgu łódzkiego. Dwudziestolecie 1918-1939*, ed. Paweł Korzec (Łódź: Wydawnictwo Łódzkie, 1962), 45–107.

<sup>138</sup> “Uchwały Klasowych Związków Zawodowych,” *KL*, 17 January 1922, 5.

<sup>139</sup> To be sure, the Council also called for “the establishment of close trade relations” – i.e., on the basis of official trade treaties – “with Russia and Ukraine”; but this was a programmatic pronouncement rather than an immediate demand that Warsaw could fulfil on its own. (*KL*, 17 January 1922, 5.)

## Conclusion to Part II

Crossing the new Soviet frontier, the preceding two chapters looked east from Tallinn, Riga, and Warsaw. The chapters reveal how, while diplomats worked to reestablish economic ties with the Soviet state, Estonian, Latvian, and Polish businessmen and borderland inhabitants took matters into their own hands by trading across the nascent borderline. I find that in all three states, this traffic quickly rendered the eastern frontier a locus of acute anxiety about the loss of scarce supplies; and all three states bolstered border controls in response to the smuggling of foodstuffs to Soviet territory. Contrary to the prevailing interpretation, the initial erection of the cordon sanitaire on the ground was thus inspired as much by local economic exigency as by a global capitalist ideology. At the same time, while they worried about the furtive flow of supplies east, the new nations' governments and publics grew increasingly alarmed by the contagions – microbial, Communist, Jewish – coming west.

Following a dynamic I term “fear and longing,” however, the pull of prerevolutionary economic ties and new opportunities for profit ultimately led Baltic and Polish authorities to follow their citizens’ lead at the Soviet frontier. As the chapters reveal, rather than continue to inhibit this traffic, all three governments – spurred on by one another’s example and competition – overcame their misgivings and took steps to facilitate the contraband trade against Moscow’s wishes. Despite broadly similar structural dynamics, however, the process involved different participants in the three countries. In Latvia, the initiative came from bureaucrats at the Ministry of Provisioning, who saw in the frontier trade an opportunity right their earlier commercial misstep; in Estonia,

from a border county chief struggling to balance the local budget; in Poland, from the country's beleaguered business community.

The chapters reveal that although the Estonian frontier traffic boomed from the spring through the fall of 1921, the authorities grew increasingly uncomfortable with the security risks and frustrated with the failure to tax the barter station operators and supervise their transactions. By January 1922, Tallinn had resolved to shutter the frontier shops. In Latvia, the controversial traffic, tarred by accusations of corruption and political patronage, underwent a reform in the summer of 1921. By late September, private barter stations were opened by businessmen paying for concessions from the Ministry of Finance, and trade flourished. In Poland, following months of ad hoc trade permits issued by frontline commanders, the Soviet frontier traffic was finally sanctioned by Warsaw in July 1921, booming from August through October. Contemporary Polish estimates of the scale of the frontier trade put it at up to half the value of the country's total exports in 1921. The traffic played a significant role in the reconstruction of not just such Polish borderland centers as Wilno, but also in the revival of the "Polish Manchester"—Łódź.

As Chapter Three demonstrates, a key reason for the vitality of this trade was the connivance of local officials on the Soviet side. However, in late October, the Ministry of Internal Affairs, fearing Soviet subversion, restricted the trade to around a dozen locales, effectively throttling it; simultaneously, an attempted incursion by Ukrainian guerillas from Poland into Soviet territory fostered the securitization of both sides of the border. In the interplay between economics, security, and ideology on the Soviet frontier, the "closure" of the border significantly exacerbated the economic crisis already gripping faraway Łódź. By the winter of 1922, in a rare show of unity,

a vociferous chorus of Polish merchants, industrialists, and trade unions was demanding the unilateral reopening of the Soviet frontier to contraband trade.

## Part III

### Border Boom: Banner Year on the Soviet Frontier, 1922

#### Introduction

On the Soviet side of the border, the year 1922 witnessed a hopeful stabilization after nearly a decade of wartime devastation and social, political, and economic upheaval. By the year's end, Moscow credibly claimed control of territory from the Polish frontier to the Pacific Ocean. The New Economic Policy had taken root. The famine that had precipitated its adoption was largely over by the spring of 1922. Soviet peasants tilled private plots, paid taxes, and marketed their surplus. The output of key consumer goods was reviving rapidly; thus, Soviet textile factories manufactured over two times as much cotton cloth and over three times as much yarn as in the preceding year.<sup>1</sup> By the end of 1922, private merchants operated nine-tenths of all retail trading outlets and handled three-quarters of the retail turnover.<sup>2</sup> In a successful bid to curb runaway inflation, a stable new currency, the *chervonets*, was introduced into circulation in November. Notwithstanding the efforts of the Comintern to topple their governments, the Soviet state was formally at peace with its neighbors.

Yet despite this wide-ranging normalization, 1922 became a banner year for contraband trade across the Soviets' western frontier. Why?

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<sup>1</sup> Calculated based on the figures in M. V. Konotopov, *Istoriia otechestvennoi tekstil'noi promyshlennosti* (Moscow: Legprombytizdat, 1992), 291.

<sup>2</sup> Paul R. Gregory, *Before Command: An Economic History of Russia from Emancipation to the First Five-Year* (Princeton: Princeton University Press, 1994), 88.

The preceding two chapters demonstrated how the cessation of hostilities – and the active support of the Polish and Baltic governments – allowed contraband trade to blossom in the first place. Before moving on to examine the evolution of this traffic, it is necessary to consider how the broader stabilization on the Soviet side of the frontier actually facilitated smuggling across it.

Shadow economies are typically understood as a response to prohibitions: underground trade flourishes wherever legal trade is driven underground. Yet while the Kremlin would reassert the state monopoly on Soviet foreign trade early in the NEP, it was the simultaneous relaxation of Soviet state control over domestic commerce that caused smuggling to blossom on the country's borders. This shadow economy grew *because* private trade and smaller-scale private manufacturing proceeded in open daylight.

The resurgence of legal private trade under the NEP enabled the contraband trade to flourish as never before, for several reasons. Most merchants who sold contraband goods did not deal exclusively in contraband; but their shops and stalls provided the contraband trade with a basis of operations. To take but one example, smuggled cloth – a perennially popular illicit import – could be camouflaged behind bolts of legally-acquired fabrics (including confiscated contraband cloth purchased at customs auctions). Other goods were hung with counterfeit customs seals manufactured in clandestine workshops around the country, as well as with authentic seals skillfully removed from legally-imported wares (or from confiscated contraband equivalents bought at auction). Legal trade allowed merchants to cultivate trustworthy clients, who could then be offered contraband goods hidden under the counter, in the back of the shop, or at the trader's home. Meanwhile, the sheer ubiquity of commerce under the NEP meant, to borrow Eric

Tagliacozzo's phrase, that "the state [was] somewhat blinded by the frenzy of activity."<sup>3</sup> In short, the resumption of legal private trade made contraband both easier to distribute and harder to police, as this period photograph of Moscow's storied Sukharevskii Market suggests:

*Figure 15: Sukharevskii Market, Moscow, 1920s*

[REDACTED]

*Source:* Alexys A. Siderov, *Moskau: Das Gesicht der Städte* (Berlin: Albertus, 1928), 78, as reproduced in Emma Widdis, *Visions of a New Land: Soviet Film from the Revolution to the Second World War* (New Haven: Yale University Press, 2003), 86.

The revival of the urban professional and commercial classes under the NEP also fostered the growth of a consumer society. Most goods smuggled into the Soviet state, from cottons to cosmetics, were meant to be worn in public. In the same way that legal commerce supplied a cover for the trade in contraband goods, the legal proliferation of higher-quality garments meant that similar contraband wearables attracted less unwelcome attention. For businessmen and professionals seeking a competitive advantage, dressing well became a marker of success, affluence, and influence; like their counterparts in capitalist lands, Soviet men and women also sought in style and fashion a competitive advantage in their personal pursuits. Bolshevik propaganda decried the culture of *meschanstvo*, the petit-bourgeois outlook that menaced a Soviet society no longer gripped by wartime mobilization and revolutionary fervor; but such cultural

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<sup>3</sup> Tagliacozzo, *Secret Trades, Porous Borders*, 5.

campaigns affirmed that not even party members were immune from these decadent views and habits.<sup>4</sup> More prosaically, a flourishing peasant market and rising standards of living meant that food expenditures comprised a smaller share of household budgets, leaving more disposable income for spending on manufactured goods – including contraband imports.

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<sup>4</sup> See Timo Vihavainen, *Vnutrennii vrag: bor'ba s meschanstvom kak moral'naia missiia russkoi intelligentsii* (St. Petersburg: "Kolo," 2004).

## Chapter Four

### **Poland: Back to Business Unusual**

#### ***Downarowicz's Retreat***

On November 18, 1921, as the Ukrainian guerillas were paraded before a perfunctory military tribunal in the Soviet village of Bazar, a confidential session of the Economic Committee of the Council of Ministers in Warsaw resolved “to remove the existing limitations in the matter of the export trade with Russia” so as to “allow the domestic industry a wide-ranging utilization of the eastern markets as a natural outlet for our commercial expansion.”<sup>1</sup> Put another way, Warsaw stood ready to reauthorize the frontier traffic that Moscow considered contraband.

Only three weeks had passed since Interior Minister Downarowicz issued his much-decried directive that restricted this bustling border trade to just fourteen locales. However, combined with the aftermath of the Ukrainian guerillas’ incursions, the directive’s devastating effect on Poland’s textile industry, as the American Trade Commissioner observed, was “instantly apparent.”<sup>2</sup> On November 7, the Governing Council of the Central Union of Polish Industry, Mining, Trade, and Finance – the country’s powerful business lobby, better known by its evocative shorthand, the “Leviathan” – had convened an emergency meeting on the economic recession. Among other action items, the conference resolved to “[d]emand a revision of the existing ordinances on trade with the east.”<sup>3</sup> As Warsaw’s speedy reversal of Downarowicz’s decision soon

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<sup>1</sup> Iaroslav Faizulin and Vitalii Skal’skii, *Perelohi Ukrains’koi Revoliutsii: Druhii Zimovii Pokhid Armii UNR* (Kyiv: Vidavnitstvo imeni Oleni Telihi, 2008), 33; *DM*, IV:116.

<sup>2</sup> Smith, *Cotton Textile Industry of Poland*, 9.

<sup>3</sup> “Centralny Związek Polskiego Przemysłu, Górnictwa, Handlu i Finansów. Sprawozdanie z działalności za okres od 25 października do 10 listopada r. b.,” *Przegląd Gospodarczy*, 15 November 1921, 817-21.

indicated, the Polish businessmen had successfully lobbied the government to place their economic demands above its security concerns on the Soviet frontier.

Paradoxically, the Ukrainian raids may have encouraged this liberalization. While the guerillas had prompted Polish authorities to bolster border controls, the flare up in tensions with Moscow also threw a wrench into ongoing commercial negotiations. Since arriving in Warsaw in August 1921, Soviet Trade Representative Sergei Gorchakov, one of the most experienced and respected officials in the entire Soviet foreign trade apparatus, had assiduously nurtured the flickering hopes of Polish businessmen. In October, Warsaw's Yiddish press reported that Gorchakov was preparing to place "a number of orders" in Łódź, and had sent multiple samples of the city's fabrics for approval in Moscow.<sup>4</sup> Speaking at a meeting of the Association of Polish Merchants on November 16, the head of the Trade Department of the Ministry of Industry and Trade reported that Gorchakov had informed him that the Soviet Trade Mission received authorization to purchase some three million *arshins* (over 2,100,000 meters) of cloth, of which two-thirds was to come from Łódź and the rest from Bialystok. However, the deals "have not yet been signed due to the flare up in political relations with Poland."<sup>5</sup> The Polish Council of Ministers resolved to resuscitate the frontier traffic two days later.

To be sure, this liberalization did not mean that Polish authorities were prepared to relinquish oversight. Instead, so as finally to bring the "green border within the confines of a customs-controlled process," the Ministers' Economic Committee directed the Ministry of Internal Affairs and the Ministry of Industry and Trade to cooperate in establishing a series of "mobile

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<sup>4</sup> "Zakupy sowieckie w Łódzi," *Kurier Łódzki* (henceforth *KL*), 21 October 1921, 3.

<sup>5</sup> "Stosunki handlowe z Rosją," *Tygodnik Handlowy*, 1 December 1921, 468.

crossing points” (*lotnych punktów przejściowych*) so as to facilitate “the opening of the border to Russian merchants and peasants.” These “Russian subjects” were to be furnished with 24-hour passes permitting “free movement in the [Polish] border belt, provided customs duties are paid on the transported goods” and – reflecting Polish anxiety about the epidemics still raging in the east – “that sanitary regulations are observed.” On November 25, the Minister of Military Affairs ordered all Polish military authorities to effect “the immediate removal of all still-existing obstacles and limitations that interfere in whatever manner with our trade relations on the eastern border.”<sup>6</sup>

That the Polish government was prepared to operate portable portals along the Soviet frontier showed just how far Warsaw was willing to go to accommodate the traffic. Just as the former Latvian Finance Minister Erharts had warned his own colleagues in Riga back in July, rigidly restricting the trade to around a dozen predefined locales that were easily blockaded by Soviet patrols had quickly proven unworkable for the Poles. As the *Kurier Łódzki* lamented in late December 1921, these points were “well-guarded by the Bolshevik authorities,” rendering any commercial prospects “illusory.”<sup>7</sup> If Polish authorities were serious about facilitating the frontier trade, they would have to drop the pretense that it could be conducted, as deputy Minister of Industry and Trade Henryk Strasburger had claimed optimistically in July, “on an identical basis to that with other foreign countries.”<sup>8</sup> The proposed “mobile crossing points” promised an elegant solution to the pesky problem that Erharts had anticipated.

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<sup>6</sup> *DM*, IV:116. The stern emphasis suggests that Polish frontline military authorities had continued to award and deny frontier trading concessions in an informal process ripe for corruption, alarming the High Command.

<sup>7</sup> “U źródeł kryzysu,” *KŁ*, 23 December 1921, 3.

<sup>8</sup> Indeed, Polish authorities and observers took surprisingly long to fully assimilate Soviet realities. As recently as October 1921, even the well-informed chairman of the Association of Polish Merchants, Stanisław Wartalski, had

While the Ministry of Internal Affairs continued to resist the opening of the Soviet frontier, the growing clamor of Poland's beleaguered business community – amplified by the “energetic” personal support of Strasburger, pressure from the Finance Ministry, and an unabating press campaign – gradually forced Downarowicz into a reluctant retreat.<sup>9</sup> In December, a delegation dispatched by the Leviathan to the Soviet frontier to study “the possibilities of trade with Russia” submitted its report and recommendations to Strasburger and Downarowicz, presumably calling for removing the existing obstacles to the trade.<sup>10</sup>

Finally, just after the New Year, Downarowicz backtracked. With a face-saving nod to the “flood of disturbing reports about the spread of smuggling on the eastern border,” his Ministry issued a set of “guidelines,” ostensibly aimed at “facilitating trade with Russia until the conclusion of a trade treaty.”<sup>11</sup> However, even as the guidelines announced plans to establish multiple frontier “marketplaces” (*jarmarki*), the document was freighted with Downarowicz’s security concerns. In an echo of the Estonian regulations from a year earlier, the marketplaces were to be “completely isolated” from the rest of Polish territory (presumably with barbed wire) so as to “enable the strictest control of persons visiting and leaving,” while any cross-border movement outside these designated locales was to be “ruthlessly and radically curtailed.” Individuals interested in crossing

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expressed the staggeringly naïve hope that once a Polish consulate opened in Kharkov, it could issue permits that would allow “Soviet merchants” to “conduct purchases in the [Polish] border belt within a distance of, e.g., 30 kilometers from the border” – as if the Cheka would not track these visitors to the Polish consulate. (Stanisław Wartalski, “Dzisiejszy handel z Rosją sowiecką,” *Przegląd Gospodarczy*, 1 October 1921, 681.) Such credulity helps explain the expectation, implicit in Downarowicz’s October 28 directive, that private “merchants” from the Soviet side could visit the designated Polish customs stations unmolested.

<sup>9</sup> “Posiedzenie popołudniowe zjazdu wojewodów kresów wschodnich z dn. 13 czerwca 1922 r.,” Archiwum Akt Nowych (henceforth AAN) MSW (dopływ) 1001: 19 (I am grateful to Marcel Garbos for sharing this source with me); “Co się dzieje na granicy polsko-sowieckiej?”, *KŁ*, 6 March 1922, 6; Solov’ev and Chugunov, *Pogranichnye voiska SSSR, 1918-1928*, 488.

<sup>10</sup> “Centralny Związek Polskiego Przemysłu, Górnictwa, Handlu i Finansów. Sprawozdanie z działalności za okres od 25 listopada do 10 grudnia r. b.,” *Przegląd gospodarczy*, 15 December 1921, 903-4.

<sup>11</sup> “Stosunki handlowe z Rosją,” *Słowo Polskie*, 4 January 1922, 7.

the Soviet border “for trade purposes” had to obtain special permits from local authorities. Still, this was progress; and Łódź manufacturers and Lwow merchants were surely happy to learn of a special “interministerial commission” working to determine the most suitable locations and opening dates for the frontier marketplaces.<sup>12</sup>

The case for reopening the Soviet frontier to contraband trade was also bolstered by the continued frustrations of the official Soviet Trade Mission to Poland. In early January 1922, a delegation headed by Gorchakov visited Łódź, touring the city’s factories and holding lengthy meetings with textile manufacturers. Excited Polish press coverage of the visit fanned hopes that even in the absence of an official treaty, Moscow was finally ready to revive the trade links that had nourished Łódź for generations. While “[n]o definitive transactions have yet been concluded, Mr. Gorchakov will certainly place major orders in Łódź,” the *Kurier Łódzki* enthused.<sup>13</sup>

By the end of the month, however, hope had given way to disappointment. “The Soviet negotiations with the industrial circles in Łódź ... have in no case yielded positive results,” the same paper lamented only two weeks later. “[S]ome firms have completely refused further discussions with representatives of the Soviet government.”<sup>14</sup> The Bolsheviks’ creditworthiness proved the major stumbling block. “The executive circles of big industry have taken a position of absolutely denying any credit whatsoever to the Soviet mission,” the *Kurier Warszawski* reported. “Mr. Gorchakov’s mission offers [to pay] 80 percent cash and 20 percent [in] promissory notes, [y]et even that offer is unsuccessful.”<sup>15</sup> While Polish observers speculated that Gorchakov never

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<sup>12</sup> Ibid, 7.

<sup>13</sup> “Sowiecka misja handlowa w Łodzi,” *KL*, 16 January 1922, 2.

<sup>14</sup> “Po co przybyła sowiecka misja do Łodzi?,” *KL*, 29 January 1922, 4.

<sup>15</sup> “Wywóz do Rosji,” *Kurier Warszawski*, 31 January 1922, 11.

intended to place major orders in Łódź, seeking merely to generate publicity that would encourage Western business interest, the truth was more prosaic: by the first week of February 1922, Moscow's gold reserves had run so dry that the Kremlin was compelled to freeze foreign purchases altogether.<sup>16</sup>

At the same time as the failure of Gorchakov's mission encouraged Warsaw to reopen Poland's Soviet frontier to contraband trade, the imminent resumption of this traffic probably discouraged Polish businessmen and officials from meeting Gorchakov's demands. The Trade Representative himself certainly feared as much. On January 10, Gorchakov dispatched to Deputy Foreign Trade Commissar Moisei Frumkin in Moscow a translation of the Polish Internal Affairs Ministry's "guidelines" governing the Soviet frontier trade. "[C]ountenancing the contraband trade, artificially alleviating as it does the present crisis of Polish industry," he warned in an accompanying note, "will hamper our conclusion of a trade treaty with the Polish government, rendering it less accommodating and less pliable." Moreover, the Polish regulations had been "issued without any coordination with the other interested side," Gorchakov fumed. "Evidently, it is assumed here that anything goes in Russia, that when it comes to us there is no need to stand on ceremony, and that as far as Russia is concerned, all this trade will be contraband."<sup>17</sup>

The Soviet Trade Representative was not a Bolshevik; but the brazen Polish policy of fostering smuggling had provoked the indignation of this lifetime servant of the Russian state. Warsaw's unabashed support for the traffic was especially galling: Gorchakov reported that in a conversation with acting Minister of Industry and Trade Henryk Strasburger, the latter had openly

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<sup>16</sup> McMeekin, *History's Greatest Heist*, 194–95.

<sup>17</sup> Solov'ev and Chugunov, *Pogranichnye voiska SSSR, 1918–1928*, 488–90.

admitted that “the Polish government encourages this form of trade with Russia.” Gorchakov would later recall acerbically that Warsaw “denie[d] the damage done by contraband, claiming that contraband is not as harmful as it appears.”<sup>18</sup> To combat both injury and insult, the Trade Representative called for a “radical response” in the form of “the intensification, on our end, of repressive measures with respect to smuggling along the entire border of Soviet Russia, and especially Ukraine, with Poland.”<sup>19</sup>

Indeed, Moscow would soon have its hands full. A day after Gorchakov voiced his warning, the Ministry of Internal Affairs in Warsaw issued its long-awaited regulations governing the frontier trade. While their text has not yet surfaced, it is possible to glean the particulars from a contemporary document titled “Temporary Regulations for Border District Administration Offices, State Police, and Customs Battalions in the Realm of Trade with Russia,” signed by Polesie province Governor Walery Roman, which soon elaborated on the Ministry’s original ordinance.<sup>20</sup>

The regulations can only be described as bafflingly unwieldy, in that they pursued multiple conflicting aims. Chiefly, they served to legalize trade with Soviet smugglers. In part, they sought to ensure that Polish authorities would turn a profit on the illicit trade. And finally, they attempted to ensure that the Soviet smuggler, though expressly invited into Poland, was both carefully chaperoned through and duly deported after completing his transaction. Put another way, while the

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<sup>18</sup> “Vypiska iz stenograficheskogo otcheta tamozhennoi sektsii pri 2-m obschesoiuznom soveschaniu upolnomochennykh NKVT,” 10 January 1924, GARF 374/28/977: 106.

<sup>19</sup> Solov’ev and Chugunov, *Pogranichnye voiska SSSR, 1918-1928*, 490.

<sup>20</sup> “Tymczasowe Przepisy dla Starostw Granicznych, policji panstwowej i bataljonow celnych w [s]prawie obrotu handlowego z Rosja[,] wydane na podst[a]wie Zarządzenia Ministerstwa Spraw Wewnętrznych z dnia 11. stycznia 1922 r. Nr. T. BB. 2115-Okolnik Nr. 1,” Archiwum Straży Granicznej (henceforth ASG) 943/32/63: 1-3.

frontier itself was being “liberalized,” the rules and restrictions surrounding its use were simultaneously becoming more complicated and ungainly.

According to the regulations, Polish merchants wishing to cross into Soviet territory, or even to approach the Soviet border with goods, had to apply for special permits at the office of the local district administration (*starostwo*). As in the Baltics, presumably aiming to weed out smalltime dealers with questionable loyalties, the regulations authorized the issue of permits only to respectable merchants holding a 1<sup>st</sup> category (i.e., wholesale) license. As the Ministers’ Economic Committee had resolved back in November, to ensure strict control, the permits would be valid for twenty-four hours only. Further restricting the pool of potential participants, each 24-hour permit would cost 15,000 marks.<sup>21</sup> The access fee was also a practical means to tax the elusive nocturnal trade.

Upon obtaining a permit from the *starostwo*, the merchant was to deliver his goods to the local customs house, where they would be inspected and the appropriate duties levied. Presumably to prevent bribery – or at least to render it more costly – the customs inspection was to take place “in the presence of a delegated functionary of the state pol[ice]” and “with the assistance of a delegated representative of the army gendarmerie.” Once the customs formalities were complete, the officials were to accompany the merchant to a temporary “mobile crossing point” approved by the *starostwo*, within a radius of 15 kilometers north or south of the customs house. While the instructions did not specify how the precise crossing location would be selected, it is safe to assume that Polish border patrols – well-informed about the movements of their Soviet counterparts – led the way. “The solicitude of the Polish authorities goes so far,” *Pravda* would later comment

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<sup>21</sup> Ibid, 1.

acerbically, citing the testimony of a Ukrainian peasant smuggler, “that the smugglers are shown the safest spots for crossing the frontier” on the return trip.<sup>22</sup>

To be sure, this was done not only to facilitate the trade but to ensure that the always-suspect Soviet smugglers had indeed departed Polish territory. Returning from the Polish frontier town of Korzec to Soviet Ukraine, the aforementioned peasant and his fellow smugglers “proceeded on the orders of a gendarme officer, walking one after another in single file.”<sup>23</sup> Indeed, reflecting the Internal Affairs Ministry’s security concerns, the regulations stipulated that a “Russian merchant” (i.e., smuggler) could enter Polish territory only on the invitation of his Polish business partner, who had to obtain separate permits for himself and for his Russian visitor. Moreover, “the escort of the Russian merchant from and to the border” required the participation “of at least two functionaries of the state police,” of whom one was “exclusively responsible for the strict supervision of the merchant” during his 24-hour sojourn on Polish territory; the supervision was to “continue uninterrupted,” in shifts if necessary.<sup>24</sup> The expense of such constant supervision must have been enormous; that it was not prohibitive hints at the profit this traffic was expected to bring the Polish Treasury.

On February 6, 1922, Polish authorities formally reopened the country’s 1,400-kilometer-long Soviet frontier to trade unauthorized by their Soviet counterparts.<sup>25</sup> However, Polish merchants quickly bristled at the new fees and red tape stifling their operations. In one notably frustrating example, upon arriving in Podwoloczysk with a “large consignment of goods,” the

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<sup>22</sup> V. Krasovskii, “‘Krasnye kuptsy’ (Na pol’skoi granitse),” *Pravda*, 11 April 1926, 4.

<sup>23</sup> Ibid, 4.

<sup>24</sup> ASG 943/32/63: 1-3.

<sup>25</sup> “Co się dzieje na granicy polsko-sowieckiej?”, *KL*, 6 March 1922, 6.

deputy head of one Łódź firm approached the frontier bridge, only to be stopped by a customs officer and a border policeman demanding the 15,000 mark payment for a permit. The same officials likewise forced the Soviet counterpart to pay “15,000 marks, or 10 million Soviet rubles, or 10 gold rubles” – but then barred him from proceeding to the Polish side until the Łódź merchant secured from the district administration in Skalat, some fifteen *versts* away, a day’s pass for his Russian visitor. “Our deputy hires a coach for 10 thousand marks and travels to the district chief in Skalat, pays 15 thousand for a pass for his client” the *Kurier Łódzki* reported indignantly, “but when everything was finally arranged, the [Russian] merchant, upon reviewing the goods, decided that he needed a different sort, and the deal was off.” Upon tallying his expenses, the Polish merchant returned to Łódź, “cursing” this alleged “easement of trade with the East.”<sup>26</sup>

### ***Trust and Suspicion: Jews and Smuggling on the Soviet-Polish Frontier***

Authorized to issue or deny permits for the lucrative frontier trade, local officials on the Polish side suddenly wielded outsized influence. The system was predictably prone to abuse, including patronage and anti-Semitism. While the regulations stipulated that any licensed wholesale merchant was entitled to a 24-hour frontier pass for 15,000 marks, district chiefs reportedly demanded that applicants supply certificates of baptism; “without such a certificate, it is difficult to obtain a permit,” rued a correspondent of the Krakow *Przegląd Kupiecki*, the organ of the city’s Jewish merchant community, within a week after the reopening of the frontier. As in Latvia, permits to open frontier shops catering to Soviet smugglers were reportedly doled out to well-connected members of the titular nationality: “officers, former officials, etc.” “Jewish

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<sup>26</sup> “Handel ze wschodem ułatwiony,” *KL*, 15 February 1922, 4.

merchants are a rarity, as they are not allotted the required concessions,” echoed another correspondent a month later.<sup>27</sup>

The denial of frontier trade permits to Jewish merchants formed part of a longstanding campaign to Polonize trade through its “de-Jewification” (*odżydzanie*). Waged with varying intensity since the 1860s, this effort gained increasing currency in Polish nationalist circles by the turn of the century. Pillorying Jews as purveyors of Russian and German influence was both safer and more feasible than challenging the partitioning powers themselves. Commercial boycotts of Jewish businesses also found support among a growing Polish bourgeoisie in search of a competitive advantage. Reaching a crescendo on the eve of the First World War, the campaign featured the deployment of citizens’ patrols (called “border guards”) that harassed customers at the entrance to Jewish shops, sometimes dousing their purchases with kerosene. Polish nationalist newspapers featured a new rubric titled “Jewish Masquerade,” which “unmasked” firms that purported to be Polish, but were either owned or operated by Jews.<sup>28</sup>

While such attacks would soon seem a mere nuisance amid the destruction and dislocation brought on by the war, Polish independence afforded the new authorities fresh opportunities for discrimination. These were particularly plentiful in such heavily regulated and bureaucratized realms as foreign trade, where the lack of political patronage placed Jews at a decided disadvantage. Thus, the Department of Customs reportedly denied Jewish businessmen the right to open forwarding offices “without providing motives,” while Jewish merchants with years of

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<sup>27</sup> “List z granicy bolszewickiej,” *Przegląd Kupiecki*, 11 February 1922, 10; *ibid*, M. Steinner, “List z ‘Punktów,’” 18 March 1922, 7.

<sup>28</sup> Schiper, *Dzieje handlu żydowskiego*, 532–40.

experience were passed over in the allocation of import and export permits in favor of well-connected Polish insiders.<sup>29</sup>

Poland's eastern frontier only exacerbated such tensions by raising the stakes. Polish authorities' longstanding view of Jews as purveyors of Russian influence was now joined by distrust of Jews as putative Soviet sympathizers and spies. The suspicion extended even to those Jews engaged in such decidedly un-Bolshevik pursuits as trade; anti-Semitic prejudice, anti-Russian nationalism, and fear of Bolshevik infiltration reinforced each other. Shunning Jewish merchants while allocating frontier trade permits to decommissioned army officers and former officials could be portrayed (and was surely sometimes intended) as an act of Polish patriotism, not nationalist nepotism.

While thus semi-officially sidelined from the traffic, however, Jewish merchants reliably found ways to overcome this discrimination. Drawing on a technique of interethnic cooperation long utilized to circumvent anti-Semitic restrictions in the Russian Empire, some hired Christian cutouts.<sup>30</sup> “Only those in possession of a first-category commercial license, which costs over 400 thousand marks, may trade across the border. It appears that no Stołpce Jew has such a license, yet all the Jewies [*żydkowie*] conduct trade with Russia,” vituperated a *Kurier Łódzki* correspondent in early June. “How does this happen? Here ‘patriotic’ Poles come in to the Jewies’ aid. They obtain the licenses, and under their shingle ship out the Jewish goods … the ‘Polish’ firm receives a certain commission for granting the license, the Jewies make millions raking in Soviet gold.”<sup>31</sup>

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<sup>29</sup> Schiper, 577–78.

<sup>30</sup> On the use of this technique in the business of tavernkeeping, see Glen Dynner, *Yankel's Tavern Jews, Liquor, and Life in the Kingdom of Poland* (Oxford: Oxford University Press, 2014).

<sup>31</sup> “Handel pograniczny z Rosją Sowiecką,” *KL*, 2 June 1922, 6.

Jewish traders not only successfully circumvented the boycott, but may even have countered with one of their own by plying venal Polish officials. The correspondent alleged that ethnic Polish merchants “are shunted aside from any kind of trade with Russia.” “It is enough to step onto the railway platform to see what packs and bundles the Jews transport in passenger cars,” the *Kurier Łódzki* correspondent fumed, implying bribery at work. “[I]t is enough to have a look at the relations prevailing at the customs house, where Jewish merchants stream through in a long procession” while “representatives of Christian firms sit in Stołpce for months, unable to overcome the Jewish boycott and power … [B]oth authorized trade and smuggling are monopolized exclusively in their hands … They swarm on the Polish side as well as on the Russian, and as a consequence are the masters of that terrain.”<sup>32</sup> “The biggest deals here are of course done by the Jews,” a correspondent of the *Kurier Warszawski* reported from Podwoloczyska in May. “[T]here are only a few Christian enterprises.”<sup>33</sup>

Jewish merchants numerical superiority, communal cohesion, cross-border ties, and profit sharing with conniving Polish officials thus served to overcome the semiofficial ban on Jewish participation in the frontier trade. In a vicious cycle however, anti-Semitic discrimination fueled both official corruption and Jewish insularity, feeding anti-Semitic resentment and animating calls for further discrimination. “Resting in the hands of Jews and swindlers, the border trade has managed to discredit itself well enough,” commented another *Kurier Łódzki* article, “to some extent even justifying the repressions directed at it by the government.”<sup>34</sup>

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<sup>32</sup> Ibid, 6.

<sup>33</sup> M. B., “Głód w Rosji. - Warunki życia - Handel z Rosją, (Podwoloczyska w maju),” *KW*, 28 May 1922, 6-7.

<sup>34</sup> “Wywóz towarów łódzkich do Rumunji,” *KŁ*, 3 March 1922, 6.

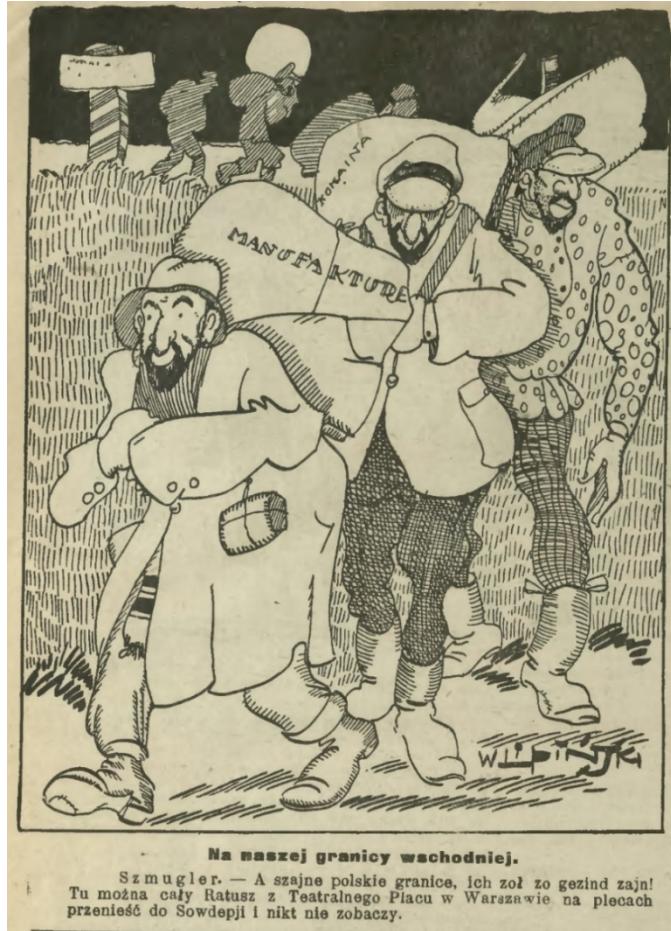
Unable or unwilling to take out the required trading license and frontier permits, many Jewish and other traders turned to outright smuggling, violating both Soviet laws and Polish regulations. “Only the major merchants stock up on permits, but this is not done by an entire galaxy of sometime traders and brokers, who resort to bribing the customs soldiers,” one Szefer, a well-informed businessman who had just returned from the frontier, reported to the *Kurier Łódzki* in early March. Szefer complained that while “[b]order trade with Russia brings Poland enormous profits,” these “are thus far drowning in the pockets of an element that is not well-disposed towards Polish statehood” – commonplace code for Jews; but he enthused that “the Polish merchant … is ever more successfully pushing the Jewish rabble [*czerń żydowską*], which sows bribery and demoralization, away from the trade with Russia.”<sup>35</sup> Only a month later, however, the *Kurier Łódzki* reported that while the “smoothing-out of relations” – i.e., the Polish authorities’ unilateral efforts to facilitate the traffic – combined with a reinforced border guard had led “smuggling [to] decline significantly” along the Ukrainian stretch of the frontier, the “Jews, despite everything, still continue to smuggle much gold and silver from Ukraine,” bypassing Polish customs. “Despite intensified control, it is not possible to counteract this effectively,” the paper lamented, “as the Russian [i.e. Soviet Ukrainian] Jews enjoy considerable assistance from Galician [i.e., Polish Ukrainian] Jews.”<sup>36</sup>

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<sup>35</sup> Szefer’s surname suggests that he may have been Jewish himself. Rather than a broadly anti-Semitic screed, however, his denunciation of disloyal “Jewish rabble” may have reflected tensions between those Jews who assimilated into Polish society, and those – especially the *litwak* (Lithuanian) Jews – who had not. On the special ire directed at *litwak* merchants, see Schiper, *Dzieje handlu żydowskiego*, 535–36.

<sup>36</sup> “Z nad Zbrucza,” *KŁ*, 8 April 1922, 4.

Figure 16: The Smuggler as Jew, the Jew as Smuggler



*On our Eastern Border*

*The Smuggler* [in a mix of Yiddish and Polish]: "Oh beautiful Polish borders, here's to my health! One can carry the entire city hall from Theater Square in Warsaw on one's back to Sovietlandia here, and nobody will notice."

*Source: Mucha, 13 January 1922, 4.*

A cartoon in the satirical Warsaw weekly *Mucha* both captured and perpetuated popular anxiety about the role of Jews in the frontier traffic unauthorized by *both* the Polish and Soviet sides. The sketch depicts a gang of Jewish smugglers carrying sacks labeled "cloth" and "cocaine" from Poland into Soviet Russia. By highlighting the role of the Jews, the cartoon censures smuggling, while simultaneously leveraging smuggling to censure Jewish perfidy. The supersized

sack of cocaine underscores the distasteful nature of the traffic. Combined with the smugglers' spoken Yiddish, hooked noses, and hulking poses, the prayer shawl sticking out improbably from under the gang leader's coat cements the twin images of the Jew as smuggler and the smuggler as the insidious Jewish other.

However, the cartoon obscured – perhaps intentionally – the intensely interethnic nature of the traffic. Sources from the Soviet side indicate that local Slavic inhabitants supplied much of the physical labor and technical ingenuity (not to mention an intimate knowledge of the terrain) that powered the cross-border trade, while Jewish merchants furnished the financial backing and distribution networks. “The mass of smugglers are border village peasants,” Soviet Western Customs District chief Jan Olin reported from Minsk in November 1922, “who are lately becoming ever more inventive in the realm of tricks in the conveyance of contraband. Carts with secret compartments, clothes with specially-fitted corsets for carrying contraband have already become a commonplace occurrence.”<sup>37</sup> Indeed, Soviet officials classified around half of the people apprehended with contraband goods in the Western Customs District during the years 1922-24 as “tillers of the soil.”<sup>38</sup> The peasants “bring in the contraband primarily in small consignments and sell it to the merchants of the border belt, who then ship it into the interior of the Republic,” Olin reported. “Large-scale smugglers also operate via these same peasants.”<sup>39</sup> While only fifteen percent of the individuals arrested for smuggling in the Western Customs District during 1922-24 were classified as “merchants,” however, Olin argued in a December 1922 dispatch to Moscow that “the merchant element, not only the local, but also of the locales situated far from the border,

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<sup>37</sup> Olin to Chief Customs Administration, 13 November 1922, RGAE 413/14/139: 14+rev.

<sup>38</sup> Fedenev, “Bor’ba s kontrabandoi v SSSR,” 155.

<sup>39</sup> RGAE 413/14/139: 14.

such as Gomel, Mogilev, and Vitebsk, is the chief begetter and organizer of the import of contraband.” Earlier in the document, after mentioning the “merchant element,” Olin added a parenthetical clarification: “(Jews).”<sup>40</sup>

This ethnic specialization that structured the contraband trade across the Soviet-Polish frontier is evocatively portrayed in the former Byelorussian-Polish smuggler Sergiusz Piasecki’s autobiographical 1935-37 novel (or belletricized memoir), *The Lover of the Great Bear*, discussed in the preceding chapters. Like Piasecki himself, the author’s literary alter-ego, Wladek, an unemployed demobilized soldier, comes to live with a former comrade-in-arms in the town of Rakow on the Polish frontier with Soviet Belorussia in late summer 1922. Wladek’s fellow veteran, who captains a gang that smuggles goods past both Polish and Soviet patrols, gradually introduces him to the inner workings of the trade. Through Wladek’s eyes, readers learn that most of the men (and sometimes women) who carry the contraband goods across the frontier in groups are young ethnic Byelorussians; there are also Poles, Russians, and Ukrainians. However, the goods themselves typically belong to a local Jewish merchant, who pays out commissions upon the successful completion of the roundtrip journey.<sup>41</sup>

To ensure that the smugglers faithfully discharge their duties, every party is accompanied by an agent of the merchant, invariably a fellow Jew. The systematic nature of this practice indicates that here, as often elsewhere, trust – the core capital and hard currency of every shadow economy – flows primarily along ethnic lines rather than across them. Indeed, the experience of

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<sup>40</sup> Olin to Chief Customs Administration, 14 December 1922, RGAE 413/14/139: 17-18rev; Fedenev, “Bor’ba s kontrabandoi v SSSR,” 155.

<sup>41</sup> Piasecki, *Lover of the Great Bear*; Piasecki, *Kochanek Wielkiej Niedźwiedzicy*.

these Jewish chaperones suggests that while ethnic specialization and interethnic cooperation powered the traffic, such symbiosis was fraught with its own fissures.

Like the smugglers they supervise, the Jewish minders carry both goods and nicknames – Lowa the Top-hat, Hirsh the Wick, Berek the Wake – but they are clearly outsiders in the tight-knit gangs. In Piasecki's depictions, they are also comically awkward and fearful. Thus, on one cross-border journey, “Isaak the Consul, the Jew minding the goods, waddles along, his scraggly neck sunk into his shoulders, glancing suspiciously from side to side; he particularly dislikes the forest and struggling through the bushes”; on another trip, the minder, “a young chubby little Jew, rolls along at the end of the party. He is shortsighted and skittish, so he constantly looks from side to side, squinting his eyes. It is hard for him to keep up with the party, but he is afraid to be left behind lest something should jump out of the bushes … So whenever he notices that he has dropped several paces behind, he starts running after the party, wiping his sweaty face with a handkerchief, his short legs twinkling comically.”<sup>42</sup>

While the Dickensian descriptions may be due to the demands of the genre, the awkwardness might have reflected the physical challenges faced by sedentary shtetl dwellers embarking on grueling marches more suitable for peasant youths (or demobilized soldiers); the fearfulness was surely informed by the violence recently visited on Jewish civilians by all sides in the Civil and Soviet-Polish wars, and exacerbated by the Jewish chaperone's recognition that he will be the first target for the brigands that preyed on the smugglers' gangs. This personal danger was greatest on the return journey, when the minder himself would be carrying most if not all of

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<sup>42</sup> Piasetski, *Lover of the Great Bear*, 62, 184; Piasecki, *Kochanek Wielkiej Niedźwiedzicy*, 56, 146–47. Here and below the translations are taken in part from the English edition, and in part are my own.

the valuables and currency received in payment for the delivered goods.<sup>43</sup> Thus, after Wladek – by now an experienced smuggler himself – leads an armed ambush on a party of “insurgents” (novice smugglers, also known derisively as “elephants” for their heavy-footed gait), he begins with a pat-down search of its Jewish escort, who “stands on the left-hand end” of the row of captives. “First I run my hands over him to see whether he has any weapons, then I search him thoroughly,” Wladek recounts. “I find two blue-fox pelts on him. I take them … With my stiletto, I slit open the soles of his boots, and take five hundred-dollar bills out of one of them. Then I tear open the peak of his cap, and find a further two hundred dollars. ‘Clever, aren’t you?’ I say to the Jew, who smiles pitifully with his white lips.”<sup>44</sup>

Besides despoliation – and worse – by brigands and marauding border guards (see below), the Jewish chaperone had reason to fear betrayal and robbery by his contrabandist consorts. To be sure, because most smugglers wished to stay employed and enjoy the confidence of the merchants who supplied them, this danger diminished over time. Moreover, all that the minder shared with the rest of the group – the secrecy, the stratagems, the dangers, the exhaustion, the interdependence, the close quarters, and the rewards – must have cemented a measure of camaraderie and even respect. Still, even the generally reliable smugglers’ parties sometimes resorted to a rough and rowdy ruse so as to appropriate the merchant’s goods they carried: the *agranda*.

Stemming from *granda*, Polish and Russian criminal jargon for robbery, this caper involved staging an armed ambush that caused the smugglers to disperse into the darkness, only

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<sup>43</sup> At the same time – knowing that they would be targeted – the Jewish chaperones typically distributed some of the money and valuables among the “most reliable people from the party.” (Piasecki, *Lover of the Great Bear*, 382; Piasecki, *Kochanek Wielkiej Niedźwiedzicy*, 286.)

<sup>44</sup> Piasecki, *Lover of the Great Bear*, 380–81; Piasecki, *Kochanek Wielkiej Niedźwiedzicy*, 284–85.

to return home safely with the goods but without the chaperone. As a precaution (and for greater verisimilitude) only the most trusted members of the gang might be apprised of a planned *agranda*. The Jewish chaperone, happy to have escaped the putative ambush, would duly report to the merchant that the entire contraband consignment was lost in the assault. According to Piasecki, some merchants simply accepted the occasional *agranda* as a cost of staying in the profitable business.<sup>45</sup> The smugglers, for their part, rationalized the practice as well-earned compensation for the merchants' perceived miserliness, cast in casually anti-Semitic terms. ““The stingy Tartar!” exclaims Wladek’s companion as they leave the home of Shlomo Bergier, a wealthy supplier of the Rakow smugglers. ‘You’ve saved him so many thousands, and he gives you a mere hundred ... That’s why we spring *agrandas* on the kikes!”<sup>46</sup>

Despite the smugglers’ habitual grousing, disparaging descriptions of the Jews, and rationalized robberies of the latter by the former, Piasecki’s memoir makes clear that the trade rests on the relationships forged between the Jewish merchants on the Polish and Soviet sides of the border. Wladek and his cohorts smuggle the Rakow merchants’ goods to an isolated farmstead on the outskirts of Minsk; the local Jewish merchants bring furs and gold coins to the same spot. Payment is not always immediate: credit traverses the frontier freely alongside the contraband. Thus, one minder, Berek the Centipede, typically returns to Poland with the money only after completing several trips with his smugglers’ gang; dispatching scouts for security, he follows alone, walking with the aid of a hollowed-out pole in which he has hidden dozens of tightly-folded hundred-dollar bills.<sup>47</sup> Similarly, even as Polish press accounts decried Jewish dominance of the

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<sup>45</sup> Piasecki, *Lover of the Great Bear*, 197.

<sup>46</sup> Piasecki, 170; Piasecki, *Kochanek Wielkiej Niedźwiedzicy*, 136.

<sup>47</sup> Piasecki, *Lover of the Great Bear*, 419–21; Piasecki, *Kochanek Wielkiej Niedźwiedzicy*, 311–13.

frontier traffic – both that authorized by Polish officials and the fully illicit – they affirmed the centrality of cross-border Jewish networks to its vitality. “Not having at their disposal either the Polish mark or foreign currencies, the Russian [i.e., Soviet Jewish] merchants pay only in gold and diamonds,” Szefer reported (with some evident exaggeration). “In such transactions, trust plays an enormous role – and the remarkable thing is, even though at stake here are sums and valuables worth millions, abuses of trust are an almost unheard-of rarity.”<sup>48</sup>

The source of this precious trust lay in the enduring pre-revolutionary commercial networks that persisted across the new frontier. “Before the war, Minsk was one of the most important centers of the Russian timber trade … engaged in the exploitation of the wildernesses and vast Lithuanian forests,” the *Kurier Łódzki* explained. “However, the Minsk merchants satisfied in Wilno the demand for other goods, such as cloth, hides, metalwares, machines, farm tools, etc.. Now, the economic link between these two trading centers has been severed by the provisions of the Riga treaty. Life, however, has its own laws and demands, [and] Minsk still remains the base for this kind of trade with Poland.”<sup>49</sup>

Relationships based on trust allowed for extraordinarily elaborate, long-term transactions. “Because it is often impossible for a Minsk merchant to personally conduct purchases on Polish territory, and because the Polish mark constitutes a means of payment only in rare cases, an entire well-organized web of intermediaries has developed along the border,” the newspaper reported, “and in Wilno there resides a number of the Minsk merchants’ trusted men, who are responsible

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<sup>48</sup> “Co się dzieje na granicy polsko-sowieckiej?”, *KL*, 6 March 1922, 6.

<sup>49</sup> *KL*, 6 March 1922, 6.

for assessing the value of the payment delivered from Minsk, as well as the quality and the appropriate quantity of goods packed for Minsk.”<sup>50</sup>

As Szefer explained, “[t]he Russian buyer gives the Polish merchant diamonds, the value of which sometimes reaches tens of millions, and he often does this through an intermediary, a professional smuggler, because being caught in such smuggling risks execution. The Polish merchant carries these diamonds to Wilno or to another borderland center, brings them to the indicated jeweler-appraiser, and if the jeweler does not buy them or the merchant does not wish to sell them, receives a certificate stipulating the sum at which they were assessed.”<sup>51</sup>

This certificate would set the terms of the deal. “The sheet of paper with the signature of this jeweler and the indicated sum serves as unimpeachable proof for the Soviet merchant that the transaction has been carried out faithfully, and the Russian merchant receives from the Polish one goods in the indicated amount,” Szefer reported. “In the northern section of the borderlands, Wilno is the center of this kind of trade, to which merchants daily bring valuables worth tens of millions, for the purpose of sale or only for evaluation. Lately, due to the intensified influx of diamonds, prices for them have fallen in Wilno by 40 percent as compared to Warsaw.”<sup>52</sup>

The need for an independent appraisal in Wilno may appear to undermine the claim that these transactions rested on trust. Indeed, there were reasons for concern. “Recently in the Polish-Soviet borderlands there have appeared some individuals who are buying up Polish marks, paying in francs and pounds sterling,” the *Kurier Łódźki* had reported just weeks earlier. “The arrivals conducted transactions to the tune of several hundred million marks, leaving their clients with a

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<sup>50</sup> “Handel pograniczny na północnym odcinku granicy polsko-sowieckiej,” *KL*, 15 April 1922, 9.

<sup>51</sup> *KL*, 6 March 1922, 6

<sup>52</sup> *Ibid.*, 6.

loss in that amount, because it has turned out that the francs and pounds sterling they sold are counterfeit.”<sup>53</sup> Similarly, *Segodnia* had alerted its readers the prior summer that “in the border belt in Latgale there have appeared in abundance ‘gold’ rings and ‘gold’ rubles, obtained by credulous peasants from refugees returning from Soviet Russia,” which, upon inspection, were found to be made of “gold-plated copper.”<sup>54</sup>

However, the very nature of such media – particularly precious stones and metals – required professional valuation by independent appraisers respected by both sides. Trust born of experience compensated for the lack of legal contract enforcement. No doubt, the transactions also benefited from an Ashkenazi tradition of communal self-government, and a cultural legacy of sealing deals and settling disputes without recourse to a Russian Imperial state apparatus they had little reason to trust. If disagreements did arise, neither Soviet Minsk nor (especially) Polish Wilno suffered a shortage of rabbis esteemed on both sides of the border. Testifying to the enduring reach and power of informal mechanisms and networks, deals struck in Wilno sometimes even involved buying land on the Soviet side.<sup>55</sup> As a result, the diamonds and gold glistened in the moonlight only long enough to change hands at the frontier. That the merchants from the Polish side did not abscond with the valuables but dutifully delivered them to mutually-trusted jewelers in Wilno, and then returned to the frontier with the requested merchandise, spoke both to the power of traditional ties and to the expectation of future profits.

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<sup>53</sup> “Fałszywe franki i funty,” *KŁ*, 2 February 1922, 7. Wartalski had warned in the fall that “many counterfeit currencies are being brought in from Russia, especially Polish marks and pounds sterling.” (Stanisław Wartalski, “Dzisiejszy handel z Rosją sowiecką,” *Przegląd Gospodarczy*, 1 October 1921, 682.)

<sup>54</sup> “Sovetskie ‘iuveliry’,” *Segodnia*, 22 June 1921, 3.

<sup>55</sup> “Handel pograniczny na północnym odcinku granicy polsko-sowieckiej,” *KŁ*, 15 April 1922, 9.

This latter expectation reflected the participants' abiding confidence in their ability to rendezvous reliably at the frontier, to traverse it in both directions on their own schedule, and to dispatch contraband consignments on demand. Indeed, Szefer reported in early March of "points along the border through which are ferried daily to Russia several hundred carts or sleighs of goods without the permission of the Foreign Trade Commissariat, by means of bribing the Bolshevik guards and Soviet border commissars."<sup>56</sup> Polish patrols likewise remained easily cultivated. "For him that wants to cross it, the guarding of the border does not exist," Wołyń Province governor Mieczysław Mickiewicz would lament at a conference of the governors of the country's eastern provinces at the Ministry of Internal Affairs in June 1922. "Only those that do not bother to do so do not cross the border illegally." While Mickiewicz was concerned primarily about a surge in Jewish refugees ("a completely undesirable element," according to one of the Ministers present) streaming from Soviet Ukraine, his comments betrayed a broader trepidation about Poland's inability to control traffic across its eastern frontier.<sup>57</sup> The *Kurier Łódzki* was less subtle. "The entire border belt in the east is in the hands of the Jews," the paper thundered. "They cross the border freely whenever they want and as often as they want."<sup>58</sup>

To be sure, anti-Semitic tropes of Jewish control, fused with fears of Russian invasion and Bolshevik infiltration, encouraged Polish politicians and publicists to hyperbole. However, Jewish smugglers (like their gentile confederates and competitors) certainly exploited and exacerbated the porosity of the frontier, further fueling the authorities' fears. The Director of the Security Department of the Polish Ministry of Internal Affairs, Stefan Urbanowicz, reported to the June

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<sup>56</sup> "Co się dzieje na granicy polsko-sowieckiej?", *KŁ*, 6 March 1922, 6.

<sup>57</sup> AAN MSW (dopływ) 1001: 15, 19.

<sup>58</sup> "Handel pograniczny z Rosją Sowiecką," *KŁ*, 2 June 1922, 7.

governors' conference that during a recent inspection tour, he was informed that "around 100 individuals had traveled illegally to Wilno from Minsk and back again." "Perhaps you will wonder why they are not apprehended inside the country, in Wilno," Urbanowicz inquired rhetorically. "They are not apprehended because there are two Wilnos, one is above ground, and the other underground. There are Jewish districts where a number of houses have underground connections."<sup>59</sup> For Polish authorities, even Wilno's architecture thus both magnified the power of Jewish cross-border subversion and embodied the depth of its reach.

However, the apparent ease with which Jewish and other smugglers traversed the Polish-Soviet frontier did not mean that theirs was an easy journey. At the border, corruption was a double-edged sword. Although sentries could be suborned, the smugglers' valuables sometimes proved more tempting than their bribes. "The last such case happened last Tuesday," Szefer reported. "On the night of February 28 to March 1, one Abramczyk was returning from Minsk to Radoszkowicze," on the Polish side, "carrying 27 carats of diamonds, 3 million Polish marks, and 60 dollars, intended for one of the Polish merchants to pay for the goods." As he was passing through the forest on the Polish side, Abramczyk was stopped by "a patrol of four soldiers from the 17<sup>th</sup> company of the 30<sup>th</sup> customs battalion." Knowing him to be a "professional intermediary in the transfer of money and valuables," the soldiers "stripped him naked" and "scrupulously inspected the clothing and undergarments, taking from him everything that he had." "They wanted to shoot Abramczyk afterwards," Szefer continued, "but due to his entreaties, cries, and the kissing of their hands let him go unharmed. Abramczyk identified one of the perpetrators of the assault, and thanks to that all of them were discovered, but the items robbed have not been found." Now it

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<sup>59</sup> AAN MSW (dopływ) 1001: 19.

was the soldiers' turn to solve the problem with monetary inducements: as they sat in jail awaiting trial, Abramczyk was approached with an offer of five million marks if he would withdraw his accusation. Szefer lamented that “[c]ases of assault on the merchants by the soldiers are not infrequent.” However, that this event “caused panic among the merchants and prompted a complete cessation of transactions for three days” suggests that the robbery in the Radoszkowicze forest represented only a temporary breakdown in an otherwise well-oiled mechanism of contraband and corruption.<sup>60</sup>

### ***Border Boom***

Upon commencing officially on February 6, 1922, the reopening of the Soviet frontier to trade unilaterally sanctioned by the Polish side proceeded with the pent-up force of a broken dam. Within a week of the announcement, Łódź textile mills that had stood idle for all but three days a week were working six; some factories in nearby Kalisz even operated night shifts.<sup>61</sup> “Due to a revival of the traffic on the eastern border, merchants from there buy up a significant portion of the output,” with only “smaller quantities” shipped to other destinations, reported the newly-formed Textile Industry Export Association, which comprised Łódź’s major cloth manufacturers.<sup>62</sup> “[T]hanks to the initiative of the acting Minister of Industry and Trade Strasburger,” and “despite the opposition of [Internal Affairs] Minister Downarowicz,” the “ability to conduct border trade has been restored in full,” the aforementioned businessman, Szefer, reported in early March. Polish merchants were free to export to Soviet territory “everything except foodstuffs” and a handful of

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<sup>60</sup> “Co się dzieje na granicy polsko-sowieckiej?” *KL*, 6 March 1922, 6

<sup>61</sup> “Ruch w fabrykach,” *Gazeta Kaliska*, 11 February 1922, 3.

<sup>62</sup> “Ze Związku eksportowego przemysłu włókienniczego,” *KL*, 8 March 1922, 6. The firms that joined the Association are listed in *Przegląd Techniczny*, 23 May 1922, 145.

articles, such as alcohol, which were subject to state monopoly control. In practice, even these remaining restrictions were honored primarily in the breach.

The use of “mobile crossing points” that allowed Polish customs officials to exercise a measure of oversight and levy duties – while also helping Polish merchants and Soviet smugglers evade Soviet patrols – certainly expedited the traffic’s revival.<sup>63</sup> “In its latest ordinances on the border trade, the Polish government is guided by a desire to offer the broadest possible access to this trade to the spheres concerned,” Szefer noted approvingly. “To this end, the current system of twenty-four-hour passes for merchants wishing to approach the frontier will be abolished, and monthly passes for a flat fee of 80 thousand marks will be introduced.”<sup>64</sup>

Presumably promulgated in response to complaints about the impracticability of the daily passes, the simpler system was likely designed to encourage compliance, generate more revenue, and limit the participation of suspect, fly-by-night operators in favor of established merchants. At the same time, in an effort to route more of the profits from the traffic to state coffers, in early March the Ministry of Finance directed customs officials to intensify the levying of duties on the gold, diamonds, furs, and other valuables brought in across the frontier.<sup>65</sup> Such measures further stratified the market between the growing “galaxy” of smalltime smugglers decried by Szefer, and larger players that adhered to Polish authorities’ regulations in exchange for the freedom to move bulk consignments unmolested. These latter included Szefer’s own employer, the American-Europe Exchange Corporation – a consortium of Polish-American financiers headquartered in an

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<sup>63</sup> “Eksport do Rosji,” *Slowo* (Wilno), 5 August 1922, 3.

<sup>64</sup> *KŁ*, 6 March 1922, 6.

<sup>65</sup> “Ułatwienie w handlu z Rosją,” *KŁ*, 10 March 1922, 2; *idem*, “Handel wymienny nad Zbruczem,” 16 March 1922, 6.

imposing new office building on New York's East 42<sup>nd</sup> Street, boasting trading houses in Warsaw, Poznań, Łódź, Lviv, and Wilno, as well as a controlling interest in the Polish Industrial Bank, with twenty-nine branches throughout Poland. By the time he sat down with the *Kurier Łódzki* correspondent upon returning to Łódź in early March, Szefer had established "a number of trading stations" along the Soviet frontier, and "personally conducted the first major transit transaction."<sup>66</sup>

Meanwhile, Łódź's powerful Textile Industry Export Association announced that it was opening an office in the hub town of Równe on the frontier with Soviet Ukraine. Although the Association hastened to reassure that this outpost "will not be of a competitive nature vis-a-vis the local stockpilers and merchants, but will merely aim "to gather information about the state of trade with Russia and its current conditions," the announcement made plain that Łódź was no longer content simply to supply the frontier traffic from afar. Emphasizing that "the border trade has many features of illegality," the Association observed wistfully that it "brings huge profits to merchants and brokers." Lamenting that while the trade fosters "the inflow of foreign currencies, precious metals, and precious stones," these riches "flow across the borders of the state via unseen routes and elude all controls," and, "as the initiated insist," are "funneled to Germany," the Association sought to position itself as a civic-minded guardian of this stream. Its Równe office purported "first of all, to uncover the means of payment that Soviet merchants use when dealing with Polish merchants," and "to utilize them for raising the economic power of the state." To that end, the Association secured permission to register as a bank authorized to trade in foreign exchange.<sup>67</sup>

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<sup>66</sup> The company listed among its imports into the United States "bristles and hair," often used by Soviet peasants to barter for Polish contraband. ("Americans Acquire Control of the Polish Industrial Bank," *Journal of the American Polish Chamber of Commerce and Industry*, November 1921, 27; *American Exporter Export Trade Directory* (New York: Johnston Export Publishing Company, 1921), 32.)

<sup>67</sup> "Ze Związku eksportowego przemysłu włókienniczego," *KŁ* 8 March 1922, 6.

The resumption of the traffic also echoed through the mountains of Polish Subcarpathia, lying over two hundred kilometers west of the Soviet frontier. Poland's valuable inheritance from its former Imperial Austrian overlords, this southeastern region was the center of the new republic's oil mining. Unlike the Łódź textile manufacturers, who had lost their traditional Russian market and were desperately seeking to reclaim it through smuggling, the Subcarpathian oilmen had never depended on Russian demand. The Russian Empire pumped more than enough crude from its Caspian oilfields. Now, however, "while Russia possesses large oil wells and stocks in the Caucasus, the dearth of means of transportation prevents its delivery to many locations," observed Wacław Przeorski, the head of a refinery at Iwonicz. As a result, "a veritable kerosene famine rages in Russia, especially in the border belt." "While official trade in oil products does not exist with Russia, the smuggling of kerosene from Poland to the Soviet state takes place in the borderlands," the oilman reported. "For the smuggled kerosene the Soviet inhabitants pay in gold, or exchange it for caracul pelts, which lately have accumulated in the Polish borderlands in enormous quantities." Przeorski did not clarify how the Central Asian sheepskins had made it to the remote Soviet frontier villages that had been unable to procure kerosene from the Caucasus; but he and his fellow oilmen knew a good deal when they saw one. "Polish kerosene can certainly count on significant and profitable sales in Russia for some years," Przeorski insisted. To that end, "[a] number of major Polish refineries intend to establish an association in the nearest future, which would take into its hands the trade in kerosene products with Russia on the basis of an eventual trade treaty."<sup>68</sup> In the meantime, smuggling offered Polish oilmen the chance to secure a foothold in the Russian market.

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<sup>68</sup> "Nafta polska na rynkach zagranicznych," *Rozwój*, 22 March 1922, 5.

While the traffic's resurgence thus reverberated from Subcarpathia to Łódź to New York, the impact of the trade boom was understandably most palpable closer to the Soviet frontier. "Wilno in the north, and in the south Równe and then Lwów, these are the centers where significant stocks of gold and valuables accumulate," the *Kurier Łódzki* emphasized. While "the Wilno region and the entire northeast area of the state belong among the least industrialized portions of Poland," the paper observed, "lately a whole range of the smallest enterprises, such as distilleries, still-houses, and several cigarette and tobacco plants," as well as "a match factory, several breweries, and many smaller and larger tanneries" have been established "in anticipation of the sizeable profits that [will accrue] from the export of their products to Russia"; similar considerations likely encouraged the construction in Wilno of "a large, three-front building" – owned jointly by Poland's premier department store firm, the Jabłkowski Brothers of Warsaw, and the leading Łódź textile manufacturer Gaier & Szajbler – built to house "large wholesale cloth stockrooms." "Various shipping companies are frantically moving here as well," the paper noted in April. "As a result of such an intensifying commercial traffic, the prices of houses, apartments, and especially of lots and warehouses, are rising at a dizzying speed."<sup>69</sup>

South of Wilno, the railway hub town of Baranowicze was "developing tremendously through trade," the Internal Affairs Ministry's Urbanowicz reported at the eastern governors' conference in June. "Last year, Baranowicze counted several thousand inhabitants, but today it numbers thirty-some-odd thousand, and a third of the houses are new," the Security Department Director marveled. "The commercial traffic has intensified enormously. Baranowicze is now a

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<sup>69</sup> "Handel pograniczny na północnym odcinku granicy polsko-sowieckiej," *KŁ*, 15 April 1922, 9.

center of trade.”<sup>70</sup> “Stolpce is one of the most important points on the frontier,” a *Kurier Łódzki* correspondent reported from the town in September. “The prices in Stolpce almost equal those in Warsaw: lately, bread has jumped from 60 marks to 140 and more, while lard” – smuggled in significant quantities to Soviet Belorussia – “will soon reach 1,500 marks a pound. Apartments are expensive too, if the dog-holes leased out here as apartments for the price of tens of thousands of marks a month merit the name.”<sup>71</sup> Eclipsing its northern counterparts, however, “Równe is the most important trading point on our eastern border,” another *Kurier Łódzki* report maintained. “The bustle in the city is truly American. Every built-over nook is used for lodging or as a warehouse.”<sup>72</sup>

Even smaller shtetls and villages lining the frontier found themselves transformed into commercial hubs, called “spots” in local parlance. “You probably do not know what a ‘spot’ [*punkt*] is,” a correspondent of Krakow’s *Przegląd Kupiecki*, wrote from the frontier. “Well, it’s the sort of place on our distant eastern green border where our government permits trade with Russian merchants. A ‘spot’ is a village, or a ruin of a shtetl.”<sup>73</sup> Devastated by years of fighting and now exposed to cross-border raids and perpetual fears of Soviet invasion, these communities could at least profit from their perilous perch on Poland’s eastern edge. “From what has survived, it is possible only to infer that it possessed many attractive edifices and was an altogether respectable and beautifully-situated district center,” observed a visitor to the shtetl of Husiatyn on the Zbrucz in June 1922. “Today, it is a vast ruin … There are several buildings whose side panels

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<sup>70</sup> AAN MSW (dopływ) 1001: 10.

<sup>71</sup> “Wywrotowa akcja lewicy na Kresach,” *KŁ*, 30 September 1922, 4.

<sup>72</sup> “Ze Związku eksportowego przemysłu włókienniczego,” *KŁ* 8 March 1922, 6.

<sup>73</sup> M. Steiner, “List z ‘Punktów,’” *Przegląd Kupiecki*, 18 March 1922, 7.

were exposed to artillery fire from Russian Husiatyn, located on the other side of the Zbrucz. Those walls are so riddled with bullets that one might think that they were purposely fired on for sport.” The visitor remarked, however, that “the Husiatyn Jews are beginning to rebuild,” including through smuggling (and sometimes, allegedly, *for* smuggling: “[o]ne of them has already commenced delivering stones for the construction of a new house perched right over the Zbrucz, near the bridge, undoubtedly for smuggling purposes.”)<sup>74</sup> “In such shtetls as Biłożerka, Lanowiec, Szumski,” situated along the border with Soviet Ukraine north of Podwoloczyska, “with a population of two to three thousand, there have suddenly appeared several dozen large wholesalers from Łódź and Warsaw,” the *Przegląd Kupiecki* correspondent reported. In an ironic twist, Polish shopkeepers hoisted the Bolshevik colors to draw Soviet smugglers: “in every window has been hung a red rag, as a sign that ‘Red merchandise’ is sold here.” “Despite the colossal frosts and poor transport,” he marveled, “merchants come to buy goods from faraway places, even from Odessa.”<sup>75</sup>

Indeed, the resurgence of the traffic became immediately apparent on the Soviet side of the border. “The entire petty bourgeoisie of Belorussia is engaged in speculating in contraband,” the front page of *Izvestiia* announced on February 19, 1922. “The commercial district of the city of Minsk – Nemiga [Street] – is teeming with smugglers [*kishmia kishit kontrabandistami*]. The Belorussian Foreign Trade Commissariat does not import even a tenth of what gets smuggled in. The shops and warehouses are overflowing with foreign goods.”<sup>76</sup> “Those in the know assert that never before the war did Minsk conduct such purchases in Wilno as it does at present,” the *Kurier Łódzki* echoed in April. “In the past, Minsk used to deal in the riches of the land” – i.e., timber –

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<sup>74</sup> M. B., “Z nad Zbrucza. Husiatyn, w czerwcu,” *KŁ*, 22 June 1922, 4.

<sup>75</sup> M. Steinner, “List z ‘Punktów,’” *Przegląd Kupiecki*, 18 March 1922, 7.

<sup>76</sup> Grinev, “V Belorussii,” *Izvestiia*, 19 February 1922, 1.

but “now has become an intermediary in exploiting the frontier smuggling tolerated by the authorities.”<sup>77</sup> The Belorussian forest now concealed a resource even more valuable than itself: the border. The towering pines that had supplied the Empire’s lumber yards now shrouded stooped smugglers carrying lighter but more lucrative loads.

The reputation of the Soviet Belorussian capital as the new gateway to the West – or at least to western goods – traveled fast and far. “For traders, Minsk is now the center of attention,” the *Izvestiia* correspondent marveled. “Goods from the entire border belt accumulate here. Hundreds, thousands of merchants from Moscow, the Volga, the Urals, etc. come to Minsk and spirit away foreign goods worth billions. Every train departing from Minsk carries off tens of thousands of poods of saccharin, paints, flint stones, haberdashery, [and] stationery supplies.” “The struggle with contraband is conducted weakly. There are not many confiscated goods at our customs houses,” he lamented. “In exchange for the goods smuggled from Poland, smuggled out are gold, foreign currencies, furs. The Railway Cheka sometimes conducts searches of the passengers. But in the main, the speculators are elusive, and our gold, our furs flow out to Poland.”<sup>78</sup>

### ***The Red and the Gray, Part Two***

Some smugglers did not even need to evade Soviet patrols. As Polish-Soviet trade talks dragged on desultorily, Soviet state and cooperative organizations dispatched their own representatives directly to the border to capitalize on the resumption of informal trade. The powerful Ukrainian consumer cooperative union Vukospilka, then angling for direct access to

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<sup>77</sup> “Handel pograniczny na północnym odcinku granicy polsko-sowieckiej,” *KL*, 15 April 1922, 9.

<sup>78</sup> Grinev, “V Belorussii,” *Izvestiia*, 19 February 1922, 1

foreign markets, proved especially active in this regard. “Desiring to utilize the frontier trade for the purposes of the government, the Vukospilka is opening special agencies on the Polish and Romanian border,” the *Przemysl i Handel* reported in early May 1922.<sup>79</sup> The smugglers had shown the way; Soviet officials who had little use for Moscow’s meddlesome monopoly now seized the opportunity. The legacy of Solomon’s agents lived on.

“A train from the depths of the Russian Empire approaches the Polish border,” a correspondent of the *Przeglqd Kupiecki* reported from the Soviet side of the Zbrucz (presumably from Woloczysk) within a week of the reopening of the frontier. “Not far from the station is a little bridge that links us to Poland. One can also see several automobiles in the small marketplace of the godforsaken Ukrainian shtetl … Every train brings to the border several or several dozen representatives of the ‘vneshtorgs’” – a catchall for all Soviet organizations engaged in foreign trade – “and each wants to put in his request at the little frontier bridge,” where “he must wait until the Polish merchants arrive.”<sup>80</sup>

Judging by the freewheeling nature and contents of their transactions, the Soviet agents were unconstrained by distant Moscow and its abstract state monopoly on foreign trade. “The Polish merchants trade in ‘everything,’ because the delegates of the Vneshtorg buy everything,” the correspondent observed. “Today the demand is for thick sole leather and French perfumes, or for cocaine and Salvarsan” – an arsenic-based syphilis treatment – “or for office paper and pencils, packaged tea and rice.”<sup>81</sup> Scrambling to stay solvent under the New Economic Policy’s system of

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<sup>79</sup> “Rosja. Handel z zagranicą,” *PiH*, 4 May 1922, 300-01.

<sup>80</sup> “List z granicy bolszewickiej,” *Przeglqd Kupiecki*, 11 February 1922, 10;

<sup>81</sup> See also “Handel wymienny nad Zbruczem,” *KŁ*, 16 March 1922, 6.

*khozraschet* (“economic accounting”), some Soviet enterprises heeded Lenin’s call to “learn to trade” more faithfully than the Sovnarkom Chairman intended.

Unlike outright smuggling, this traffic proceeded in broad daylight. “From morning to evening long caravans of carts, loaded up to the brim with packs or crates, stream toward the river,” a *Kurier Warszawski* correspondent reported from Podwoloczyska in May. At a time when trains were running regularly between Warsaw and Moscow, the primitive method of transport used here underscored the unofficial nature of this trade. “The bridge is damaged, it is impossible to cross it by wagon, so they pile large stacks of sacks on the Polish side and carry them over by hand. Carts are already waiting on the other side of the bridge, and the goods are quickly loaded up,” the correspondent observed. “The traffic is intense … At present, the chief object of export is paraffin” (a versatile petroleum-based wax, another product of the Subcarpathian oilfields), “herring, farm tools, scythes, saccharin, flint stones.”

The means of payment used by the buyers left little doubt as to the illicit nature of the transactions, at least as far as Moscow was concerned. “The Soviet merchants pay in gold,” the correspondent reported. “For wagonloads of paraffin they receive kilograms of various gold objects, such as watch cases, broken rings, etc. The quantities of gold are enormous. One of the local merchants told me that just today he received 180 kilograms of gold for goods delivered to Sovietlandia.”<sup>82</sup> These were hardly the low-value raw materials that Foreign Trade Commissar Krasin had authorized for use in the frontier trade.

Somewhere between such semi-illicit dealing and outright smuggling lay another practice, one that hewed most closely to the experience of Solomon’s smuggler-contractors during the Civil

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<sup>82</sup> M. B., “Głód w Rosji. - Warunki życia - Handel z Rosją, (Podwoloczyska w maju),” *KW*, 28 May 1922, 6-7.

War. Lacking experienced staffs of their own, Soviet agencies wishing to trade across the frontier delegated the task to local merchants. “In addition to illegal smuggling there is also so-called legal smuggling [*szmugiel legalny*],” the well-informed Szefer reported in March. “Upon buying goods at the border, private merchants are compelled to deliver the entire consignment to the nearest trading outpost of the ‘*vneshtorg*,’ which keeps a portion of the goods at its own disposal, paying the merchant the invoice price, and returns a portion to him to sell on the free market. For understandable reasons, the Russian merchants avoid playing the role of the *vneshtorg*’s middlemen that is forced upon them.”<sup>83</sup>

The absence of the physical infrastructure of trade facilitated their task. “The Russian merchant receives from the *vneshtorg* a permit to procure in the border area a certain quantity of units of merchandise, e.g. bales, crates, sacks, etc. Due to the dearth of scales, measures, and similar equipment in the Bolshevik borderland (and often at the *vneshtorg* outposts [themselves]), the permits are not issued for quantities expressed in units of weight or measure, but in units of packaging,” Szefer explained. “Having such a permit on hand, the Russian merchant orders from the Polish merchant, for example, 14 packs of goods, with four packs of the most valuable goods, such as alcohol, saccharin, cocoa, etc. hidden among those fourteen … The Soviet checkpoint verifies only the number of packs – and the merchant who crossed the frontier disposes of the four ‘camouflaged’ packs bypassing the *vneshtorg*.”<sup>84</sup> As with Solomon’s smugglers during the Civil War, the perfunctory inspections offered a semblance of control, while incentivizing private merchants to participate in the scheme without having to raise their commissions.

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<sup>83</sup> *KL*, 6 March 1922, 6.

<sup>84</sup> *KL*, 6 March 1922, 6.

Smuggling by Soviet contractors was certainly not limited to the Polish frontier. “Most large-scale smugglers have always worked in the guise of contracting agents of one kind or another,” the leadership of the Pskov District Commission for Combating Contraband reported in its overview of the struggle with smuggling across the Soviet-Estonian border during April-May 1922, complaining that border checkpoints “have to muck around quite a bit in order to prove ... that the goods belong to the smuggler and not to some institution for which this or that contracting agent is working.” For “cutting off large-scale smuggling at the root,” the officials demanded “a cessation of the issuing of permits to contracting agents by any institutions whatsoever.” For the time being, the customs officials had secured the requirement that the agents dispatched across the frontier “work exclusively according to contracts” listing “the quantity of exports and imports” – a measure, the Chairman of the Petrograd Regional Commission for the Struggle with Contraband asserted, that “puts an end to the export and import of extra goods once and for all.”<sup>85</sup> In light of Szefer’s report, the Chairman’s assessment appears to have been unduly optimistic.

However, Soviet customs officials’ efforts to rein in smuggling by Soviet contractors drew strength from – and fueled – a broader struggle over the state monopoly on foreign trade then being waged in Moscow. A reprise of the Civil War-era conflict between the Commissariat of Industry and Trade and rivals such as the VSNKh, the struggle was magnified by the growth of Soviet foreign trade and the increased institutional independence fostered by the NEP. This debate reached a crisis point by March 1922.<sup>86</sup> Early that month, throwing the full weight of his authority

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<sup>85</sup> “V Tsentral’nuiu komissiu po bor’be s kontrabandoi pri GPU. Doklad Petrogradskoi Okruzhnoi Komissii po bor’be s kontrabandoi za aprel’ i mai mesiatsy 1922 goda,” 17 June 1922, RGAE 413/14/81: 139-141.

<sup>86</sup> This momentous debate, which split the Soviet leadership, is admirably reconstructed in Quigley, *The Soviet Foreign Trade Monopoly*, 24-36.

behind the monopoly, Foreign Trade Commissar Leonid Krasin announced in an interview with *Izvestiia* that “in the nearest future, we will undertake a series of measures to eradicate any smuggling, and to put an end to that free-trade bacchanalia [vakhanalii fritrederstva] that has threatened to entrench itself both in the practice of certain Soviet institutions and inside certain Soviet minds.”<sup>87</sup>

Krasin’s threat soon reverberated throughout the Soviet-Polish borderlands and beyond. “The Bolsheviks have completely closed the border to the trade in goods, not only in Woloczysk but along the entire Polish-Ukrainian frontier,” a correspondent of the Krakow *Nowa Reforma* announced by telephone from Lwow at the end of May. “The cessation of commercial traffic at the border has also impacted the merchandise market in Lwow, where the prices of cloth have fallen.”<sup>88</sup> “Łódź responded immediately to news from the eastern border by reducing commercial turnover,” the *Kurier Łódzki* reported on June 1. “While a few days ago cotton goods enjoyed strong demand, far outweighing supply, for the past two days there has been a marked weakening” of demand “and a willingness to offer” goods to prospective buyers. “Among wholesalers and brokers who have made significant orders and purchases in recent days in anticipation of the further development of a favorable market situation, there is great concern.”<sup>89</sup> Indeed, after peaking in March and April, both the deliveries of cotton and wool to the city’s textile mills and the shipments of finished goods from Łódź began to taper off in May, and declined even more steeply in June.<sup>90</sup>

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<sup>87</sup> “Vneshniaia torgovlia Sovetskoi Rossii,” *Izvestiia*, 8 March 1922, 1.

<sup>88</sup> “Zamknięcie granicy polsko-ukraińskiej,” *Nowa Reforma*, 31 May 1922, 1-2.

<sup>89</sup> “Handel z Rosją,” *KŁ*, 1 June 1922, 6.

<sup>90</sup> “Łódź. Częściowy zastój,” *KŁ*, 20 July 1922, 7.

While Polish businessmen and journalists ascribed the Soviet border clampdown to machinations stemming from the treaty signed by Soviet and German diplomats at the Italian seaside resort of Rapallo on April 16 (Warsaw's *Rzeczpospolita* opined that the closing of the Soviet-Polish frontier was designed to favor German shipping to Russia via Tallinn) the truth was probably more prosaic. "The directive to seal more tightly than before the border along the Zbrucz, where barter trade had bloomed, was prompted by the behavior of the frontier agents of the *Vneshtorg*, who apparently did not adhere to the instructions of the Moscow authorities and committed some abuses," the *Kurier Łódzki* reported. "As a result of this, the Moscow *Vneshtorg* resolved to bolster oversight at the border and to prosecute a number of officials who had acted to undermine the monopoly on foreign trade ... The frontier *vneshtorgs* (the Kievan, Podolian, surely the Minsk one, etc.) are being liquidated, and the center of gravity is being transferred to the office of the 'Vneshtorg' in Warsaw."<sup>91</sup> Indeed, responding to the speculations proliferating in the Polish press, Soviet Trade Representative Gorchakov announced that the Soviet border had not been closed because "it had never been opened to free trade" in the first place, but that "large-scale contraband trade" had been "doing significant harm to the activities of the *vneshtorg* in Poland." "The Soviet authorities have decided to institute the rule that not a single bale of goods could be dispatched from Poland to Sov[iet] Russia without the permission of the Foreign Trade Commissariat's representative in Warsaw," Gorchakov proclaimed.<sup>92</sup>

Acquiring such permission would not be easy for the Łódź manufacturers. The new Soviet customs tariff, introduced in February 1922, levied prohibitive duties on Polish textile exports.

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<sup>91</sup> "O handel z Rosją," *KŁ*, 6 June 1922, 2.

<sup>92</sup> "Pol'sko-sovetska torgovlia," *Segodnia*, 9 June 1922, 2.

“Legal trade is largely constrained by the high duties,” the *Kurier Łódźki* complained. “The size of the customs duties exceeds the value of the goods several-fold … In some cases the duty assumes an unbelievable scale: thus, the duty on stockings reaches 300 marks per pound … As a consequence of these measures, the Polish textile industry is under threat.”<sup>93</sup>

### ***Border Boom Continued***

Yet Polish businessmen and borderland dwellers adjusted quickly to the changed circumstances. By late June 1922, Lwow newspapers were reporting that while recent developments had prompted “a weakening of the commercial traffic via the free-trade points” – such as the storied Podwoloczyska bridge – they have “significantly increased contraband trade, the objects of which are textile goods, technical instruments, and medicines.” To facilitate the contraband traffic sanctioned by Polish authorities, several new trading outposts would begin operating “in the nearest future” in the frontier shtetls of Skalat and Husiatyn.<sup>94</sup> Smuggling in violation of Polish customs controls “is quite developed in this area” as well, the aforementioned visitor to Husiatyn observed that month. “Just recently some ‘Jewie trader’ was caught trying to ferry a large quantity of tobacco from the other side. Two wagonloads of that merchandise, totaling 800 kilograms, were confiscated from him.”<sup>95</sup> Meanwhile, despite the continuing famine in Russia, Eastern Polish landowners were lamenting the “unprecedented influx of grain from beyond the Sov[iet] border.” Already facing depressed prices for their estates’ produce, they worried aloud that “the Russian competition will strangle us completely.” “The Volynian and Podolian *muzhiks*, who can complain of neither famine nor drought, drag their stores [of grain] across the border,”

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<sup>93</sup> “Handel z Rosją,” *KL*, 1 June 1922, 6.

<sup>94</sup> “Handel z Rosją,” *KL*, 22 June 1922, 6.

<sup>95</sup> M. B., “Z nad Zbrucza. Husiatyn, w czerwcu,” *KL*, 22 June 1922, 4.

*Segodnia*'s Polish correspondent reported in June. "The Russian frontier village is wholly deaf to the needs of the hungry, and ferries its surplus to where real valuables and goods needed by the village are given in exchange for grain."<sup>96</sup> The wagonloads of tobacco and grain ferried from Soviet Ukraine testified to the persisting porosity of the Soviet-Polish frontier to contraband trade in even the bulkiest commodities.<sup>97</sup>

At the same time, the recurring uncertainties of passage across the eastern border led some Polish contraband to chart a considerably more circuitous route to Soviet consumers. Already in early March 1922, an "authoritative source" informed the *Kurier Łódzki* that the "significant purchases conducted by Romanian merchants on the Łódź market" were "intended not for the Balkan states but for Soviet Russia." Chiding Polish authorities and businessmen for not doing enough to take advantage of the Soviet frontier traffic, the paper lamented that "Romania conducts a lively trade with Soviet Ukraine, in which the predominant position is occupied by textile articles of Polish origin, primarily purchased from Łódź factories," with "profits in the billions flowing into the Romanian merchants' coffers."<sup>98</sup>

As along the Baltic and Polish borders, this trade proceeded without Soviet authorities' approval. Like the Balts and the Poles, Romanian authorities may have patronized the traffic; indeed, Estonian officials pointed to the existence of barter stations on Romania's Soviet frontier to justify Estonia's own border trade.<sup>99</sup> Without a textile industry of their own, but with a lengthy

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<sup>96</sup> "Po 'Rechi Pospolitoi,'" *Segodnia*, 21 June 1922, 2.

<sup>97</sup> Further north, however, perhaps due to improved policing, "[b]arter trade for hides and [hog] bristle is being conducted to a significantly lesser degree," the Wilno *Slowo* reported in early August. "The means of payment most frequently used by the Soviet merchants now is gold." ("Handel z Rosją a złoto," *Slowo*, 5 August 1922, 3.)

<sup>98</sup> "Wywóz towarów łódzkich do Rumunji," *KŁ*, 3 March 1922, 6.

<sup>99</sup> Valge, "Mitteametlik kaubavahetus Eesti—Vene piiril," 1204; translated by Mari-Ann Kass. On the other hand, the head of the OGPU counterintelligence in Soviet Ukraine noted in May 1923 that, evidently fearing Soviet subversion, "[t]he Romanians guard the border extraordinarily thoroughly," and "Romania does not legalize the smuggling of

Soviet frontier and a Black Sea coastline within comfortable sailing distance of Soviet shores – including the bustling port city of Odessa itself – the Romanians had embraced the profitable role of intermediaries early on. In September 1921, the volume of their purchases in Łódź had caused the price of textiles to nearly double. During the first quarter of 1922, over a third of official Polish cotton cloth exports cleared customs bound for Romania.<sup>100</sup> While by early August the *Kurier Łódzki* reported that “in manufacturing circles, they say that only an insignificant portion of Łódź goods exported to Romania goes on to Russia or to Soviet Ukraine,” the paper also noted that “large Russian wholesalers” residing in Bessarabia and Galacz – both on the Soviet border – had placed the major orders.<sup>101</sup> “All the contraband goods detained in the city are of Polish provenance,” the head of the Odessa customs house reported in January 1923.<sup>102</sup> Inspectors visiting from Moscow noted approvingly that Odessa customs officials had “actively begun to persecute trade in illegal merchandise and have already carried out several seizures of Łódź textiles.”<sup>103</sup>

Perhaps Polish authorities were spurred on by the competition to the north and south. Perhaps, too, they feared that the windfall on the Soviet frontier would soon dry up. “According to the Russian merchants, gold and precious stones are becoming increasingly difficult to procure in Russia,” Szefer had reported in March. “Agents of the merchants and firms travel around the

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contraband to the Soviet side.” (“Doklad o sostoianii pogranichnoi polosy Ukrayny po dannym na 15 Maia 1923 goda (statisticheskie svedeniia za period s 1 Aprelia po 15 Maia,” signed by KRO GPU USSR chief Vasily Ivanov, 24 May 1923, TsDAHOU 1/20/1758: 67-74; here, 70.)

<sup>100</sup> Dzitkowska, “Zabiegi o rynek rosyjski,” 111.

<sup>101</sup> “Łódź. Sytuacja w przemyśle łódzkim,” *KŁ*, 2 August 1922,

<sup>102</sup> “Sekretno. Protokol zasedaniaia mezhdovedomstvennoi komissii tsentra v gor. Odesse po bor’be s kontrabandoi,” 5 January 1923, RGAE 413/14/141: 14-18 rev; here, 16.

<sup>103</sup> “Nachal’niku Tamozhennogo Upravleniia tov. Potiaevu A. I. [ot] Pomoschnika Nachtamupr tov. S. G. Uralova po obsledovaniiu sovmestno s Inspektorom Tamupra tov. Tetereviatnikovym Ukrainskogo i Iuzhnogo Tamokrugov i Krymskogo Tamozhennogo Inspektorskogo Uchastka. Doklad,” signed by V. Uralov, 11 February 1923, RGAE 413/10/894: 1-8rev; here, 5.

entire country, busy buying them up. At the current volume of the trade, the reserves of gold in private hands will not last longer than a year – and there are those who assert that trade carried out in this manner will collapse for lack of means of payment already in half a year.” Such apprehensions – and concern that “the precious wave washing across the border”<sup>104</sup> would otherwise flow into the Baltics or Romania – likely contributed to the success of Industry and Trade Minister Strasburger in pushing through the liberalization of the Soviet border trade over the objections of Internal Affairs Minister Downarowicz. These concerns would only have become more urgent with time, strengthening the economic argument for facilitating the traffic.

To be sure, not everyone was convinced. “After long resisting, under pressure from the Finance Ministry and the Ministry of Industry and Trade, the Ministry of Internal Affairs has taken far-reaching steps to facilitate trade with Russia,” Stanislaw Urbanowicz, the head of the Ministry’s Security Department, complained at the eastern provinces’ governors’ conference in June 1922. “And what has turned out? It has been confirmed that the Bolsheviks let through [the border] the agents of various merchant firms, who are [then] arrested upon reaching the interior of the country, and every agent must become an informant, political as well as strategic; then they let him go, allow him to sell his goods and return home. Independently of this it has been found that two firms that have been permitted to participate in the trade with Russia have quite clearly taken up espionage.”<sup>105</sup>

Urbanowicz would have known: as detailed in the preceding chapters, Polish security services themselves relied heavily on smugglers for both intelligence-gathering and liaison with

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<sup>104</sup> “Co się dzieje na granicy polsko-sowieckiej?” *KL*, 6 March 1922, 6

<sup>105</sup> AAN MSW (dopływ) 1001: 24.

Polish agents on Soviet territory. Yet the “mobile crossing points” prompted particular unease at the Internal Affairs Ministry. “In evaluating the concept of the mobile frontier points from the viewpoint of the interests of security,” the ranking official cited in the Introduction observed in late summer 1922, “it must be taken into account that the relative elasticity of those regulations and a certain freedom of movement along the stretch [of the border]” where such trading portals operate “may be – and are – utilized for purposes of an altogether different sort, including also for purposes of espionage.”<sup>106</sup>

However, the same official argued emphatically that calls to abolish this system were grievously shortsighted. The sheer volume of the traffic supplied the strongest argument in its favor. “The decisive and persistent turn of our trade and industry towards the Russian market has compelled the Ministry of Internal Affairs to amend its initial negative stance in this regard,” he observed. The official acknowledged that the “violent attacks by the Polish merchanty and press, which argued unanimously against limiting the freedom of our trade with the east” had catalyzed the winter 1922 policy change. However, he insisted that it was the underlying economic realities that proved decisive – and which merited the authorities’ continued acquiescence. The importance of the Soviet market to Polish industry rendered the problem one of “statewide significance,” he argued. Indeed, facilitating the semi-clandestine frontier trade was necessary to contain labor unrest and Communist propaganda at home, a core concern of the Internal Affairs Ministry: “[F]rom the viewpoint of security, we cannot be indifferent to the negative impact on the development of domestic manufacturing that would undoubtedly result from withdrawing the privileges for trade with Russia, and the full weight of which would fall primarily on the major

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<sup>106</sup> ASG 915, unnumbered file.

firms” – such as the Łódź textile manufacturers – “that is to say those which would not wish to be in conflict with the directives of the government.”<sup>107</sup>

The official dismissed the argument that the mobile crossing points were unduly compromising border control. On the contrary, he contended, it was the restrictions on the traffic that had fostered “artificial criminality” on the frontier. Polish authorities were not opening enough portals to physically facilitate the flow; thus, along the bustling Zbrucz frontier, “mobile crossing points” operated only in the vicinity of Podwoloczyska and Skalat. As a result, merchants took matters into their own hands. “Through a single village (Griazi) in a godforsaken corner of the Nowogrodek Governorship, where the border had not been opened, goods weighing around 400,000 kilograms were smuggled in the course of a couple of months,” the official lamented – “and this encompasses [only] the merchandise declared at customs.” In other words, the merchants had initially attempted to comply with the Polish customs regulations, but the closure of the nearby stretch of the border to trade had compelled them to smuggle the goods across.<sup>108</sup>

Smuggling was an argument in itself. “Even as from the Soviet side the border is patrolled by numerous army units, even as we have evidence of the existence of a vast intelligence and espionage apparatus in the borderland, even as dozens and hundreds of dedicated and loyal Chekists scurry to-and-fro,” the official argued with earnest hyperbole, “yet smuggling, which warrants the death penalty there, exists, blossoms, and is manifested in millions of kilograms and billions of Polish marks!” If the Soviets’ forceful methods had failed to stop this flow, the reasoning went, Polish authorities would fare no better, with predictable results: “the closing of

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<sup>107</sup> ASG 915, unnumbered file.

<sup>108</sup> ASG 915, unnumbered file.

the border means demoralization and corruption.” “It is certain that policing and administrative ordinances that remain in conflict with the economic needs of the country, the behavior of society, and even with other branches of the same government,” he inveighed, “cannot acquire the force of authority, which is most necessary where the goal is the improvement and elevation of the moral state of the population and of the administrative organs” – that is, in the beleaguered *Kresy*. The only way to fight smuggling, then, was to facilitate the clandestine trade across the Soviet border.

And facilitate it they did. By all accounts, the traffic enjoyed a renaissance in the summer and fall of 1922, with the active assistance of Polish authorities. “It is telling that export during the month of July demonstrates nearly double the intensity, even in terms of weight, than the preceding months,” the aforementioned official enthused, with most of the goods passing through the “mobile points.”<sup>109</sup> The Wilno *Slowo* likewise ascribed a “certain revival” in the frontier trade in early August to “the establishment, alongside the previously-existing permanent trading stations, of a number of mobile points,” noting that “besides Łódź and Białystok cloth, saccharin is exported in significant quantities.”<sup>110</sup> “[T]he commercial traffic here is lively,” a *Kurier Łódzki* correspondent reported from Stolpce in September, “proof of which may be seen in that some three major banks have established their branches here.”<sup>111</sup> “From that side, besides gold and silver, our merchants

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<sup>109</sup> ASG 915, unnumbered file.

<sup>110</sup> The export of saccharin required special dispensation. In May, the Central Directorate of Import and Export authorized the “Bureau of Trading Agencies” (*Centralna Agentur Handlowych*) to export 153 kilograms of saccharin to Russia, while issuing another permit to one Jan Rakosz “for the export to Russia of 100 kilograms of saccharin of Italian origin, in four installments of 25 kilograms, at six-week intervals.” The minute quantities leave no doubt as to the clandestine nature of these “exports”; the micro-managerial prescriptions hint at the bureaucratic hurdles that encouraged smuggling. Testifying to the flourishing of this flow, however, a January 1923 advertisement in a leading Polish daily read, “Having a permit for [the export of] a couple thousand kilograms of saccharin to Russia, seeking capitalist.” (*Kurier Warszawski*, 12 January 1923, 17.)

<sup>111</sup> *KL*, 30 September 1922, 4. Citing the *Głos Polski*, the *Rigasche Rundschau* reported that a number of banks founded to service the Polish frontier traffic then invested their profits in the region’s booming timber market. (“Der polnische Holzmarkt,” *RR*, 15 January 1923, 5.)

also obtain pelts, especially fox, and large quantities of bristle ... The Polish authorities do not put up any impediments," the correspondent emphasized. "The numerous established customs chambers handle the clientele quickly and ably, levying low export fees." ("Despite this," he lamented, "the majority of the merchants, particularly the Jewish ones, smuggle goods without [paying] the export fees." To make matters worse, the Jews were reportedly denuding Poland of the fat of its pigs: "Lately, lard has been smuggled to Russia in disturbing quantities. Agents buy it up in the border parishes, paying 10 gold rubles a pood, or procure it in the interior of the country. Russian merchants pay up to 25 gold rubles for that same pood. As a result of this, lard has completely disappeared from the market.")<sup>112</sup> "As has been unanimously confirmed, commercial traffic in our borderland has intensified rather significantly lately," another correspondent of the paper reported from Podwoloczyska in October. "In the opinion of merchants in the know, it has grown to double the level of the preceding month."<sup>113</sup>

Corroborating these reports, the Soviet black market exchange rate likewise testified to the growing appetite for Polish contraband. The Lwow correspondent of Warsaw's *Rzeczpospolita* had noted the "renewed rise of the Polish mark in Ukraine" already in mid-January 1922. "Two weeks ago, one mark fetched 100 to 110 Soviet rubles; now in Ploskirow, Vinnitsa, and Kamianets-Podol'sk it's 200 to 205 rubles for a mark."<sup>114</sup>

To be sure, while news of the Polish authorities' imminent reopening of the Soviet frontier to trade likely contributed to the demand for Polish currency, news of Moscow's plans to replace

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<sup>112</sup> *KL*, 30 September 1922, 4.

<sup>113</sup> "Warunki komunikacji kolejowej między Polską a Ukrainą sowiecką. Przebieg konferencji kolejowej polsko-ukraińskiej," *KL*, 14 October 1922, 6.

<sup>114</sup> "Zwyżka marki polskiej na Ukrainie," *Rzeczpospolita*, 18 January 1922, 1.

the rapidly inflating ruble with a new denomination probably played an even greater role. “Ukrainian peasants do not accept Soviet rubles under any pretext, instead suddenly seeking Polish marks,” a *Kurier Łódzki* correspondent reported from Lwow. Indeed, the peasants’ trust in Soviet banknotes had plunged so low that “numerous foreign exchange smugglers from Lwow sell in the Ukrainian borderland enormous quantities of karbovantsi and hrivni” – the currencies of the defunct Ukrainian People’s Republic.<sup>115</sup>

Of course, Polish marks offered a far more reliable repository of value – not least because the permeable frontier assured Soviet holders of the currency that the banknotes could always be redeemed for goods. By April, Lwow papers were reporting that the exchange rate in Soviet Ukraine had doubled again, to 425-440 rubles per mark.<sup>116</sup> “Reports from the Zbrucz borderland indicate that many Russian merchants from Odessa and other cities have arrived in Kamianets and Ploskirow for the purposes of procuring sugar, saccharin, and medical supplies from Poland,” seeking especially “to purchase large quantities of saccharin and cocaine,” the *Kurier Warszawski* reported in October. “As a result of this, there is steady demand for Polish currency in the cities of Soviet Ukraine.” In Kamianets-Podol’sk, a single mark now fetched 600 rubles.<sup>117</sup>

### ***A Tale of Two Columns: Determining the Scale and Contents of the Polish Traffic***

Some sense of the scale of the traffic authorized by the Polish side, but considered contraband by the Soviets, might be gleaned by comparing the two countries’ export and import figures for some commonly-trafficked commodities. To be sure, poor record-keeping and

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<sup>115</sup> “Marka polska poszukiwana w Rosji i na Ukrainie,” *KL*, 21 January 1922, 7. The Ukrainian bills had enjoyed a brief resurgence two months prior, amid exaggerated early reports of the guerrillas’ success. *Tyutyunnik, Z poliakami proty Vkrainy*, 91.

<sup>116</sup> “Zwyżka marki polskiej na Ukrainie,” *KL*, 12 April 1922, 6.

<sup>117</sup> “Wywóz z Polski do Rosji,” *Kurier Warszawski*, 20 October 1922, 12.

inconsistent classification of commodities, rather than state-sponsored smuggling, may explain some of the gaps between the Soviet and Polish figures. Because so many smugglers eluded or bribed both Polish and Soviet customs controls, however, this is necessarily only a partial list:

**Table 1: Official Polish Exports and Official Soviet Imports, 1922 (in tons)<sup>118</sup>**

	Officially exported from Poland to Soviet Territory	Officially imported into Soviet Territory from Poland	Difference (smuggling abetted by Polish officials)
Cloth	923	322	601
Readymade clothing	328	32	296
Haberdashery	416	66	350
Leather (mostly finished)	345	36	309
Table salt	368	0	368
Alcoholic drinks	205	0	205
Cocoa & chocolate	242	67	175
Tea	101	33	68
Soap	598	0	598
Candles	120	0	120
Matches	46	0	46
Pharmaceuticals	63	8	55
Perfumes & cosmetics	5	0	5
Paraffin & vaseline	634	377	257
Fish (mostly herring)	3,551	2,146	1,405
<b>TOTAL</b>	<b>7,945</b>	<b>3,087</b>	<b>4,858</b>

<sup>118</sup> Calculated on the basis of the figures in *Rocznik handlu zagranicznego rzeczypospolitej polskiej. Rok 1922 i 1923*. (Warsaw: Nakładem Głównego Urzędu Statystycznego, 1924), 13, 16, 21; A. P. Vinokur and S. N. Bakulin, eds., *Vneshniaia torgovlia Soiuza sovetskikh sotsialisticheskikh respublik za period 1918-1927/28 gg. Statisticheskii obzor* (Leningrad; Moscow: Snabkoopgiz, 1931), 117, 146-47. Because the Polish figures are for calendar years, while Soviet figures are given for “operational” years (e.g., October 1, 1921 – September 30, 1922), the comparison is necessarily approximate; however, several of the Soviet-side entries here include totals for the *two-year* period from October 1, 1921 through September 30, 1923.

As the table indicates, over the course of 1922, Polish customs stations (and their mobile trade points) along the Soviet frontier cleared 368 tons of table salt for export east. Over the same period, customs officials around the entire Soviet perimeter cleared nearly 2,000 tons of imported salt – but none of these from Poland, suggesting that the Polish salt was offloaded to Soviet smugglers.<sup>119</sup> Perhaps reflecting the contents of the semi-illicit traffic that the *Przeglqd Kupiecki* correspondent observed at Podwoloczyska in May, Polish customs cleared 634 tons of paraffin and vaselin for export east, while Soviet customs officials recorded the import of only 377 tons; similarly, the barrels of herring ferried across the Podwoloczyska bridge may account for the more than 1,400-ton disparity in that category. Admittedly, some of the barrels waved through by Polish officials may have contained something more valuable than herring: the Wilno *Slowo* had reported in August that Polish “[c]ustoms institutions are waging an intensive campaign against the smuggling of cocaine, which is most often concealed in herring barrels.”<sup>120</sup>

Not surprisingly, the most pronounced differences occur for the most commonly smuggled goods. Thus, Polish customs agents let through over two hundred tons of alcoholic drinks (approximately a quarter-million liters) to Soviet territory in 1922, while Soviet customs officials cleared none for entry; indeed, during the *two-year* period from October 1, 1921 through September 30, 1923, official imports of pure alcohol and hard alcoholic drinks around the entire Soviet perimeter – while still an eyebrow-raising quantity for a country under Prohibition – totaled

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<sup>119</sup> While imports of salt from Poland may have figured among the unspecified “other goods” listed in the published Soviet foreign trade statistics, salt was generally listed separately (and it was easier to weigh than many other commodities). Vinokur and Bakulin, *Vneshniaia torgovlia SSSR, 1918-1927/28*, 148.

<sup>120</sup> “Eksport do Rosji,” *Slowo*, 5 August 1922, 3.

less than a hundred tons.<sup>121</sup> The Poles also let out over 340 tons of tea, cocoa, and chocolate, while the Soviets recorded the import of less than a third of that amount. Polish customs cleared nearly 600 tons of soap, 120 tons of candles, 46 tons of matches, and five tons of cosmetics for export east, while Soviet customs records show no imports of these goods from Poland.<sup>122</sup> While Polish customs agents waved through 63 tons of pharmaceuticals, their Soviet counterparts processed just eight; and Soviet customs officials let in just over a tenth of the 320 tons of finished leathers let out by the Poles.

Finally, reflecting Łódź's massive role in the traffic, Polish customs cleared over 920 tons of cloth for export, while Soviet customs agents recorded the imports of only a third of that quantity. Assuming that cotton textiles made up the bulk of this flow, the approximately 600-ton-difference suggests that, at nine meters per kilogram, nearly five-and-a-half million meters of cloth was sold to Soviet smugglers with Warsaw's permission – although the presence of much lighter woolen and silk fabrics surely extended the total length. The difference between official Polish exports and Soviet imports of ready-made clothing and haberdashery yields another 650 tons of smuggled goods.

There are suggestive disparities on the other side of the ledger as well. Polish customs authorities let in 126 tons of hog bristle and 75 tons of horsehair in 1922, when neither commodity figured among official Soviet exports to Poland. The figure for silver – a leading means of payment

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<sup>121</sup> During those two years, the Soviets also imported 77 tons of wines, but these were unlikely to have come from Poland. (Vinokur and Bakulin, *Vneshniaia torgovlia SSSR, 1918-1927/28*, 117.) The official import of alcoholic drinks into the Soviet state under Prohibition remains to be explained; presumably, these were destined for the tables of high-ranking party functionaries and the entertainment of foreign dignitaries.

<sup>122</sup> Again, while some of these goods may have been imported legally and listed under "other goods," these articles generally are enumerated individually in the published Soviet foreign trade statistics.

for contraband along the entire Soviet frontier – is especially intriguing: over the course of 1922, Polish customs officials recorded the import of 2 tons and 669 kilograms of silver from Soviet territory.<sup>123</sup> Published Soviet foreign trade statistics shed only limited light on the movement of precious metals across the country’s borders during this period,<sup>124</sup> so it is unclear if this figure accrued from official Soviet purchases or from nighttime transactions on the frontier. Pending further archival discoveries, the latter remains a strong possibility.

Poland’s northern competitors were certainly taking note. “While up until early 1921 the Baltic nations were … the intermediaries between the two sides of our continent, this traffic has substantially shifted from the Baltic Sea southwards,” Percy Meyer, an astute observer of the region’s economic scene, commented from Riga. “The vast Polish eastern land … has poached an immense part of the Russian frontier commerce from the Baltic nations. Równe in particular has become a barter and trade center, with which Rosenau (Zilupe) and Narva can no longer compare.”<sup>125</sup>

As in the Baltics, however, the growth of the traffic prompted growing frustration about the final fate of the furtive flows. “In connection with the transactions on the Russian border, there has appeared a significant number of individuals of uncertain occupations, who buy up gold en masse from the merchants,” the Wilno *Slowo* reported in August 1922. “There are indications that the gold is taken out to Germany in significant quantities. The merchants who take part in trade with Russia are of the opinion that the losses that the State Treasury thereby incurs reach very

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<sup>123</sup> *Rocznik handlu zagranicznego rzeczypospolitej polskiej. Rok 1922 i 1923.* (Warsaw: Nakładem Głównego Urzędu Statystycznego, 1924), 3,6; Vinokur and Bakulin, *Vneshniaia torgovlia SSSR, 1918-1927/28*, 146–48.

<sup>124</sup> See Michael Repplier Dohan, “Soviet Foreign Trade in the NEP Economy and Soviet Industrialization Strategy” (Ph.D., Massachusetts Institute of Technology, 1969), 44, 845.

<sup>125</sup> P[ercy] M[eyer], “Polens Drang Nach Osten,” *RR*, 19 September 1922, 5-6. Translated by Alma Lanz.

significant sums. The border authorities have undertaken the appropriate countermeasures, but the struggle in this realm is extremely difficult.”<sup>126</sup> “Last night, the Investigative Department [of the State Police], with the participation of numerous agents and patrolmen, undertook a roundup among Jewish refugees from beyond the Zbrucz,” a *Kurier Łódźki* correspondent reported from Lwow on July 26. “Into the hands of the police fell 24 Jews, refugees from Ukraine, who were buying up gold bullion as well as gold objects and foreign exchange in Lwow, and smuggled it to Soviet Russia and Germany. Gold and high-value gold objects were confiscated from the arrestees.”<sup>127</sup> While the allegation that the valuables were being smuggled *to* Russia – by refugees *from* Russia, no less – rings especially fanciful (it made little economic sense, and there is no evidence that Soviet authorities undertook such elaborate efforts to recover the gold lost to smuggling), the reports that gold smuggled from Russia was then smuggled to German, where it would fetch a higher price, appear plausible. Fused with fears of Jewish refugees, the implication that the frontier traffic simply siphoned valuables from one of Poland’s perennial enemies to the other served both to tarnish the trade and target the traders.

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<sup>126</sup> *Słowo*, 5 August 1922, 3.

<sup>127</sup> “Obfity połów na lwowskiej czarnej giełdzie,” *KŁ*, 27 July 1922, 7. Days earlier, Polish authorities had shuttered the Równe office of the New York-based Hebrew Immigrant Aid Society (HIAS) on charges that the organization was facilitating the illegal immigration of Soviet Jews, considered “elements harmful to Polish statehood.” (“Ochrona granic polski przed niepożądanymi żywiołami,” *KŁ*, 25 July 1922, 2.)

## Chapter Five

### **The Baltics: Stills, Smugglers, and Shareholders**

#### *Estonia: a False Retreat*

Speaking at a press conference in Tallinn in early February 1922, Karl Ipsberg, the Minister of Transport and Acting Minister of Trade and Industry, sounded optimistic about the prospects of strengthening Estonia’s official business ties with Russia. A high-powered Estonian trade delegation was due to depart for Moscow later that month, while Estonian railways were rumbling with eastbound freight offloaded from the steamships crowding Tallinn’s harbor.<sup>1</sup> Nearly 500 freight cars laden with a variety of foodstuffs had crossed from Estonia into Russia during the first week of February alone, and over 500 more cars carrying flour, sugar, herring, and rice for Russian bellies and paper for Soviet bureaucrats would come through before the month was out.<sup>2</sup> As for the frontier barter stations, Ipsberg confirmed that these were supposed to have been “liquidated” by February 1, having proved “not quite beneficial for the state” while “causing disorder at the border” and “demoralizing” the soldiers stationed there.<sup>3</sup>

As Jaak Valge notes, however, the expected increase in official trade (rather than transit) did not immediately materialize – while Estonia’s relations with Soviet Russia took a turn for the worse.<sup>4</sup> Tensions first flared in late December 1921, when Soviet diplomats protested repeatedly

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<sup>1</sup> “Kaubandusline lähenemine Eesti ja nõuk. Venemaa vahel,” *Vaba Maa*, 6 February 1922, 2; Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1208. Translated by Mari-Ann Kass.

<sup>2</sup> “Zagranichnoe prodovol’stvie,” *Gudok*, 11 February 1922, 2; “Parovozy, tovary iz-za granitsy,” *Izvestiia*, 25 February 1922, 2; “Gruzy iz Estonii i Finliandii,” *ibid*, 3 March 1922, 2.

<sup>3</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1208. Translated by Mari-Ann Kass.

<sup>4</sup> Valge, 1209. Translated by Mari-Ann Kass.

against Estonian political and financial support for Finnish-backed paramilitaries who had invaded Soviet Karelia that fall; Moscow issued another vehement protest in early February.<sup>5</sup> In March, Soviet authorities commenced a crackdown on the massive smuggling of valuables out of the country by Estonian diplomatic personnel. The arrests intensified in April and May, culminating in the trial of some 52 defendants, conducted in Petrograd from June through August and accompanied by saturation coverage in the Soviet press.<sup>6</sup> Another trial, featuring 35 defendants, soon opened in Moscow.<sup>7</sup> While Soviet prosecutors handed down multiyear prison terms and death penalties to the convicted, the Soviet embassy in Tallinn restricted the issue of visas to Estonian commercial agents.<sup>8</sup> Meanwhile, in early May, the Estonian Security Police tracked down and captured the leader of the country's Communist underground, Viktor Kingisepp; following a brutal interrogation, Kingisepp was executed the same night, his body dumped into the Baltic Sea. Two weeks later, the Soviet government responded by renaming the frontier town of Iamburg on the Tallinn-Petrograd line in honor of the slain revolutionary.<sup>9</sup> If the Estonians wished to continue trading with the Bolsheviks, they would now have to submit to Soviet customs controls at Kingisepp.

While Soviet-Estonian tensions rose, Tallinn's economic importance to Moscow fell. On the same day that the leading Estonian daily *Vaba Maa* carried Ipsberg's remarks, the Estonian steamer *Gladiator* left the port of Tallinn laden with "[t]he last major shipment of Russian imperial

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<sup>5</sup> *Dokumenty vnyeshnei politiki SSSR*, vol. 5 (Moscow: Izdatel'stvo politicheskoi literatury, 1961), 78–80, 718n22.

<sup>6</sup> "Spekuliatsiia estonskoi missii i tserkovnoe zoloto," *Pravda*, 22 April 1922, 3; "Estonsko-sovetskii konflikt. Arest optatsionnoi komissii," *Segodnia*, 17 May 1922, 2; "Sud nad 52 estontsami," *ibid*, 9 June 1922, 2; "K delu estonskoi optatsionnoi komissii," *Pravda*, 4 August 1922, 2; Valge, "Mitteametlik kaubavahetus Eesti—Vene piiril," 1209.

<sup>7</sup> "Delen sotrudnikov estonskoi missii," *Pravda*, 2 August 1922, 4.

<sup>8</sup> "Delen o khischnicheskem vyvoze tsennostei za granitsu," *Izvestiia*, 15 August 1922; Valge, "Mitteametlik kaubavahetus Eesti—Vene piiril," 1209.

<sup>9</sup> "Pamiati t. Kingiseppa," *Gudok*, 20 May 1922, 3.

gold” that the Bolsheviks would launder through the Baltic Sea.<sup>10</sup> With the depletion of the Soviet government’s gold reserves, Tallinn’s tenure as Moscow’s premier financial portal to the West was finally coming to a close.<sup>11</sup> Meanwhile, Russia’s reestablishment of direct commercial ties with its major prerevolutionary trading partners, Germany and Great Britain, further diminished the significance of intermediaries, including Estonia.<sup>12</sup> In May, the Estonian Foreign Minister lamented that official trade between Estonia and Soviet Russia “has now come to a standstill,” and even claimed that Tallinn “intends to issue a ban on all export to Russia.”<sup>13</sup>

With Tallinn apparently doing little to enforce its announced February 1 deadline for shuttering the frontier barter shops, however, some of these outposts never stopped trading at all.<sup>14</sup> Thus, one barter shop at the village of Vidovichi on the southern shore of Lake Pihkva (Pskovskoe) reported the receipt of 2,014 *poods* (around 33 tons) of flax from Russian smugglers in February 1922, only a slight decrease from the 2,179 *poods* (36 tons) of flax that its ledger recorded the prior month. Admittedly, its haul of specie fell more appreciably, from 370 gold and 538 silver rubles in January down to 142 gold rubles in February; but the church confiscation campaign would soon inject a fresh supply of precious metals into circulation on the Soviet side.<sup>15</sup> The frontier barter stations’ continued profitability thus stood in sharp contrast with the vagaries of official commercial relations.

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<sup>10</sup> McMeekin, *History’s Greatest Heist*, 79–80.

<sup>11</sup> Smaller shipments of Soviet gold via Estonia continued through 1922. Valge, *Breaking Away from Russia*, 136.

<sup>12</sup> “Obzor deiatel’nosti Narodnogo komissariata vnesheini torgovli za pervoe polugodie 1922 goda,” *DVP*, 1961, 5:692–96; Shishkin, *Sovetskoe gosudarstvo i strany Zapada*, 407.

<sup>13</sup> “Zapret eksporta v Sov. Rossiiu,” *Segodnia*, 17 May 1922, 2.

<sup>14</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1209.

<sup>15</sup> Saarniit, *Kodanlik Eesti sõjajärsel revolutsioonilise kriisi aastail, 1920-1924*, 81.

At the same time as the frustrations of official trade and the profits of the barter stations both helped erode opposition to the frontier operations, Tallinn also acquired a new stake in their success. As Jaak Valge argues, “many trading companies had filled their warehouses in the hopes of the imminent opening of the Russian market. Since the goods had been mostly purchased on credit, and one of the creditors was the Bank of Estonia, it is understandable why in early spring the authorities’ attitude towards the border trade changed again.” Although the Cabinet never formally repealed its January resolution to “liquidate” the barter shops, Valge reports that “the majority of the barter shops active in 1922 were reopened in April or May, and by the end of the summer at the latest, the trade had reached the scale of late 1921.”<sup>16</sup>

As Tallinn thus quietly reversed its position on the frontier trade, Estonian authorities took steps to ensure that the traffic would enrich the Treasury without unduly compromising security. Intermittent inspections would no longer suffice. By March 1922, the Interior Ministry’s Border Police Directorate had begun deploying permanent “control officers” to oversee the border shops’ operations; nearly a hundred such supervisors were thus dispatched over the course of the year.<sup>17</sup> To facilitate taxation, the officers were to watch that the shopkeepers logged every transaction (recording “the type of goods, quantity, weight, measure, quality, and price”) and paid export duties. The control officers were to submit monthly reports on the operations of “their” barter shop, whose ledgers were subject to an annual audit. To ensure state security, the officers were to prevent the Russian customers from venturing into the interior of the country; the smugglers were permitted to visit multiple shops only when these were clustered together. To preserve order and

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<sup>16</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1209.

<sup>17</sup> “Kaubapunktide kontrolöride isiklikud toimikud,” Eesti Rahvusarhiiv (henceforth ERA) 1/10/190-282.

maintain discipline, the instructions emphatically enjoined the officers to ensure that the alcohol sold to Russian smugglers was not drunk on the premises or disbursed to the Estonian border guards.<sup>18</sup>

As the latter injunction suggests, drinking had become ubiquitous at the barter stations; and this new prohibition was evidently honored in the breach as well. Like elsewhere along the Soviet frontier, smugglers consumed copious quantities of alcohol. They drank to calm the nerves before venturing into the dark, and to celebrate a safe crossing; to insulate their bodies against the cold and damp night air; to cement relationships, lubricate negotiations, and toast deals. As detailed below, the Estonian barter stations were especially well-stocked with spirits. In March 1923, Lionel Dektereff, a prominent London engineer just back from a business trip to the Baltics, recorded his impressions of several outposts on Estonia's Soviet frontier. “[T]he scene in the huts at night, with vodka flowing freely, pipes going, and barter in full swing, could not be surpassed in stories of the early backwoodsmen in America,” he reported to the *Westminster Gazette*. And as in the Wild West, the alcohol lowered the threshold for violence: “[s]ometimes the barterers get too much spirit in them, and then there's uproar and murder in the huts.”<sup>19</sup> A Soviet intelligence officer likewise scorned the brawls by “drunken smugglers” at the Estonian barter stations.<sup>20</sup>

While the brawling interfered with business, it also testified to the sums at stake in the lively commerce conducted at the barter stations. “It is the barefaced side of the business which is so quaintly amusing,” Dektereff observed. “The competition among the various huts in the stations

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<sup>18</sup> Details drawn from materials obtained by Soviet intelligence. “(Perevod s estonskogo.) Sekretno. Instruktsiia kontroleram pogranichnoi politsii pri pogranichnykh torgovykh punktakh. Pravila otkrytiia torgovykh punktov i usloviia naima,” signed by Border Police Chief Rejman, Tallinn, 13 September 1922, in GARF 374/28/979: 46-47.

<sup>19</sup> “Smuggling by Night,” *Westminster Gazette*, March 7, 1923, 12.

<sup>20</sup> GARF 374/28/979: 47.

became so keen that the traders began hanging lanterns outside to attract the barterer out of the dark. Rivals went one better with two, three, or four lamps, until the illumination seemed to be that of a gala.”<sup>21</sup> With a trading outpost situated every 300-500 meters and the lanterns hung on tall poles for added visibility, these beckoning beacons answered a desperate call by the Soviet Commissar of Provisioning for “the continuous illumination of the frontier,” albeit not for the counter-contraband purpose that the Commissar had envisioned.<sup>22</sup>

As elsewhere along the Soviet border, the traffic depended on mutual trust and confidential communication. The night’s dark shroud that shielded the smugglers on their journeys also served as a canvas for coded messages flashed across the frontier. “Things were even brought to such perfection,” the English visitor to the Estonian barter stations marveled, “that secret signals would be exchanged between one of these barter huts and a house on the Russian side, so that the Russians would know what stuff was in demand that night.”<sup>23</sup>

### ***The Stuff in Demand: Determining the Contents and Scale of the Estonian Traffic***

While the border police control officers afforded Tallinn a revenue stream and peace of mind, both fell well short of the Estonian authorities’ aims. The lone officers assigned to supervise as many as five barter stations could provide only the barest semblance of oversight.<sup>24</sup> Even as more controllers were deployed, these inspectors remained cripplingly reliant on their charges. The shopkeepers were responsible for paying for the officers’ salaries, uniforms, and equipment;

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<sup>21</sup> *Westminster Gazette*, March 7, 1923, 12.

<sup>22</sup> RGAE 413/14/100: 37rev. On the number of Estonian frontier barter stations, see Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1210. The “beacon” metaphor is borrowed from Nikolai Nikolaevich Lebedev, “Severo-zapadnaia gosudarstvennaia granitsa Rossii: organizatsiia ee okhrany, istoricheskie etapy stanovleniya i razvitiia pogranichnykh voisk (1918-1941 gg.)” (Candidate Dissertation, St. Petersburg, Leningradskii Gosudarstvennyi Universitet imeni Pushkina, 2008), 57.

<sup>23</sup> *Westminster Gazette*, March 7, 1923, 12.

<sup>24</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1209.

where needed, the merchants were also required to furnish housing. Stationed at the remote frontier barter shops for months at a time – the average assignment lasted around nine months, and many went well over a year – the officers inevitably grew dependent on those they supervised.<sup>25</sup> It was likely in order to reduce such dependence that the Border Police Directorate demanded in September 1922 that the shopkeepers pay in advance for every six months of supervision; but the same regulations instructed the merchants to negotiate any overtime pay directly with the officers.<sup>26</sup> The system was ripe for abuse, as evinced by the credulity-straining note from a barter shop controller who informed his superiors that “it is impossible to report on the movement of goods, because a copy of the report was stolen by Russian speculators.”<sup>27</sup>

With the merchants seeking to minimize reported turnover to reduce their tax burden, and the border police officers providing only a limited check on such evasion, the controllers’ reports necessarily reveal only a partial picture of the scale of the barter shops’ operations. Still, they offer a rare “supply side” glimpse into the components and dynamics of the shadowy traffic. Jaak Valge, who has examined these reports, has found that 105 barter shops operated on the Estonian-Soviet frontier in 1922. By determining the approximate turnover of an “average” shop and multiplying it by their number, Valge estimates – necessarily conservatively – that over the course of the year, Estonian barter shops sold to Russian smugglers some 275 million Estonian marks’ worth of goods, calculated in the wholesale prices paid by the merchants when stocking their shops. This figure included some 1,900 tons of sugar, worth over 100 million marks; over 25 million marks’ worth of dried and salted smelt; around 14 million marks’ worth of lard; and nearly 65 million

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<sup>25</sup> GARF 374/28/979: 46; ERA 1/10/190-282.

<sup>26</sup> GARF 374/28/979: 46.

<sup>27</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1216–17.

marks' worth of other merchandise, including salt, tea, and cocoa.<sup>28</sup> With the exception of the lard and fish, all of these commodities were first imported into Estonia itself. Smuggling thus enabled Estonian businessmen, not satisfied with merely expediting the transit of western European and North American goods to Soviet markets, to reclaim the far more lucrative role of middlemen.

However, Estonia continued to produce what was becoming the major article that its barter shops offered to Soviet smugglers: alcohol. On the eve of the First World War, Estonian landowners operated some 283 distilleries that turned their estates' potato crop into nearly forty million liters of pure spirit each year. Ninety percent of this output was shipped to Russia, primarily to St. Petersburg.<sup>29</sup> Estonian independence, the Soviet state monopoly on foreign trade, and the Bolsheviks' extension of tsarist wartime prohibition all conspired to dam this flow. Deprived of their major market, the Estonian stills dramatically reduced output. During the 1919/20 fiscal year (October 1, 1919 – September 30, 1920), they produced just 3.4 million liters of alcohol. However, production nearly doubled the following year, and by 1921/22, Estonia's output of alcohol had reached 8.3 million liters. While this constituted just over twenty percent of prewar production, 1922 witnessed the peak annual alcohol output in independent Estonia during the entire interwar period.<sup>30</sup>

Why? With domestic consumption relatively stable, exports became the chief variable.<sup>31</sup> And with alcohol sales responsible for a sixth of its budget, Tallinn had little interest in accommodating its neighbors' prohibition regimes. In Jaak Valge's evocative formulation,

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<sup>28</sup> Valge, 1216–17.

<sup>29</sup> Valge, 1222.

<sup>30</sup> Valge, 1222; *Eesti arvudes 1920-1935* (Tallinn: Riigi statistika keskbüroo, 1937), 316. During the 1930s, Estonia's annual output of alcohol hovered at around half of the 1922 figure.

<sup>31</sup> *Eesti arvudes 1920-1935*, 317.

“Estonia in the 1920s can be compared to a large, pressurized container of alcohol, the contents of which poured out along the path of least resistance,” with Finland and Russia serving as the two pressure valves. Finland, which adopted prohibition in 1919, soon became the major export outlet for Estonian spirits, the country’s lengthy coastline plied by Estonian rumrunners.<sup>32</sup>

By 1922, however, the Estonians’ role in the traffic prompted growing tension in Finnish-Estonian relations.<sup>33</sup> At the same time, the Estonian distilleries found it difficult to compete in the Finnish market with cheaper German spirits, made dramatically more affordable by the collapse of the German mark. By the end of 1923, Finnish authorities estimated that Estonia distilled just fifteen percent of the contraband alcohol pouring into the country.<sup>34</sup>

All this rendered the Soviet frontier an increasingly attractive outlet for Estonian alcohol. Supplying authorized merchants with spirits at 280 marks per liter – four times the 70 marks per liter that the Ministry had set for domestic spirits sales – the Finance Ministry profited handsomely from the traffic. Based on the control officers’ reports, Valge calculates that the Estonian barter stations sold approximately 250,000 liters of alcohol (at 280 marks per liter, worth some 70 million marks) to Russian smugglers over the course of 1922.<sup>35</sup> However, at least one compelling source suggests that this is a significant underestimation.

In early October 1924, an official at the Excise Directorate of the Finance Ministry opened a slim envelope that had just arrived from Tartu, bearing the stamp of the town’s storied yeast-

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<sup>32</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1222–23. Translated with the assistance of Mari-Ann Kass.

<sup>33</sup> Valge, 1210.

<sup>34</sup> Raimo Pullat and Risto Pullat, “The Vodka Sea: Comparative History of Spirits Smuggling in the Baltic Sea,” *Journal of Scandinavian Studies in Criminology and Crime Prevention* 13, no. 1 (2012): 66–67.

<sup>35</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1209–10; 1217–20.

making plant, the Tartu Pärnivabrik Joint-Stock Company.<sup>36</sup> In operation since 1883, the plant had exported its grain yeast throughout the Empire and even won prizes in Paris; it had also distilled alcohol since 1898.<sup>37</sup>

*Figure 17: A Distillery across the Border*



The Tartu Yeast Plant and Distillery, a major producer of the alcohol smuggled from Estonia into Soviet Russia in the early 1920s, photographed in 1914. The building still stands.

*Source: [https://et.wikipedia.org/wiki/Tartu\\_P%C3%A4rmivabrik#/media/File:Johannes\\_P%C3%A4rmivabrik\\_349\\_399.jpg](https://et.wikipedia.org/wiki/Tartu_P%C3%A4rmivabrik#/media/File:Johannes_P%C3%A4rmivabrik_349_399.jpg)*

Inside the envelope was a piece of ledger paper titled “Border Stations (degrees),” the scribbled figures apparently showing the precise quantities of pure alcohol that the plant sold to the frontier barter shops over the preceding four years.<sup>38</sup> What had prompted the plant’s management to share this information with the Ministry is unclear. Unlike the frontier merchants,

<sup>36</sup> ERA 957/12/418: 46.

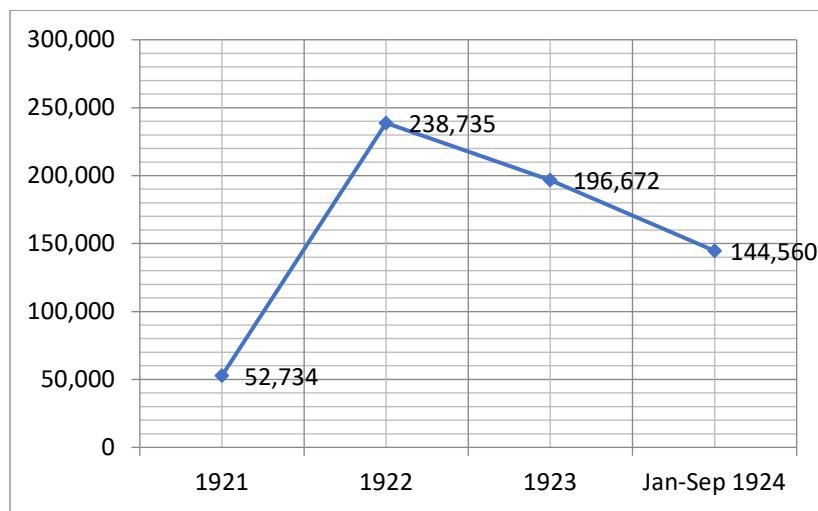
<sup>37</sup> Ene Puusemp, “Vana vabrik uhkustab võimsa ajalooga,” *Tartu Postimees*, 1 October 2008, at <https://tartu.postimees.ee/1818759/vana-vabrik-uhkustab-voimsa-ajalooga>.

<sup>38</sup> “Piiripunktid (kraadi),” ERA 957/12/418: 46rev.

however, the Pärmivabrik was subject to regular government inspections and close oversight by excise officials. The distillery had little to hide.

*Graph 2:*

**Liters of Alcohol Sold to the Frontier Barter Stations by JSC Tartu Pärmivabrik,  
1921-1924**



*Source:* Calculated on the basis of the figures in ERA 957/12/418: 46+rev.

Because the Pärmivabrik produced only a portion of the alcohol flowing eastward across the Estonian-Soviet frontier, and the distillery alone supplied nearly 240,000 liters of alcohol to the barter shops in 1922, the total volume of that flow must have considerably exceeded Valge's estimate of 250,000 liters for that year. Given the frontier merchants' habitual underreporting of their turnover, this is hardly surprising. Moreover, the Finance Ministry's two-tier pricing created a powerful incentive to resell some of the domestically marketed spirits to Soviet smugglers, suggesting that the actual volume was probably greater still. As Valge himself observes, "[s]everal trainfuls of spirits were sent to Russia via the barter shops during 1921-24." While the absolute amount peaked in 1922, alcohol's share in the eastbound flow would continue to rise, so that "[b]y

1924, spirits had become the basis of all unofficial trade.”<sup>39</sup> Long consonant with alcohol (*piiritus*), the Estonian frontier (*piiri*) had become synonymous with it.

How did the Russian smugglers pay? For the peasants and fishermen on the Soviet side, the area’s chief cash crop remained the most accessible medium of exchange. “The primary article carried out is flax,” the Pskov District Commission for the Struggle with Contraband reported in its overview for May 1922. The peasant youths and women who dominated this foot-borne traffic carried small loads weighing between twenty pounds and a *pood* (around 36 pounds).<sup>40</sup> The loads were limited not only by these smugglers’ physiques and poverty, but also by the unwieldiness of their cargo: even a tightly pressed *pood* of combed flax would have towered over its carrier’s stooped shoulders. Still, “[i]n the morning one would often see a lot of flax tangled in the barbed wire, where the smugglers had wriggled through,” the London engineer Dektereff reported.<sup>41</sup> “

The sailboats plying lakes Pihkva and Peipsi did not need to contend with such obstacles. They also offered more comfortable conveyance. “Here the traffic was easier, the fishermen bringing the goods by night in their boats,” Dektereff observed. “Everything but fishing, in fact, was done on those waters.”<sup>42</sup> The fishermen also enjoyed a uniquely effective cover for smuggling out flax. “The majority of flax smugglers are frontier shoreline fishermen,” the Pskov customs officials explained, as “under the pretext of obtaining flax for mending their nets, they would take it out of the city, and then, under the guise of fishing, would ferry it to Estonia.”<sup>43</sup>

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<sup>39</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1221.

<sup>40</sup> RGAE 413/14/81: 139rev-140.

<sup>41</sup> *Westminster Gazette*, 7 March 1923, 12.

<sup>42</sup> *Westminster Gazette*, 7 March 1923, 12.

<sup>43</sup> RGAE 413/14/81: 140.

Drawing on the control officers' reports, Valge estimates that over the course of 1922, the Estonian barter shops collected at least 2,500 tons of flax.<sup>44</sup> Indeed, the authors of the introduction to the official Estonian foreign trade yearbook for 1921-22 cite the intensified inflow of Russian flax via the frontier barter stations in the latter year as one of the reasons for the increase in Estonia's own exports of the fiber. Accounting for over twenty percent of the value of the country's total exports in 1922, the 9,660 tons of flax that Estonia shipped out that year had become its chief export commodity; the contraband Russian flax thus made up over a quarter of this flow. Most went to Belgium (to be spun into its famed Flemish linens), to Britain, and to Germany; significant quantities were also shipped to France and Finland.<sup>45</sup>

Even as flax thus made up the bulk of the contraband smuggled from Russia to Estonia by weight and by volume, the total value of this commodity fell second to the sum of the specie, precious metals, gemstones, and other valuables that flowed furtively westward. The commencement of the church confiscation campaign in February 1922 certainly contributed to this outcome. While church valuables helped fuel the frontier trade along multiple stretches of the Soviet border, the available accounts suggest that this flow favored northern routes, presumably reflecting the location of many of Russia's oldest churches and monasteries.

Breathtaking descriptions of smuggled holy treasures appeared soon after the publication of the February confiscation decree. One remarkable early report came from Szefer, the Director of the American-Europe Exchange Corporation, who related to the *Kurier Łódźki* in early March that, several days earlier, traders had delivered "the painting of Our Lady of Kazan ... studded

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<sup>44</sup> Valge, "Mitteametlik kaubavahetus Eesti—Vene piiril," 1217–20.

<sup>45</sup> *Väliskaubandus 1921 ja 1922 a.*, 29, 50.

with diamonds, pearls, and rubies, encased in a painted golden frame” to the town of Radoszkowicze, on Poland’s border with Soviet Belorussia, just northwest of Minsk. The icon was then spirited further northwest to Wilno, where it fetched some 28 million Polish marks.<sup>46</sup> While fevered frontier lore may have leavened Szefer’s account, the sumptuous description in fact suggests that this may have been *the* Our Lady of Kazan, one of the most venerated icons of the Orthodox Christian world, which was reportedly smuggled out of Petrograd soon after the Bolshevik takeover, and eventually resurfaced in the West:<sup>47</sup>

**Figure 18: Our Lady of Kazan**



Source: “Russia Objectified,” at <http://dighist.fas.harvard.edu/projects/russiaglobal/files/original/a181ea15d72ecb38a9dbbcf94f178178.jpg>

In April, Baltic newspapers reported that smugglers had delivered a Russian bishop’s mitre to the Estonian barter shop at Ledische; the manager Lebedev – presumably a fellow Russian Orthodox – paid the smugglers forty *poods* (over 650 kilograms) of sugar before pragmatically dispatching the mitre to Tallinn, where it was sure to fetch a still higher price. Meanwhile, the jeweled wreath from the reliquary holding the remains of the twelfth-century prince Saint

<sup>46</sup> *KL*, 6 March 1922, 6.

<sup>47</sup> Adolf Hampel, “Die Heimkehr der ‘Muttergottes von Kazan’: Die Odyssee der berühmtesten Ikone und Beschützerin Russlands wurde nach fast 85 Jahren jetzt beendet,” *Spiegel der Forschung* 22 (2005) no. 1/2: 90-92

Vsevolod of Pskov in that city's famed Trinity Cathedral surfaced at the barter shop in Krivsk on the Estonian shore of Lake Pihkva; the cathedral's tabernacle made the trip as well. Presumably overcome by the sanctity of his smuggled loot, the God-fearing barter shop operator reportedly donated both to the Pskovo-Pechersky monastery in Petseri.<sup>48</sup> Like the foreign visitors and diplomats who spirited away icons and other church valuables before these could be pried apart at Moscow's Gokhran or melted down at the Petrograd Mint, smugglers inadvertently safeguarded pieces of Russia's cultural heritage from further destruction.

While spectacular transactions naturally garnered the most attention, most of the liturgical luxuries shaken loose by the church confiscation campaign were silver, valued in bulk. Thus, one night in late April, Finnish border guards apprehended several Finnish smugglers crossing the ice-covered Gulf near Terijoki on their way back from the Soviet frontier. The men were lugging “several dozen kilos of silver articles,” including “church ornaments, candlesticks, etc.”<sup>49</sup> Meanwhile, secret informants on the payroll of the Soviet border guards’ 4<sup>th</sup> Detachment reported that around three *poods* (50 kilograms) of “silver in the form of church plate” had been smuggled to Finland that winter across the detachment’s patrol grounds on the Karelian Isthmus and traded for butter and sugar, which were “ferried along the ice to one Efimov in Lakhta,” a northern suburb of Petrograd.<sup>50</sup> The smugglers thus realized the Kremlin’s stated aim of turning Russian church valuables into foodstuffs – although these provisions probably ended up on the tables of Petrograd Nepmen rather than in the distended bellies of Volga famine victims.

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<sup>48</sup> “Spekuliatsiia tserkovnymi tsennostiami,” *Segodnia*, 25 April 1922, 4.

<sup>49</sup> *Ibid.* 4.

<sup>50</sup> RGAE 413/14/81: 140rev.

On the basis of the control officers' reports, Valge estimates conservatively that the barter shops took in over 220 million Estonian marks in precious metals, valuables, and currency in 1922.<sup>51</sup> Indeed, Estonia's official exports that year of "gold, silver, and platinum articles" (which would have included jewelry and church plate) totaled some 63 poods, or over *one ton* – while its official imports of the same wares comprised a mere 10 poods, or less than 165 kilograms. Most of these exported valuables must have been smuggled from Russia.<sup>52</sup> Sweden – well-practiced at working with Tallinn to help the Bolsheviks launder confiscated gold – now took in the lion's share (over 800 kilograms) of valuables smuggled into Estonia *from* the Bolsheviks; another 200 kilograms went to Germany.<sup>53</sup> To be sure, these figures reflected only a fraction of the actual movement of contraband Russian valuables through Estonia. Estonian foreign trade statistics did not yet tabulate precious metal bars and ingots, gemstones, or coins – all central components of the westbound flow. Moreover, the portability of such valuables ensured that many must have eluded Estonian customs controls en route both into and out of the country.

Together with the 180 million marks worth of flax and over 30 million marks worth of other commodities, Valge estimates that the barter shops grossed over 430 million marks worth of contraband imports.<sup>54</sup> After covering the approximately 275 million marks that they had paid for the goods they supplied to the Russian smugglers, the frontier merchants netted almost 160 million

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<sup>51</sup> Valge, "Mitteametlik kaubavahetus Eesti—Vene piiril," 1217–18.

<sup>52</sup> To be sure, not all smuggled valuables arrived via the barter shops; some came in the bags of Estonian diplomats and couriers, as well with the luckier optants and refugees who had managed to evade Soviet customs controls.

<sup>53</sup> *Väliskaubandus 1921 ja 1922 a.*, 27.

<sup>54</sup> Valge, "Mitteametlik kaubavahetus Eesti—Vene piiril," 1218.

marks – a cumulative profit of nearly sixty percent.<sup>55</sup> Whatever reservations Tallinn had harbored about the traffic were drowned out by the ringing of coin at the barter shop counters.

Yet there were ominous signs, too. In the fall of 1922, a number of barter stations “fell victim to the flames.” Then, following “a period of relative calm,” the blaze returned in early January, claiming Hugo Bergmann’s shop in the village of Vidovichi on the southern shore of Lake Pihkva “together with the goods”; several days later, Kopwillem & Co.’s shop at Budovizh on the frozen lake’s western coast burned down along with its merchandise. The mysterious conflagrations prompted talk of a resurgent “epidemic” of frontier fires.<sup>56</sup>

To be sure, there were plenty of explanations that did not involve foul play. Heated by wood stoves through the bitter winter, the wooden huts that housed the shops were a fire hazard by any measure. The copious amount of high-proof alcohol they stocked for sale to Russian smugglers rendered the shops more flammable still, while rendering their operators and visitors less circumspect. And even if the fires were caused by arson, the culprits might well have been local rivals.<sup>57</sup> But all of these factors had been present, to a greater or lesser degree, a year earlier, when no fiery epidemic was recorded. If the Latvian experience was any indication, there was reason to suspect that the “red rooster,” as arson was known colloquially on the Russian side, had been let loose from beyond the Red frontier.<sup>58</sup>

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<sup>55</sup> Calculated on the basis of the figures in Valge, 1216–18.

<sup>56</sup> “Von den estnischen Grenzhandelpunkten,” *RR*, 29 January 1923, 2, citing coverage in *Päevaleht*.

<sup>57</sup> Thus, Kopwillem’s privileged position in the frontier alcohol traffic had prompted considerable resentment. “Puhaskasu riigi-piiritusest ‘era-algatuse’ meeste kaukasse!?,” *Postimees*, 6 April 1923, 1. Translated by Kerli Etti.

<sup>58</sup> For later accounts of a fiery Soviet assault on Polish frontier barter stations in 1924, and of an even more extensive and sustained campaign of attacks on the barter shops lining the Chinese frontier in 1929, see Chapter Six. On the Russian culture of arson, see Cathy A. Frierson, *All Russia Is Burning!: A Cultural History of Fire and Arson in Late Imperial Russia* (Seattle: University of Washington Press, 2012).

### *Latvia: Smugglers and Shareholders*

“The trade on the Russian frontier, at the so-called ‘barter shops,’ is intensifying,” the *Rigasche Rundschau* reported in January 1922, “and, according to expert opinion, will develop significantly with the consolidation of private trade in Russia. Demand exists primarily for saccharin, tobacco, salt, sugar, and various metal products.”<sup>59</sup> As in Poland, however, Latvian entrepreneurs eager to partake in the border bonanza bristled at their government’s new constraints. “The concession for trade at the barter shop was, depending on the location and the duration, linked with various formalities,” reported the capital’s Russian-language *Rizhskii Kurier* in an exposé reprinted by other papers. Because the awarding of permits depended “on the discretion of the Ministers of Finance, Internal Affairs, and Defense,” personal political connections continued to prove decisive, with the concessions “in most cases” allegedly going to “those that had nothing to do with trade.”<sup>60</sup> One widely-circulated story told of “high-ranking functionaries” who obtained a permit to open a barter shop in southeastern Latgale, only to resell their rights to a pair of Riga merchants, who in turn passed on the concession to some “petty local merchants.”<sup>61</sup> If Latvian authorities had hoped that the multilevel controls adopted the prior fall would ensure that the barter shops ended up in the hands of well-vetted, respectable businessmen, the policy seemed to be producing the opposite effect.

It is likely for these reasons – as well as the growing competition to the south and north – that Riga soon moved to reform the system once again, this time in the direction of laissez faire. In April 1922, the Finance Ministry resolved to close the customs houses at Posinje, Goliševa, and

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<sup>59</sup> “Der Handel an den russischen Grenzen,” *RR*, 18 January 1922, 6.

<sup>60</sup> “Das Problem der Tauschpunkte,” *RR*, 8 February 1922, 6; *LZ*, 9 February 1922, 3.

<sup>61</sup> “Unsere Tauschpunkte,” *RR*, 29 March 1922, 7; *LZ*, 31 March 1922, 1; *Baltische Blätter*, 27 April 1922, 264.

Rodovoje, and to abolish the requirement for the frontier exchanges to be situated within enclosed customs zones. “Free trade is permitted along the entire borderline, and the opening of barter shops – in every village,” *Segodnia* announced.<sup>62</sup>

To ensure security, the Latvian authorities now adopted a system that they had first considered the prior summer, one no doubt inspired by the experience of a neutral buffer zone that kept the peace along the frontier during armistices. As deputy Finance Minister Āboltiņš had reported to the conference of businessmen and government officials on July 7, 1921, the prior day’s interministerial meeting had discussed establishing “two border cordons, [with an] 269pprox.[imately] 15-verst-wide border zone between them, where all trade is allowed. The second cordon would be strictly controlled, so that the border is fully closed.” Not surprisingly, the head of the Latvian Merchants’ Union voiced support for this vision of “a 100-150 verst-long free trade area, where it would be possible to cross on all roads and goods would be brought there in quantities as large as possible.” However, while it might have ensured both flourishing commerce *and* the best quarantine from Bolshevik infiltration, Āboltiņš cautioned that “this project would cost the state 12 million rubles each month.” Moreover, border guard chief Luters had objected that “[i]t will not be possible to create a 15-verst-wide border zone for trade on the Russian border for technical reasons: the villages have fields around them, and if the second cordon goes over, they might get cut off.”<sup>63</sup>

During the summer and fall of 1921, the Latvian government’s strained finances thus combined with local conditions to discourage the adoption of a free-trade zone for Russian

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<sup>62</sup> “Torgovlia s Sov. Rossiei,” *Segodnia*, 23 April 1921, 4.

<sup>63</sup> Latvijas Valsts Vēstures Arhīvs (henceforth LVVA) 6824/1/406: 1-7. Translated by Jānis Strankals.

smugglers along the Soviet frontier. A shortage of border guards and the still-rudimentary state of the physical infrastructure of border control both militated against the proposal as well. Given the pervasive fears of losing vital foodstuffs and inviting Bolshevik infiltration, the more limited system of licensed barter shops seemed both more viable and more palatable. By the summer of 1922, however, Riga had mustered the resources and the confidence to implement the free trade zone that Latvian businessmen had sought. Now that “the barter trade with Russia has been considerably simplified,” the *Rigasche Rundschau* observed in early May, success depended only on “the energy and entrepreneurship of the merchants.” There was no shortage of either. Advertisements for partners and capital for the frontier trade, such as this call for “[i]ndividuals wishing to work in the bart[er] shops (on the bord[er] with Sov[iet] Russia) with their own funds,” continued to proliferate in the press:

*Figure 19: Wanted: “individuals wishing to work in the barter stations”*



*Source: Segodnia, 6 July 1922, 4.*

By August, Latvian authorities had issued some 120 permits for the operation of barter shops on the Soviet frontier. Each permit – valid for six months and costing 25,000 Latvian rubles, thus netting the State Treasury some three million rubles – entitled the bearer to open up to six separate shops. While only 57 of the permits had actually been utilized to open shops, the Riga-based *Latvijas Vēstnesis* reported that the “[t]he high competition forces the smaller entrepreneurs

to liquidate their businesses.”<sup>64</sup> In one indication of the increasing supply of goods stocked on the Latvian side of the border, the buyers were reportedly becoming more selective. “[T]he Russian farmers are beginning to inspect the quality of the goods and to reject inferior products,” the paper observed. The evolution of demand at the barter shops also reflected both the broader economic recovery of the Russian countryside and the continued porosity of the Soviet border. The two circumstances combined to invite the bulkier varieties of contraband imports. Thus, *Latvijas Vēstnesis* reported that “[d]emand for agricultural machines and separators, which had found no takers before, is increasing.”<sup>65</sup> A cartoon in the satirical journal *Ho-Ho* captured the excitement surrounding the lucrative traffic, while also pillorying the well-connected politicians who continued to benefit from the frontier windfall:

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<sup>64</sup> “Tirdzniecība peerobežas josla,” *Latvijas Vēstnesis*, 13 July 1922, 1. Some permits may have been taken out precisely to prevent competitors from opening barter shops in choice locales.

<sup>65</sup> *Ibid.*, 1.

Figure 20: Prosperity on the Frontier



*How he left and how he returned.*

1. Latgalian deputy going to the Constitutional Assembly of 1920
  2. Latgalian deputy coming from the Constitutional Assembly of 1922
- "As the two scenes here show clearly,  
The exchange points change one really."

*Source: Ho-Ho, 18 August 1922, 4. Translated with the assistance of Ieva Līne.*

However, the most compelling evidence that the traffic was flourishing came not from a cartoonist's pen but from a notary's stamp. The rewards of the trade called for capital; the risks demanded diluting liability between shareholders. On September 7, 1922, the Joint-Stock Company "Robežtirdzniecība" ("Border Trade") was incorporated in Riga, just in time to take advantage of the flax harvest on the Soviet side as well as the Soviet peasants' peak purchasing power – and, of course, of the long fall nights on the frontier. Its entry in a 1923 directory of Latvian stock corporations described the Robežtirdzniecība's line of business as "[e]xports,

imports, transit, and trade in the Russian border belt.”<sup>66</sup> While the company’s founding capital was a modest 50,000 lats, during the final three months of the year, sales of goods to Russian smugglers at Robežtirdzniecība’s frontier barter shops reportedly totaled some 876,519 lats and 78 santimes.<sup>67</sup>

Such an improbably precise accounting of the shadowy trade certainly invites scrutiny. This figure was reported by the economist Alfreds Ceichners in his seminal study of Latvia’s balance of payments, published in the *Ekonomists*, the journal of the Ministry of Finance. It appears that Ceichners obtained the number directly from Robežtirdzniecība’s management. In any case, as a publicly-traded company, Robežtirdzniecība was required to publish its financial statements. Robežtirdzniecība’s first balance sheet, covering the period from October 1 to December 31, 1922, appeared in the *Ekonomists* the following May, and showed operations in the millions of lats:

**Figure 21: Balancing the Books on the Border**

<b>Akciju sabiedrība „Robežtirdzniecība“.</b>	
<b>DARBĪBAS PARSKATS par 1922. gadu (no 1. oktobra līdz 31. decembrim).</b>	
<b>Aktīvs</b>	<b>Pasīvs</b>
Kasē . . . . .	328.160,40
Tekošs rēķins tirdzniecības-rūpniecības bankā . . . . .	145.267,05
Preces . . . . .	2.129.748,90
Preces komisija . . . . .	105.493,15
Inventars . . . . .	2.235.242,05
Debitori . . . . .	67.208,—
Dibināšanas izdevumi . . . . .	2.757.638,98
Jaunu nodaļu organizēšanas izdevumi . . . . .	37.295,—
Tirdzniecības izdevumi uz priekšu . . . . .	73.145,—
Pārejošas sumas . . . . .	43.638,—
Dividende à conto . . . . .	154.078,—
	109.104,10
	881.100,—
	6.677.798,58
<b>Zaudēts</b>	
Tekoši tirdzniecības izdevumi . . . . .	830.755,45
Trīs atlikums . . . . .	2.559.549,98
	3.390.305,43
	6.677.798,58
	Uz precēm . . . . .
	Procenti . . . . .
	3.384.022,98
	6.282,45
	3.390.305,43

Source: *Ekonomists*, 1 May 1923 (balance sheets published on unnumbered pages at end of issue)

<sup>66</sup> *Latvijas akciju sabiedrības 1923* (Riga: Valsts Statistiskā Pārvalde, 1925), 46–47.

<sup>67</sup> Ceichners, “Latvijas maksājumu bilance,” 1082–84. Translated by Ieva Līne. I am grateful to Aivars Stranga for pointing me to this source.

If anything, Ceichners's reported figure probably understated the actual value of the turnover at Robežtirdzniecība's frontier shops.

However, Robežtirdzniecība's primary activity was not operating its own barter shops but supplying those of others. “[T]he aforementioned joint stock company was the main supplier of goods for the barter shops, and the owners of these barter shops are shareholders in this joint stock company,” Ceichners explained. “Thus, the turnovers of these barter shops are well known to the joint stock company ... The average turnover of a barter shop in 1922 was 350,000 lats.” Robežtirdzniecība was not Ceichners's only data source, but he argued persuasively that it was the most reliable one: “[i]nformation about unofficial export to Russia had been sent to the State Statistics Directorate by excise officials and by the barter shops themselves; the latter, in their own interests, often show their turnover at a few hundred lats per month, which, as we have seen, constitutes only a few percent of the actual turnover.” Besides Robežtirdzniecība's own frontier shops, Ceichners reported that 60 other barter shops operated on the Latvian-Soviet frontier in 1922. Multiplying that number by the average sales of a single shop, he calculated the value of goods sold to Soviet smugglers at the barter shops that year at 21,000,000 lats; combined with Robežtirdzniecība's own direct sales, the total came to nearly 22 million.<sup>68</sup> While Latvian and Soviet diplomats haggled over a trade treaty, the two countries' frontier had become their common market.

Who operated the Latvian barter shops? A Russian-language business directory printed in Riga in 1922 “for the propaganda of Latvian trade and industry in Sov[iet] Russia,” and apparently distributed at the Moscow and Petrograd offices of the Latvian Finance Ministry's Foreign Trade

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<sup>68</sup> Ceichners, 1083–84.

Bureau, listed several major firms that advertised their frontier exchanges.<sup>69</sup> Thus, the Riga-based Joint-Stock Company “Latvijas Tranzits,” whose portfolio included a gunpowder works in Libau and which boasted branches in Moscow and Petrograd, touted its “nine barter shops on the Russian border”; a full-page advertisement that the company took out in a business directory published in Riga the following year specified that Latvijas Tranzits dealt in American wheat flour, sugar, German saccharin, and American plows – all articles of interest to the Russian smugglers visiting the shops.<sup>70</sup> The merchant Friedrich Batze, with offices on Lielā Grēcinieku (“Big Sinful”) Street in Riga’s medieval city center and a dry goods store nearby, likewise advertised his “barter shops on the Russian border at Zilupe.” Established in 1882, the venerable trading house of Otto Schwartz, which before the war had entertained discerning gourmands in the “wine and oyster parlors” of its “first-class restaurant” on Riga’s picturesque Bastion Boulevard, and imported fine wines and Havana cigars, now advertised its “shops at the customs posts by the Russian border” at Zilupe and Pasiene.<sup>71</sup>

The shadowy frontier traffic was becoming respectable. The multilingual *Handelsadressbuch Lettlands* business directory published in Riga in 1923 devoted several pages to a special section on the “bord[er] barter shops.” It listed the names and addresses (and sometimes the four-digit phone numbers) of 54 individuals and companies operating barter shops on the Soviet frontier. Approximately half the operators have Latvian surnames; around a quarter are

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<sup>69</sup> *Ukazatel’ Torgovo-Promyshlennykh firm Latvii. Spetsial’noe izdanie dlia propagandy Latviiskoi torgovli i promyshlennosti v Sov. Rossii.* (Riga, 1922).

<sup>70</sup> *Ukazatel’ Torgovo-Promyshlennykh firm Latvii*, 11; *Handelsadressbuch Lettlands* (Riga, 1923), xv.

<sup>71</sup> Schwartz also operated a vodka distillery, which likely supplied the company’s shops. *Vsia Riga. Adresnyi Ukazatel’ g. Rigi Za 1914 g.* (Riga, 1914), 4; *Ukazatel’ Torgovo-Promyshlennykh firm Latvii*, 33.

German; a handful is Russian and Jewish.<sup>72</sup> The ethnic distribution reflects the roles of political patronage, commercial clout, Latvian nationalism, and anti-Semitism in obtaining the frontier trade licenses from the Finance Ministry when these were still hard to come by. Well-connected members of the titular nationality won the majority of the permits, followed by members of the country's wealthy Baltic German community; Russian and Jewish businessmen were largely shunted aside. As in Poland, however, Jewish entrepreneurs likely operated through Christian cutouts to secure a far more significant share of the traffic than the directory would suggest (see below, and Chapter Seven). Riga's relaxation of control over the traffic in the spring of 1922 likewise enabled broader participation.

While the operators' addresses predictably included the commercial hubs of Latgale – Zilupe, Rītupe, Daugavpils, Ludza, Rēzeknē – some 46 of the 54 businessmen and firms listed were based in Riga itself. Whatever role political connections continued to play in the awarding of permits, Riga's harbor continued to serve as the entrepôt for much of the merchandise sold to Soviet smugglers at the barter shops.<sup>73</sup> Moreover, Latvia's political center was also home to much of the country's economic capital. As increasingly serious commercial concerns expanded their operations to Latvia's eastern frontier, it was only natural that the traffic reverberated through Riga's cobblestone streets and corporate ledgers.

To be sure, the transformative effects of the trade were most visible closer to the border. In December 1922, on his way to partake in disarmament and nonaggression negotiations in Moscow, Vilis Šūmanis, the head of the Political-Economic Department of the Latvian Foreign Ministry,

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<sup>72</sup> Calculated based on the surnames listed in *Handelsadressbuch Lettlands*, 376–79.

<sup>73</sup> Presumably for the same reason, one barter shop operator, M. Melbard, was based over 400 kilometers from the Soviet border in Libau, Latvia's other major port city. *Handelsadressbuch Lettlands*, 376–79.

stopped to change trains at Zilupe. “I used the wait time to observe the frontier life,” Šūmanis reported to the Ministry upon his return. “Strolling along the main street of Zilupe, on both sides I saw one shop after another, above which appeared signs in Latvian and Russian, often quite ugly ones; among the Latvian signs in particular some were very comical.” The slapdash shingles evinced both the frenetic growth of a frontier boomtown and the fact that neither Russian nor Latvian was the first language of the majority of the proprietors. “Judging by the words of the owners of the shops, most of them here, too, were in the hands of Jews,” Šūmanis observed, “but among them in the best houses there were branches of one or two well-known Riga merchant associations. Some of the buildings even housed three or four shops. It is clear from the first glance that the relatively small village of Zilupe cannot by itself support the existence of such a quantity of large and small shops. As it seems, the village is overcrowded with inhabitants, and little Zilupe is no stranger to a housing crisis” – even as the border trade itself had financed a building boom: “extensive construction took place in the village last summer, and the new houses stand out by their size and European exterior.”<sup>74</sup>

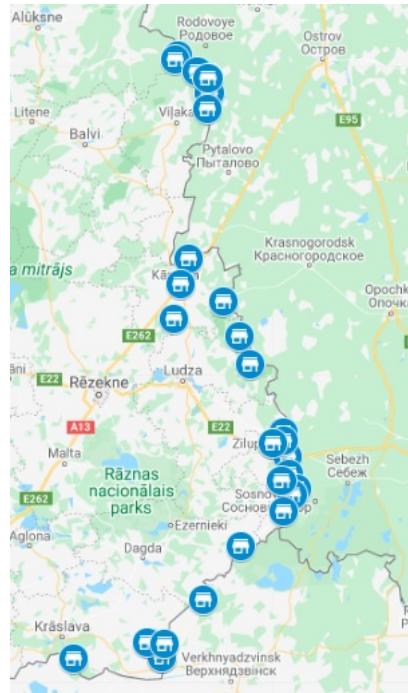
“There is heavy traffic on the main street of the village,” Šūmanis continued. “[O]ne can most frequently see, pulling up to some store, two or three Latgalian peasant carts, which they load up with heavy crates. These are draymen from distant barter stations, who come to Zilupe for merchandise, so as to ferry it before dark to a certain place from which it is shipped at night over the Russian border.”<sup>75</sup>

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<sup>74</sup> Eriks Jekabsons, “Otchet latviiskogo diplomata o komandirovke v moskву v kontse 1922 - nachale 1923 goda,” in *Rossiia i Baltiia*, 8 (Moscow: Ves’ Mir, 2017), 200–201.

<sup>75</sup> Jekabsons, 201.

**Map 4: Latvian Frontier Barter Stations, 1922-23**



Source: “Smugglers’ Shops: Contraband Trade Outposts on the Soviet Frontier, 1920-24,” interactive map under construction at [https://www.google.com/maps/d/edit?hl=en&mid=1m3UncT95kw2StjKmULvyksUvaYA\\_9W3b&ll=57.904854595363545%2C26.87011170039055&z=8](https://www.google.com/maps/d/edit?hl=en&mid=1m3UncT95kw2StjKmULvyksUvaYA_9W3b&ll=57.904854595363545%2C26.87011170039055&z=8)

Šūmanis made no mention of Robežtirdzniecība, but the company was already active in Zilupe and beyond. “Along the entire frontier, in nearly every Latvian border village, there is a cooperative: ‘The Society for Border Trade with Russia,’” Jan Olin, the energetic Latvian Communist who headed the Soviet Union’s Western Customs District, reported from Minsk in January 1923, rendering the joint-stock company into Soviet-speak for his superiors in Moscow. “This Society stocks the most necessary goods, and with the help of its flagship cooperative in Zilupe distributes all the goods among the smaller border village cooperatives, housed in common peasant huts,” Olin explained. “Our peasants enjoy free access to these cooperatives – the Latvian

border guard is situated behind these cooperatives, creating a neutral strip, [and] the cooperatives are located in the villages in this strip. The distribution, from the Zilupe [c]entral cooperative into the village ones, of goods intended for smuggling into Russia ... is carried out completely openly by the Border Trade Society and other individuals and firms.”<sup>76</sup>

What was smuggled? While Šūmanis reported that the barter shops still stocked significant quantities of American wheat flour, demand from the Russian side had evolved well beyond basic survival needs. “The main objects of contraband on the Latvian border are: saccharin in crystal form and in tablets, produced by various German factories; pure alcohol and alcoholic drinks (vodkas, tinctures, orange [liqueur], cherry [liqueur] and Bénédictine) of various Riga distilleries; shoe sole leather, partly of local Latvian make, partly foreign; knitted woolen articles of Latvian make; and other sundry household implements,” Olin itemized indignantly. “[E]very day, one to two train cars” laden “with alcoholic drinks,” as well as “one or two train cars with saccharin arrive at Zilupe station. Upon offloading it from the train cars, this merchandise is ferried by horse[-drawn carts] to the Zilupe customs house, piled high with goods intended for smuggling into Russia, with the knowledge and assistance of Latvian customs officials, who accompany the goods to the border cooperatives.”<sup>77</sup>

“Thanks to our customs officials, we were able to examine one such barter shop right by Zilupe shop itself,” Šūmanis reported from the other side of the border. “The shop was housed in a shed, in one part of which there was a small office; the rest of the space was piled with a large stock of goods and looks like a general store. There you can find everything from fashionable

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<sup>76</sup> “Otchet o deiatel’nosti Zapadnogo tamozhennogo okruga,” 28 January 1923, signed by Western Customs District chief Jan Olin, in RGAE 413/14/136: 1-30; here, 14rev-15.

<sup>77</sup> RGAE 413/14/136: 14rev-15.

things and clothes to axes and shovels; alcohol and Riga liqueur are especially abundant; crates sealed with customs seals as export goods (free of excise duty) from all the known and unknown Latvian liqueur and vodka firms are piled up in large quantities.”<sup>78</sup>

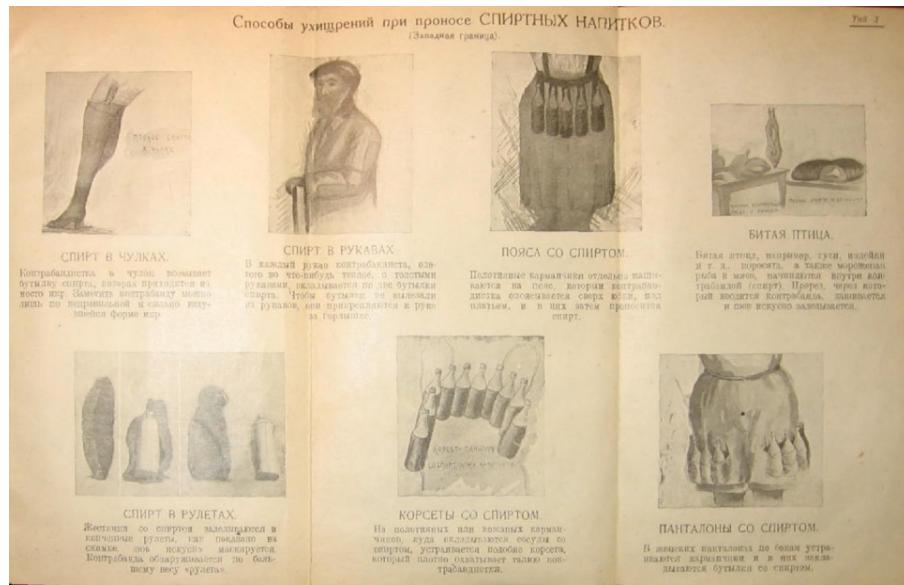
Indeed, to facilitate the smuggling of alcohol into Soviet territory, in early October 1922 the Latvian Finance Ministry’s Customs Department circulated a directive authorizing the “[e]xports, without excise duty, of alcohol and alcoholic beverages produced in Latvia through the customs offices at Ritupe, Zilupe and Indra.” Although the circular specified that such exports were permitted “both by rail and by land,” everyone involved knew that the first option was listed only to keep up appearances: the People’s Commissariat of Foreign Trade was not about to authorize the import of Latvian liqueurs.<sup>79</sup> Instead, all shipments would proceed “by land” – first in the horse-drawn Latgalian peasant carts to the frontier barter shops, and then at night in the horse-drawn wagons of Russian smugglers, or foot-borne on their bodies.

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<sup>78</sup> Jekabsons, “Otchet latviiskogo diplomata o komandirovke v moskvu v kontse 1922 - nachale 1923 goda,” 201.

<sup>79</sup> “Muitas departamenta rīkojumi visam muitas iestādēm Latvija,” signed by Deputy Chief of the Customs Department, E. Dundurs, 7 November 1922, *Valdības Vēstnesis*, 11 November 1922, 1.

Figure 22: Smugglers' Tricks



*“Methods of concealed conveyance of alcoholic drinks (western border)”*

Source: A. Potiaev, ed., *Kontrabanda i bor'ba s nei. Po materialam Glavnogo Tamozhennogo Upravleniia* (Moscow: R.I.O. NKVT, 1925), Appendix 3.

The Latvian regulations specified, however, that these “exports” were to proceed “under strict customs control”: “the beverages and alcohol must be exported in intact, sealed boxes, in the manner they arrive from the customs office of departure” at the barter shop, “and a notice of exit across the border shall be sent to the office of departure.” The regulations further limited this traffic to the three customs houses listed above, specifying that “no other border customs authorities (Pasiene, Goliševa, Rodovoje) have been granted such rights.”<sup>80</sup>

The motives behind these special restrictions were purely financial. “The alcoholic beverages and goods imported from abroad come cheaper for the Russians than they do for us,

<sup>80</sup> *Valdības Vēstnesis*, 11 November 1922, 1.

because excises and import duties are not levied on them,” Šūmanis observed.<sup>81</sup> At the barter shops, “a bottle of 95 % [alcohol] costs 1 ruble 25 kopecks silver,” Olin echoed, “while in Latvia, it costs a great deal more.”<sup>82</sup>

In order to keep collecting the excise on the alcohol sold domestically, the Latvian Ministry of Finance had to ensure that the duty-free alcohol bound for Russia actually left Latvia – and did not get smuggled back. Hence, while “the spirits dealers have appealed to the Ministry of Finance to extend the permission to export spirits to Russia (which is known to cover only a few frontier points) to the whole of the Russian border,” the *Rigasche Rundschau* reported in early December 1922, “a final decision has not yet been reached, because the Ministry of Finance fears that the spirits may remain in the country or be transported back to Latvia,” as “the spirits intended for export are reduced in price by four times.”<sup>83</sup>

As evidenced by the train car loads of spirits arriving daily at Zilupe, however, the Finance Ministry’s restrictions did not prove too onerous. Moreover, while the alcohol exports had to be cleared at Ritupe, Zilupe, or Indra, the regulations allowed the actual sales to proceed at any barter shop situated along the 150-kilometer stretch of the Soviet frontier between Ritupe and Indra. One Riga distiller’s full-page advertisement in the *Handelsadressbuch Lettlands* boasted of the manifold offerings available “for Russia” in “stockpiles at the barter stations”:

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<sup>81</sup> Jekabsons, “Otchet latviiskogo diplomata o komandirovke v moskvu v kontse 1922 - nachale 1923 goda,” 201.

<sup>82</sup> RGAE 413/14/136: 15.

<sup>83</sup> “Branntweinexport,” *RR*, 9 December 1922, 13.

Figure 23: Riga's Liquors to the Border



Source: *Handelsadressbuch Lettlands* (Riga, 1923), advertisement № 273

As in the Polish case, a comparison of official Latvian and Soviet foreign trade statistics sheds light on the scale of the contraband traffic authorized by the Latvian side. In 1922, when official imports of pure alcohol and hard alcoholic drinks around the *entire* Soviet perimeter totaled well under a hundred tons, Latvian customs agents on the Soviet border blessed the “export” east of over 290 tons of pure alcohol, 156 tons of vodka, 98 tons of liquors, 12 tons of cognacs, and 16

tons of other alcoholic drinks – all told, around 730,000 liters of alcohol.<sup>84</sup> Spirits were thus as central to the Latvian traffic as to the Estonian. To be sure, given the incentives to elude Latvian customs as well Soviet patrols, official figures for the export of alcohol (as well as that of other commodities) do not capture the full volume of the flow.

As the Soviet customs chief Jan Olin had reported from Minsk, with freight cars of saccharin offloaded daily at Zilupe, the German-made sweetener occupied second place in the eastbound contraband traffic in both volume and value. Thus, while Soviet customs officials recorded no imports of saccharin in 1922, their Latvian counterparts processed over fifty-seven tons of the substance for clandestine export east.<sup>85</sup> With Russian smugglers reportedly “exchanging a horse for 15 kilograms of saccharin,” there was no shortage of incentives. To facilitate this lucrative traffic, the Latvian Ministry of Finance reduced the duty on saccharin imported for “transit” purposes from 450 to 30 rubles per kilogram.<sup>86</sup>

How did the Russian smugglers pay? “At the remote barter shops” – i.e., those situated closest to the Russian frontier – “flax and hides are often used as the medium of exchange,” Šūmanis reported.<sup>87</sup> Indeed, the Latvian *Ekonomists* argued, “the rapid increase in flax fiber shipments from Latgale can be explained mainly by the fact that the reported quantities include eastern flax,” – i.e., flax smuggled from the Soviet side – “most of which cannot be separately identified.” During the 1922/23 operational year (October 1, 1922 – September 30, 1923), despite

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<sup>84</sup> Vinokur and Bakulin, *Vneshniaia torgovlia SSSR, 1918-1927/28*, 117–18; *Latvijas āreja tirdznieciba un tranzits* 1922 (Riga: Valsts Statistiskā Pārvalde, 1925), 38–54. Alcohol weight to volume conversion calculated using <https://www.thecalculatorsite.com/conversions/substances/alcohol.php>

<sup>85</sup> *Latvijas āreja tirdznieciba un tranzits* 1922, 54.

<sup>86</sup> “Der Tauschhandel mit Rußland,” *RR*, 4 May 1922, 7.

<sup>87</sup> Jekabsons, “Otchet latviiskogo diplomata o komandirovke v moskву v kontse 1922 - nachale 1923 goda,” 202.

an otherwise poor harvest, Latgale shipped out some 11,452 tons of flax, a forty percent increase over the prior year – the only one of Latvia’s regions not to show a substantial *decrease* in flax outshipments. Latgale’s “output” of flaxseed grew even more dramatically, rising from 1,349 tons in 1921/22 to 4,083 tons in 1922/23.<sup>88</sup>

As anticipated at the July 1921 conference at the Ministry of Finance, the peasants on the Soviet side of the border thus continued to contribute towards Latvia’s prosperity. In 1922, exports of flax (16,125 tons) and flaxseed (11,350 tons) grossed nearly one-and-a-half billion Latvian rubles, accounting for almost thirty percent of the value of the country’s exports.<sup>89</sup> As in the Estonian case, Belgium imported the lion’s share, taking in over half of the flax to supply its textile works directly, and over a third of the flaxseed to grow the fiber on its own land; the United Kingdom took over a quarter of the flax and over forty percent of the seed; Germany imported several thousand tons; and France, Holland, Finland, Denmark, and Norway absorbed most of the rest.<sup>90</sup> Like their Estonian counterparts, the Latvian barter stations thus respun the flaxen web of prewar commerce – but the new lattice linked Western capitalists with Soviet smugglers.

Soviet smugglers also brought raw materials from further afield. In the advertisement promoting his barter stations at Zilupe, the Riga merchant Friedrich Batze emphasized that he was looking to buy Santonin, a chemical extract of the Central Asian herb *Artemisia cina* (“Chinese Artemisia,” known colloquially as Levant wormseed), prized around the world as the leading

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<sup>88</sup> K. Ruņģis, “Lauksaimniecības produktu ražošanas un patēriņa rajoni,” *Ekonomists* 5, no. 22 (November 15, 1924): 1366.

<sup>89</sup> If the value of flax tow, yarn, weft, and oil (some of these no doubt combed, woven, and pressed from the flax and flaxseed smuggled from the Soviet side) is added to the balance, the value of flax and its products exceeds thirty percent of Latvia’s exports in 1922. *Latvijas āreja tirdznieciba un tranzits* 1922, 5, 9, 61.

<sup>90</sup> *Latvijas āreja tirdznieciba un tranzits* 1922, 2–5.

treatment for roundworms in humans and for intestinal parasites in livestock. According to the leading specialist on the subject, although it was “potentially one of the Soviet Union’s most lucrative pharmaceutical products … during the NEP as during the civil war, Soviet authorities refused to sell Santonin to American firms.”<sup>91</sup> Batze’s barter shops, and presumably others, thus stepped in to facilitate its illicit import. The santonin was then shipped further west: Latvian customs records reveal that the country exported 100 kilograms of santonin in 1922, with small quantities going to England and Germany, and the bulk (87 kilograms) to the United States.<sup>92</sup> In a review of the year’s Latvian exports to the United States, the American Consul at Riga dutifully observed that “[s]ome of the exports, it may be assumed, are entirely of Russian origin, such as platinum and santonin.”<sup>93</sup>

Indeed, for the Latvian frontier merchants, even more enticing than the flax and other raw materials were the valuables. “At the Zilupe barter shop, the gold ruble had figured in the past as a means of payment,” Šūmanis reported. “[N]ow, on the contrary, gold is no longer coming from Russia, and all accounts are settled in silver coin. Every day, the barter shop in Zilupe alone sells goods for a total sum equal to 10 poods” – over 160 kilograms – “of silver coins.”<sup>94</sup> “The entire frontier contraband trade is transacted in hard coin – gold and silver, especially silver,” Olin echoed. “[A]ll the goods are priced in silver rubles.”<sup>95</sup> While the Soviet government had begun to

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<sup>91</sup> *Ukazatel’ Torgovo-Promyshlennykh firm Latvii*, 1; Mary Schaeffer Conroy, *The Soviet Pharmaceutical Business During Its First Two Decades (1917-1937)* (New York: Peter Lang, 2006), 101.

<sup>92</sup> *Latvijas āreja tirdznieciba un tranzits* 1922, 38–41.

<sup>93</sup> John P. Hurley, “Declared Exports from Latvia to United States in 1922,” *Commerce Reports* 1, no. 12 (March 19, 1923): 774.

<sup>94</sup> Jekabsons, “Otchet latviiskogo diplomata o komandirovke v moskvu v kontse 1922 - nachale 1923 goda,” 201. The *Rigasche Rundschau* likewise reported that “silver coin” was the “primary bartered article” coming from Soviet Russia. “Grenzhandel,” *RR*, 9 December 1922, 13.

<sup>95</sup> Jekabsons, 202.RGAE 413/14/136: 15.

mint silver coins stamped with the hammer and sickle in 1921, their quantity was dwarfed by those bearing the two-headed eagle. The one-ruble and 50-kopek coins minted before 1917 were cast from an alloy containing approximately two-thirds of pure silver; the smaller 20, 15, 10, and 5 kopek coins were only one-third silver. Accordingly, Olin noted that “although small silver change is accepted” at the barter shops, it was counted at half the value of larger coins – “a ruble in small change for a half ruble coin.”<sup>96</sup> Some Russian smugglers (or those who financed them) reached even deeper into the caches they had managed to stow away amid the depredations of War Communism; Šūmanis reported that “[a]mong the silver rubles sometimes appear numismatic rarities, whose age often reaches 200 years.”<sup>97</sup>

While silver coin provided a common basis of calculating value, other valuables – including gold, platinum, and precious stones – all flowed into Latvia via the barter stations as well. Indeed, because Latvia itself produced none of these metals and minerals, the economist Alfreds Ceichners argued that the border trade accounted for the dramatic difference between the country’s official imports and exports of valuables (documented in the following two tables).

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<sup>96</sup> RGAE 413/14/136: 15+rev.

<sup>97</sup> Jekabsons, “Otchet latviiskogo diplomata o komandirovke v moskvu v kontse 1922 - nachale 1923 goda,” 202.

Table 2: Flows of Valuables across Latvia's Frontiers, 1922 (in Kilograms)<sup>98</sup>

	TOTAL Official Imports	TOTAL Official Exports	Difference (Smuggled from Russia)	Chief Export Destinations							
				UK	Ger- many	Swe- den	Hol- land	Bel- gium	USA	Fran- ce	Esto- nia
Platinum	< 1	121	120	61	5	37		0.21	4	8	6
Gold	17	543	526	160		346	10	25			3
Gold & silver articles	203	6,050	5,847	4,301	1,273	455			19		
Silver	294	47,452	47,158	43,543	2,143	319	448			3	
Silver coins	1	12,423	12,422	11,161	527	734					
Various precious metals & scrap		605	605	255	312	35			0.30		
<b>TOTAL precious metals</b>	<b>515</b>	<b>67,193</b>	<b>66,678</b>	<b>59,481</b>	<b>4,260</b>	<b>1,926</b>	<b>458</b>	<b>25</b>	<b>23</b>	<b>11</b>	<b>8</b>
Precious & semi-precious stones		2.48	2.48	0.20				1.67	0.01	0.31	

Table 3: Flows of Valuables across Latvia's Frontiers, 1922 (in Latvian Rubles)<sup>99</sup>

	Total Official Imports	Total Official Exports	Difference (Smuggled from Russia)
Platinum	35,483	45,999,682	45,964,199
Gold	2,057,030	68,537,064	66,480,034
Gold & silver articles	1,433,510	23,244,719	21,811,209
Silver	1,170,896	171,621,834	170,450,938
Silver coins	2,270	46,622,231	46,619,961
Various precious metals & scrap		9,265,074	9,265,074
Precious & semiprecious stones		102,806,818	102,806,818
<b>TOTAL</b>	<b>4,699,189</b>	<b>468,097,422</b>	<b>463,398,233</b>

<sup>98</sup> Latvijas āreja tirdznieciba un tranzits 1922, 4–9, 26–29, 64–69, 110–11.

<sup>99</sup> Latvijas āreja tirdznieciba un tranzits 1922, 9, 29, 69, 111.

Corroborating Šūmanis's and Olin's observations about the centrality of silver to the westbound traffic, Latvian customs statistics reveal that while the country imported less than 300 kilograms of silver in 1922, it exported nearly *sixty tons* of the metal that year. While that figure included over twelve tons of silver coin, the bulk of the silver was shipped out in undifferentiated form – most likely as melted down ingots, coins, and church plate. At the same time, Šūmanis's report that the barter station at Zilupe pulled in over 160 kilograms of silver coin a day (and thus nearly sixty tons a year) suggests that the Latvian export figures reveal only a fraction of this flow. "If at one single station at Zilupe ten poods of silver daily make its way across the border," the Latvian diplomat himself marveled, "then one can imagine what it comes to along the entire western border of Russia."<sup>100</sup>

What was true of silver probably held true for the other valuables as well: the six tons of gold and silver articles, more than half a ton of gold, 120 kilograms of platinum, six hundred kilograms of various precious metals and scrap, and two-and-a-half kilograms of gemstones whose value nearly equaled that of the gold and platinum combined (indicating the prevalence of diamonds, sapphires, emeralds, and rubies) that flowed out of Latvia likely represented a fraction of the frontier barter stations' haul. With a price-to-size ratio second to none, these precious portables were the consummate contraband, easily concealed from customs inspections on their way both into and out of the country. But even the recorded, legal export of these valuables alone accounted for around nine percent of Latvia's total exports in 1922.<sup>101</sup> It was little wonder that Riga continued to patronize the frontier traffic despite mounting security concerns.

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<sup>100</sup> Jekabsons, "Otchet latviiskogo diplomata o komandirovke v moskву v kontse 1922 - nachale 1923 goda," 202.

<sup>101</sup> Ceichners, "Latvijas maksājumu bilance," 1083.

As in Poland, however, the sheer volume of the valuables pouring in across the Soviet border prompted concerns about the sustainability of this flow. “Zilupe is the best reflection of Russia’s present economic condition, albeit in miniature,” Šūmanis argued. “It demonstrates that despite whatever else is said on the subject, the Russian economy is continually declining. Old stockpiles are being sold off little by little, in exchange for everyday consumer articles.”<sup>102</sup> Ironically, Šūmanis failed to recognize that the booming demand for high-end consumer goods at the frontier barter stations actually testified to rising living standards on the Soviet side. At the same time, the fear that the valuables that Russian smugglers used to pay for contraband imports were running out encouraged Latvian authorities to keep the frontier exchanges running.

The valuables did not linger in Latvia, however. As if to validate the Kremlin’s worst suspicions, the lion’s share of the precious metals – including over ninety percent of the silver and over half the platinum – went to the Bolsheviks’ chief geopolitical antagonist, the United Kingdom. While only a modest quantity was shipped directly to the United States, a significant share of Sweden’s haul likely ended up in U.S. Treasury vaults alongside the gold that the Bolsheviks themselves had laundered through Stockholm’s Royal Mint.<sup>103</sup> Most of the gemstones found their way to Belgium, to be pored over by Jewish dealers in Antwerp’s Diamond Quarter. Whatever their final destinations, these precious metals and minerals thus beaded the sparkling strings that stitched together Soviet smugglers, Russia’s neighbors, and the centers of Western capital.

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<sup>102</sup> Jekabsons, “Otchet latviiskogo diplomata o komandirovke v moskvu v kontse 1922 - nachale 1923 goda,” 202.

<sup>103</sup> On the latter flow, see White, *British and American Commercial Relations with Soviet Russia*, 160–69; McMeekin, *History’s Greatest Heist*, 137–67.

With such valuables at stake, trust was paramount. Here, too, the traffic must have benefited from longstanding relationships that predated the border. “Trade is carried on here as between old and intimate ‘girlfriends’,” Šūmanis observed of the barter shop at Zilupe. “Without any discussions, the customer selects the needed goods, and then disappears into a small office, where the transaction takes place behind closed doors.”<sup>104</sup>

### ***Profit and Plunder***

As elsewhere along the Soviet frontier, however, value also attracted violence. To be sure, the new Latvian border policemen probably preyed on smugglers less extensively than did their less-disciplined predecessors. The fall 1921 purge of the border guards, combined with their improved provisioning, would have rendered them less likely to abuse their station. More crucially, the authorized expansion of the border traffic meant that far fewer traders were now considered smugglers. Instead of prosecuting the participants, Latvian law now protected them.

As a result, while in 1921 Latvian customs agents, border guards, and policemen had carried out some 412 confiscations of contraband goods on the Soviet frontier, the authorities on the Latvian side of the Soviet frontier recorded a mere 22 confiscations in 1922.<sup>105</sup> Moreover, following the spring 1922 reform of the system, the stationing of border patrols *behind* the frontier trade zone diminished the border guards’ opportunities for extortion. The new arrangement, however, also left the Latvian barter shops more exposed not only to local brigands but also to armed incursions from beyond the border.

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<sup>104</sup> Jekabsons, “Otchet latviiskogo diplomata o komandirovke v moskvu v kontse 1922 - nachale 1923 goda,” 201.

<sup>105</sup> Ceichners, “Latvijas maksājumu bilance,” 1085. Since Latvian border guards likely failed to report a higher fraction of confiscations in 1921 than in 1922, the actual decline must have been even more dramatic.

Thus, in the evening of June 25, 1922, one Karpov, the operator of a barter shop at the Saveiki farmstead, situated less than a mile from the border, heard a knock at the entrance. “Assuming that Russian customers had arrived, Karpov opened the doors,” *Jaunākās Ziņas* reported, “but was immediately seized by the assailants, who then commenced carrying out the goods from the shop.” The robbers turned out to be four of some “12 armed Soviet cavalrymen,” who had brought “two empty wagons” to carry off the loot; while the four assailants pillaged Karpov’s, their cohorts stood guard by the surrounding shops. “Karpov succeeded in breaking free and calling the police,” the paper related, “after which the robbers, returning fire, fled back to Soviet Russia.” On the evening of the following day, however, “these same Bolshevik cavalrymen attempted to attack the barter shop in Kul’kov, but were driven away by our border guard. It has now come out that the brigands belong to the detachment of commissar Shubin.”<sup>106</sup>

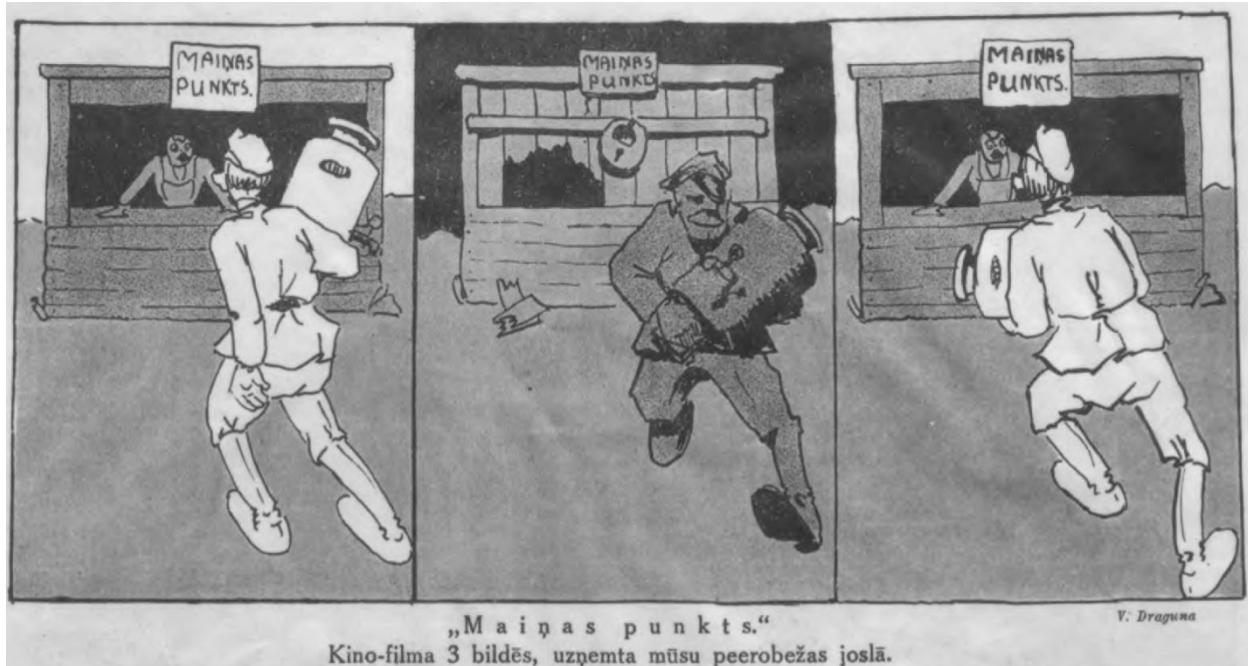
While the reported raid was especially egregious, it was neither unique nor incongruous. Malnourished and unshod Soviet border guards saw smugglers as legitimate quarry. The revolutionary ethos of “plundering the plunder,” combined with years of vilifying “speculators,” helped rationalize such predation. Pillaging a barter shop in the poorly guarded Latvian free trade zone was thus merely an extension of prior practice. Latvian authorities clearly showed no consideration for Soviet laws; why, then, should an enterprising Soviet officer not teach the capitalists a lesson while simultaneously provisioning his men?

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<sup>106</sup> “Napadenie sovetskikh kavaleristov,” *Segodnia*, 4 July 1922, 2; “Aus Lettgallen,” *LZ*, 5 July 1922, 2. One Wassili Karpow, with a business address on Riga’s Avotu Street, is indeed listed as a barter station operator in the *Handelsadressbuch Lettlands*, 377.

As the frontier trade blossomed in late 1922 and early 1923, reports of violence around the barter shops multiplied.<sup>107</sup> True to form, *Svari* captured the zeitgeist in a biting cartoon:

*Figure 24: Profit and Plunder*



“Barter station”  
A film in 3 scenes, shot in our border belt.

*Source: Svari*, 26 January 1923, 8.

After lugging his samovar to the Latvian barter shop, the smirking Russian peasant breaks in at night to retrieve it – and returns the next day to offer the same samovar to the wide-eyed shopkeeper. While in actuality *both* the smuggling and the robbery would have occurred after sunset (and samovars do not figure in the westbound traffic), the cartoon is not entirely fanciful:

<sup>107</sup> See “Ķreewu tirgotajā aplaupišchana,” *Pirmdeenas Rihts*, 11 December 1922, 2 (I am grateful to Jānis Strankals for the translation); “Atkal mainu punkta aplaupišchana,” *ibid*, 15 January 1923, 2; “Mainas punktu aplaupišchana,” *Briva Zeme*, 19 January 1923, 1.

at least some of the Soviet contraband plundered from the barter stations would have been smuggled back into Latvia in exchange for liquor or other goods.

Latvian authorities were not amused. The raids on the barter shops formed part of a rising crescendo of security concerns on the eastern border. In early December, *Segodnia* reported that the political police had arrested in Latgale five members of a gang “engaged in transporting communists, agitators, and spies from Sov[iet] Russia.”<sup>108</sup> Meanwhile, the criminal police was reportedly struggling to cope with the numbers of unauthorized border crossers coming from Russia for purposes other than trade. “Some of them are furnished with false papers, others have no identification papers at all,” the *Jaunākās Ziņas* lamented. “[T]hese foreigners are picked up at the border by peasant agents for further travel.”<sup>109</sup>

In response to such alarming developments, just before Christmas, the Ministry of the Interior convened a meeting with representatives of the Finance Ministry and the chiefs of the country’s eastern border districts. To facilitate control, the conference resolved to allow “no more than one barter station” in the vicinity of each border police outpost. It also produced restrictions akin to those adopted by the Polish authorities a year earlier. Upon crossing the border, Soviet smugglers were to hand their papers over to a border police sentry, who would now presumably patrol closer to the action; in exchange, the sentry would furnish the smuggler with a 24-hour pass for visiting the barter shop. “It is assumed that this kind of control will prevent undesirable elements from remaining in the country,” the *Rigasche Rundschau* commented hopefully.<sup>110</sup>

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<sup>108</sup> “Likvidatsiia prestupnoi shaiki,” *Segodnia*, 10 December 1922, 3.

<sup>109</sup> “Illegale Einwanderung aus Rußland,” *LZ*, 11 December, 1922, 1. In June, *Segodnia* had reported that an average of fifty people were crossing illegally from Russia each day, including both Communists and Latvian refugees. (“Nelegal’nyi perekhod granitsy,” 21 June 1922, 3.)

<sup>110</sup> “Handel in der Grenzzone,” *RR*, 23 December 1922, 9.

Moreover, not content with such defensive measures, the Latvian government began the new year with a diplomatic protest. Citing the incursions by “armed bands” into Latgale and the “robbing of peaceful inhabitants and several barter shops,” Riga called on Moscow to put an end to the “abnormal conditions at the border, which tarnish the friendly relations between the two states.”<sup>111</sup> The Kremlin, however, was readying a démarche of its own.

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<sup>111</sup> “Eine neue Protestnote an Sowjetrußland,” *RR*, 4 January 1923, 7.

### **Conclusion to Part III**

Chapter Three found that the November 1921 Ukrainian guerilla incursion prompted both Soviet and Polish authorities to securitize their common frontier, further impeding a traffic already constricted by the frontier trade regulations of Polish Internal Affairs Minister Stanisław Downarowicz. However, Chapter Four reveals that by throwing a wrench into official Soviet-Polish trade talks, the Ukrainian raid also had a paradoxically liberalizing effect on the frontier traffic. This is because the ensuing diplomatic tensions – combined with the Soviet government’s financial difficulties – diminished the prospects of official trade, rendering Warsaw more receptive to the pleas of Łódź manufacturers and Lwów merchants clamoring for a reopening of the frontier to commerce that the Soviet side considered contraband. Meanwhile, as the Soviet trade representative reasonably feared, the resumption of this traffic probably rendered the Polish government “less accommodating and less pliable” in trade talks. In a mutually-reinforcing loop (likely replicated elsewhere along the Soviet frontier) the absence of a trade treaty thus encouraged smuggling, while the success of smuggling discouraged pursuit of a trade treaty.

As Chapter Four reveals, Polish authorities unilaterally reopened the country’s eastern frontier to trade with Soviet smugglers in early February 1922. Moreover, by authorizing the operation of “mobile crossing points,” Warsaw went even further than did Riga or Tallinn to accommodate the traffic. Dropping any pretense that this trade would “proceed on an identical basis to that with other foreign countries” – as deputy Minister of Industry and Trade Henryk Strasburger had forecast optimistically the prior summer – the new system involved Polish customs officials and gendarmes traveling as far as fifteen kilometers from their permanent posts to rendezvous with Polish merchants and Soviet smugglers on forest paths under cover of darkness.

While ensuring that the traffic benefited the Polish Treasury, such solicitous supervision also rendered the Polish state conspicuously complicit in this contraband trade.

Even as Polish authorities liberalized the traffic by accommodating Soviet smugglers, this liberalization was circumscribed by cumbersome regulations, access fees, and the diktat of local officials. Jewish merchants – whose extensive cross-border networks had nourished this traffic from its beginnings – found themselves especially targeted. Officials’ deliberations and press accounts excoriated Jewish dominance of the frontier trade as damaging to state finances and (especially) state security. Local administrations demanded that applicants for frontier trade permits furnish baptismal certificates. Jewish traders responded by hiring Christian cutouts, plying venal officials, and simply smuggling past Polish patrols – thereby inviting further discrimination and repressions. The traffic thus rendered the Soviet frontier one of the key sites at which the young Polish state negotiated its uneasy relationship with its Jewish citizens and drew the *internal* boundary of the Polish nation.

The chapter traces the explosive growth of the Polish-Soviet contraband (in Moscow’s view) trade over the course of 1922, and identifies the multiple layers of illegality that made this border boom possible. In addition to smuggling via the “mobile crossing points” authorized by the Polish side and smuggling in violation of both Polish and Soviet laws, it uncovers the persistence of smuggling by Soviet contractors who continued to operate on the same model as the agents dispatched across the frontlines by deputy Foreign Trade Commissar Georgii Solomon during the Civil War. Moreover, the chapter finds that local Soviet authorities continued to violate Moscow’s official monopoly on Soviet foreign trade by abusing Foreign Trade Commissar

Krasin's authorization of small-scale frontier commerce. The result was a vast semi-contraband traffic that proceeded in broad daylight at points such as the notorious Podwoloczska bridge.

By late May 1922, a Soviet clampdown had throttled the latter flow; however, this was offset by intensified smuggling via the mobile crossing points operated by Polish officials. According to a range of sources, contraband (in Moscow's view) traffic across the Soviet-Polish frontier blossomed that summer and fall. A comparison of the two countries' official foreign trade statistics reveals that nearly five thousand tons of eastbound exports recorded by Polish customs officials (including millions of meters of cloth and a quarter-million liters of alcohol) were never received by their Soviet counterparts, suggesting that these goods flowed across the border in one of the Polish-authorized contraband streams described above.

Chapter Five finds that, as in Warsaw, Tallinn's reservations about the Soviet frontier traffic had led the Estonian Cabinet to resolve to shutter the barter stations by February 1, 1922. Building on Jaak Valge's research, the chapter explains why this decision was not enforced. While Tallinn placed high hopes on the development of official trade, Soviet-Estonian relations deteriorated that winter and spring due to political factors (Estonian support of Finland in the aftermath of the East Karelian uprising and the Estonian execution of the Communist leader Viktor Kingisepp). Moreover, Soviet authorities initiated a months-long crackdown on the systematic smuggling of valuables out of the country by Estonian diplomatic personnel, and denied visas to Estonian commercial agents. Meanwhile, both the depletion of the Kremlin's gold reserves and Russia's reestablishment of trade links with its major prerevolutionary trading partners significantly diminished Tallinn's economic significance to Moscow. The frustrations of official trade thus highlighted the barter stations' continued profitability, enhanced by the infusion of

church plate into circulation on the Soviet side. Finally, because the Bank of Estonia had extended credit to merchants stocking up goods for the Russian market, Tallinn acquired a direct stake in the barter stations' success.

The chapter supplements Valge's findings about the contents and scale of the Estonian traffic – over a hundred barter stations moving thousands of tons of goods in both directions over the course of the year – with original research that highlights the central role alcohol came to occupy in the eastbound flow. Thus, a single Tartu distillery alone supplied nearly a quarter million liters (which in Valge's estimate was the *total* volume of the alcohol smuggled east); not incidentally, 1922 also witnessed the highest annual alcohol output in interwar Estonia. Moreover, the chapter expands on Valge's findings about the centrality of flax to the westbound flow by uncovering the prominent role of Russian fishermen in this traffic, and identifies the final destination of the smuggled fibers (Britain, Germany, and especially Belgium) – thus unspooling the strands that linked Western capital to this contraband trade.

The chapter also uncovers the significance of alcohol to the social life of the Estonian barter stations, and the challenge this presented to the authorities' efforts to impose order on the unruly traffic. It details other problems with the new system of control officers dispatched by the Estonian Border Police Directorate to supervise the barter stations, especially these officers' dependence on their charges. Finally, the chapter uncovers an “epidemic” of fires that consumed several Estonian barter stations in the fall of 1922 and early winter 1923, and raises the possibility of arson by Soviet operatives (based on similar developments elsewhere). In short, the chapter finds that over the course of 1922, the Estonian-Soviet frontier traffic had grown more voluminous and more valuable, but also more precarious.

Perhaps encouraged by the example of its neighbors and spurred on by the growing competition to the south and north, Latvia relaxed the restrictions governing its own Soviet frontier traffic in the spring of 1922. Chapter Five uncovers the establishment of what was likely the most laissez-faire system of all three states: a veritable free-trade zone between the frontier and the Latvian border guards' posts. At the same time, it finds that the Latvian traffic reached the greatest level of commercial organization. The establishment of the Robežtirdzniecība Joint-Stock Company in September 1922 testified to the flourishing of the frontier trade and its newfound respectability; together with the involvement of major Riga firms, it also reflected confidence in the traffic's future. The chapter uncovers the financial incentives the Latvian Finance Ministry offered to encourage the smuggling of alcohol and saccharin to Soviet Russia, and compares Latvian and Soviet foreign trade statistics to determine the volume of this flow. It finds that in 1922, with the blessing of Latvian customs officials, Latvian barter stations sold nearly three-quarters of a million liters of alcohol and over fifty-seven tons of saccharin to Soviet smugglers – thus becoming a major supplier of the first commodity and probably *the* major supplier of the second.

Tracing the westbound flows, the chapter finds that the intensified smuggling of Russian flax and flaxseed into Latvia compensated for Latvia's own disappointing harvest of the crop in 1922. Mixed with the native Latvian product, the thousands of tons of flax fiber and seed that Russian peasants ferried across the border formed a major portion of Latvia's chief export commodity. The high volume of this flow meant that, to a greater extent even than in Estonia, the Latvian traffic tied Western finance to the Soviet frontier. But it was the Latvian trade in the precious metals and stones smuggled from Russia that most clearly illuminates this link. The

chapter finds that dozens of tons of silver, over half a ton of gold, and significant quantities of platinum and gemstones used by Russian smugglers to pay for contraband goods at the Latvian barter stations subsequently made up nearly ten percent of the value of Latvia's *official* exports alone. The recipients were the same Western capitalist states that looked to the cordon sanitaire to contain the Communist contagion – even as their capital worked to make the Baltics' borders so profitably permeable to contraband.

Finally, the chapter finds that the border boom was accompanied by a spike in cross-border banditry. Whether the raiders were local brigands, rogue Soviet border guards, or GPU guerillas acting with the blessing of higher-ups – or some mix of the three – is unclear; but for Latvian authorities, the assaults highlighted the security costs of the lucrative traffic. Riga responded with new regulations restricting the movement of Soviet smugglers on Latvian territory, as well as with a diplomatic protest to Moscow. Even as the NEP took hold on the Soviet side of the border and the war years receded into memory on both, the traditional elements of good neighborly relations – a well-defined border and vibrant cross-border trade – were disturbing the peace on the Soviet frontier.

## Part IV

### Rebalancing the Scales, 1923-24

#### Introduction

As we saw in the previous two chapters, the fevered pace of contraband trade across the Soviet border prompted concern not just among Soviet authorities but also among its participants on the western side. Of course, even as both the Soviets and their neighbors worried about the same phenomenon, they did so for very different reasons. While the Kremlin and its subordinates grew increasingly anxious that the furtive outflow of valuables imperiled the party's economic agenda, the recipients of this contraband largesse worried that it would soon run out. "At the current volume of the trade, the reserves of gold in private hands" on the Soviet side "will not last longer than a year," Szefer, the American-Europe Exchange Corporation representative, fretted upon returning to Łódź after conducting business on the Soviet-Polish frontier in March 1922. "[T]here are those who assert that trade carried out in this manner will collapse for lack of means of payment already in half a year."<sup>1</sup>

After all, the infusion of church plate into circulation amid the Bolsheviks' confiscation campaign that spring could nourish the contraband trade for only so long. While not a merchant himself, Vilis Šūmanis, the head of the Latvian Foreign Ministry's Political-Economic Department, likewise wondered about the sustainability of the transactions he witnessed at Latvia's Soviet frontier that December. "The old stocks are being sold off little by little," he mused, noting that with "gold no longer coming in from Russia" – the old stock depleted – the Soviet smugglers

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<sup>1</sup> "Co się dzieje na granicy polsko-sowieckiej?" *KŁ*, 6 March 1922, 6

now paid in silver. “If at one single barter station at Zilupe ten poods of silver make their way across the border every day,” Šūmanis wondered rhetorically, “then one can imagine what it comes to along Russia’s entire western border.”<sup>2</sup>

However, two developments now combined to replenish the supply of valuables and foreign currency in the hands of the Soviet population. Both were directed by the Kremlin itself.

Since the beginning of the currency reform in late 1922, the State Bank and (starting in August 1923) the Finance Commissariat’s Foreign Currency Directorate had been carrying out a policy of “gold and currency intervention” – selling and buying tsarist-minted gold coins and foreign currencies to private citizens with the twin goals of bolstering public confidence in the chervonets (the new ten-ruble note) and maintaining its exchange rate on the free market. Until spring 1924, the Soviet government’s domestic market sales of tsarist gold coins, U.S. dollars, and British pounds significantly exceeded its purchases of the same. Soviet authorities had grudgingly acquiesced to these sacrifices for the sake of a stable and trusted chervonets – even as they recognized that the gold and currency intervention served as a significant source of capital for the contraband trade.<sup>3</sup>

Virtually unknown to scholars, the second financial development was probably at least as important as the currency intervention in nourishing the contraband trade. On February 18, 1923, *Izvestiia* carried just under the masthead a tantalizing advertisement that ran the length of the page and disappeared seductively under the fold:

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<sup>2</sup> Eriks Jekabsons, “Otchet latviiskogo diplomata o komandirovke v Moskvu v kontse 1922 - nachale 1923 goda,” in *Rossiya i Baltiia: Novyi mir na razvalinakh imperii*, 8 (Moscow: Ves’ Mir, 2017), 202.

<sup>3</sup> Iu. Goland, *Krizisy, razrushivshie NEP. Valiutnoe regulirovanie v period NEPa.*, 2nd ed. (Moscow: Fond ekonomicheskoi knigi “Nachala,” 1998), 89–153.

Figure 25: “DOLLARS RECEIVED FROM AMERICA”



Source: *Izvestiia*, 18 February 1923, 1.

The advertisement contained the names of over 200 individuals in cities around the Soviet Union who had received “dollars from America,” to be paid out by the Russian Bank of Trade and Industry, the Prombank. Nearly all of the lucky recipients reside in the cities and towns of Ukraine and Belorussia, and nearly all are Jewish. While the recipients (not to mention other Soviet Jews) may not have appreciated the envy-inducing publicity, they surely appreciated the help – the more so as the remittances were paid out in actual dollars.

The announcement marked the resumption of remittance flows that had been interrupted by the Bolshevik takeover. But the Bolshevik victory also encouraged this revival. The millions of immigrants who had left the Russian Empire for points west before 1917 had been joined by an estimated two million refugees from Revolution. Both old immigrants and new arrivals left behind relatives and friends. Before the Revolution, the money that the new Americans (which is what most of the immigrants had become) sent back was enough to tip international balance of payments calculations. During 1902-1906 alone, American money orders totaling some 70 million dollars were cashed in Russia and Austria-Hungary – and many other remittances surely arrived by other means.<sup>4</sup>

Western bankers were naturally suspicious of the Bolsheviks, so it was no accident that the first American bank to secure a major remittance arrangement was the financial institution of the Amalgamated Clothing Workers, the American textile industry’s major labor union. Like most of its members, the ACW’s president, Sidney Hillman, was a Jewish immigrant from the Russian Empire. He was also an admirer of Lenin, with whom he conferred during a business visit to the

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<sup>4</sup> Alan M. Ball, *Imagining America: Influence and Images in Twentieth-Century Russia* (Rowman & Littlefield Publishers, 2003), 68.

Soviet Union in the fall of 1922.<sup>5</sup> In 1923, the Amalgamated Bank of New York and the Amalgamated Trust and Savings Bank (Chicago) would process over 90,000 remittances to the Soviet Union, totaling nearly two-and-a-half million dollars.<sup>6</sup> Soviet officials tallied the receipt of some 23,000,000 rubles' worth of remittances during the 1923/24 fiscal year (October 1, 1923 – September 30, 1924), a figure that grew to 33,200,000 rubles' worth in 1924/25.<sup>7</sup> Some 1,100 other banking institutions, including American Express, would eventually avail themselves of the Amalgamated's remittance service – so reputable in part due to its guarantee that the recipients could obtain dollars rather than rubles.<sup>8</sup> With the bulk of the recipients residing in Ukraine and Belorussia, the swelling stream of dollar remittances helped ensure that Soviet smugglers would not run out of cash any time soon.

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<sup>5</sup> Steve Fraser, *Labor Will Rule: Sidney Hillman and the Rise of American Labor* (Ithaca: Cornell University Press, 1993), 178–89.

<sup>6</sup> Amalgamated Clothing Workers of America records, #5619. Kheel Center for Labor-Management Documentation and Archives, Catherwood Library, Cornell University (ACWAR) Box 201, Folder 2.

<sup>7</sup> T. Engeev, “Evoliutsia Platezhnogo Balansa SSSR,” *Vestnik Finansov*, no. 11 (1927): 9–10.

<sup>8</sup> ACWAR Box 201, Folder 2; Fraser, *Labor Will Rule*, 317.

## Chapter Six

### Gaslighting Moscow: Soviet Protests and Baltic Evasions

#### *Riga's Retreat*

In mid-January 1923, reports began to appear in the Latvian papers that were far more worrisome for Latvia's – and not only Latvia's – entrepreneurs than even the disconcerting frontier violence. “Russia is said to have proposed to all border states to close the barter stations on the Russian borders, as they are unnecessary,” *Brīvā Zeme* announced. “In order to fight smuggling more successfully, a reinforcement of the [Soviet] border guard is planned.”<sup>1</sup>

Even more disheartening was Riga's remarkably obliging response. “After a thorough discussion of the matter, a Latvian interagency commission expressed its support for the speedy closure of the barter stations,” the *Rigasche Rundschau* reported.<sup>2</sup> “The demand of Sov[iet] Russia about the liquidation of the border barter stations has not prompted fundamental objections from our government,” Foreign Affairs Minister and former Prime Minister Zigfrīds Anna Meierovics, on his way to holiday on the Italian island of Capri, remarked breezily to reporters. “The settlement of this question has been entrusted to the Ministry of Finance.”<sup>3</sup> For its part, the Finance Ministry had reportedly “resolved to liquidate the barter stations” and “not to grant new concessions.”<sup>4</sup> “The already-issued licenses will be declared invalid,” the *Rigasche Rundschau* warned. “Supervision over trade in the border zone, for as long as the state of martial law persists, is to be

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<sup>1</sup> “Mainas punktu slēgšana?,” *Brīvā Zeme*, 15 January 1923 and *Jaunais Rīts*, 18 January 1923, 3; “Schließung der Tauschpunkte?”, *RR*, 16 January 1923, 5 and *LZ*, 17 January 1923, 2.

<sup>2</sup> “Die Warentauschpunkte an der russischen Grenze,” *RR*, 23 January 1923, 5.

<sup>3</sup> “Z. Meierovits o tekuschikh voprosakh (Beseda),” *Segodnia*, 28 January 1923, 3.

<sup>4</sup> “Pogranichnaia torgovlia s Sov. Rossiei,” *Segodnia*, 28 January 1923, 3.

exercised by the Interior Ministry. This will ensure that the barter trade with Russia is not carried on illegally.”<sup>5</sup> “The barter stations will be closed on April 1,” the paper reported the next day. “Only a few trustworthy citizens will receive permission to open stations in the border zone, inasmuch as it is necessary to satisfy the needs of the local inhabitants.”<sup>6</sup> “With the liquidation of the barter stations,” *Segodnia* echoed, “it is intended after April 1 to permit only wholly respectable and reliable firms to open trading establishments.”<sup>7</sup> It was as if Latvia was suddenly eager to forget the frontier trade as a youthful indiscretion.

What prompted Riga to accede so readily to Moscow’s demands? As in Estonia a year earlier, the willingness to shutter the barter stations probably stemmed from both fear and hope. The Interior Ministry’s initial opposition to the frontier trade had gained renewed traction from the violence around the barter stations, as well as unabating concerns about their role as portals for Soviet subversion. Nor had the cloud of suspicion over the traffic itself ever fully lifted. “Although the concessions were only given to trustworthy, respectable merchants, various suspicious persons are understood to have taken part in the business and engaged in ‘dealing’” – aeuphemistic catchall for proscribed practices – the *Rigasche Rundschau* reported. “Around 100 people had to surrender the passes for entry into the border zone.”<sup>8</sup> At the same time, the closing of the barter stations was to serve as a show of good faith that would bolster Riga’s renewed push to secure a trade treaty with Moscow. Responding to Soviet Plenipotentiary Representative Konstantin Yurenev’s protest “about the illegal trade in the Latvian barter stations that have become hotbeds of large-scale

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<sup>5</sup> “Schließung der Grenz-Tauschpunkte,” *RR*, 29 January 1923, 5.

<sup>6</sup> “Zur Schließung der Warentauschpunkte an der russischen Grenze,” *RR*, 30 January 1923, 5.

<sup>7</sup> “Obmennye punkty na latviisko-sovetskoi granitse,” *Segodnia*, 31 January 1923, 5.

<sup>8</sup> *RR*, 30 January 1923, 5.

smuggling,” Meierovics’s Ministry emphasized that “the undesirable phenomena in the realm of trade are the result of the unregulated nature of commercial relations between Latvia and Sov[iet] Russia,” and called on the Soviet government “to embark on the conclusion of a trade treaty in the shortest possible time.”<sup>9</sup>

Yurenev had left to take up the Soviet ambassadorship to Prague, but on March 1, his interim successor replied that the Soviet government shared the Latvians’ desire to facilitate the “strengthening of the economic relations between the two countries,” and proposed commencing trade talks in Moscow.<sup>10</sup> The *Rigasche Rundschau* soon announced that talks would begin by the end of the month, and reiterated that the barter stations would be closed.<sup>11</sup> The management of Robežtirdzniecība certainly took the reports seriously: the company had just issued a second stock offering, and it had obligations to meet.<sup>12</sup> By mid-March, Robežtirdzniecība announced that it had secured permission to export over a million liters of alcohol – but to Spain rather than to Russia.<sup>13</sup> The commercial negotiations in Moscow would take time; and in any event, the Soviet government would not be nearly as interested in importing Latvian spirits as the Soviet smugglers had been at the barter stations. The frontier trade that inspired the company’s establishment just months earlier now seemed a precarious proposition at best.

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<sup>9</sup> “Nota Latvii Sov. Rossii,” *Segodnia*, 25 January 1923, 1; “Latvia. Otnoshenia s Rossiei,” *Izvestiia*, 2 February 1923; *Dokumenty vnyeshnei politiki SSSR*, vol. 6 (Moscow: Izdatel’stvo politicheskoi literatury, 1962), 213–14.

<sup>10</sup> *DVP*, 6:213.

<sup>11</sup> “Die Verhandlungen mit Rußland,” *RR*, 13 March 1923, 9; “Reorganisation der Zollämter,” *RR*, 20 March 1923, 9.

<sup>12</sup> “Pamatkapitālu paleelinašana,” *Latvijas Tirdotajs*, No. 3, March 1923, 10.

<sup>13</sup> “Lettlandischer Spiritus nach Spanien,” *RR*, 17 March 1923, 9.

### ***Latvian Legerdemain***

On March 27, Deputy Finance Minister Jānis Blumbergs chaired a meeting of an interagency commission to deliberate “the question of the liquidation of the barter stations on the Soviet border.” As had been reported earlier, the conference resolved “to liquidate all stations on the Soviet border [by] April 1.” “From April 1 to 7, no trade or barter will be conducted at the border,” the commission pronounced. “In place of the present 270 concessions [*sic*], only around 60-70 trade patents will be issued,” and these would be granted “only” to “respectable firms.” Moreover, each patent holder would only be allowed to open one station.<sup>14</sup> Finally, only one station would be authorized in each location – with the exception of the commercial hubs of Ritupe, Indra, and Poleščina, where two stations were allowed – and each station had to be situated in the vicinity of a border guard post. “Trade in the frontier zone will take place in the same manner as in the rest of the country,” Blumbergs proclaimed in an interview with *Brīvā Zeme*, “except that in a two-verst-wide strip along the border, where the state of martial law endures, only the best-known, respectable merchants will be permitted to trade.”<sup>15</sup> The commission resolved that “[a]ll stations at the border will be considered local commercial establishments.”<sup>16</sup>

The last point was the quiet crux of the Latvian response to the Soviet protest. While humoring their eastern neighbor by reducing the number of barter stations fourfold, the Latvians had no intention of abandoning the lucrative traffic. To maintain the appearance of full

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<sup>14</sup> “Mainu punktu likvidacija,” *Latvijas Vēstnesis*, 4 April 1923, 1; “Likvidatsiia tovaroobmennykh punktov,” *Segodnia*, 5 April 1923, 3; “Schließung der Tauschpunkte,” *RR*, 5 April 1923, 9. The quote is from *Segodnia*, which incorrectly refers to the individual stations as “concessions”; as noted in Chapter Two, each concession allowed an entrepreneur to open up to six stations.

<sup>15</sup> “Torgovlia na granitse,” *Segodnia*, 7 April 1923, 3; “Reorganisierung des Grenzhandels,” *RR*, 6 April 1923, 5; “Reorganisierung des Grenzhandels,” *LZ*, 11 April 1923.

<sup>16</sup> “Likvidatsiia tovaroobmennykh punktov,” *Segodnia*, 5 April 1923, 3.

cooperation, however, Latvian authorities would maintain the pretense that the remaining stations were there to service the local population. The emphasis on the merchants' respectability would burnish this new frontier façade.

On March 31, the Latvian Foreign Ministry officially informed the Soviet embassy that the frontier barter stations would be “liquidated” by the following day.<sup>17</sup> Two weeks later, a conference of top officials of the Soviet Western Customs District noted that some barter stations along the southern stretch of the Latvian border had indeed been shuttered. However, the Soviet customs officials registered a prescient skepticism about the station closings, fully expecting the trade to continue in the remaining stations as well as “in every village hut” lining the Latvian side of the border. “Contraband merchandise will continue to seep through to our side, in the same quantity if not in a greater one,” they warned.<sup>18</sup>

As would soon become apparent, the Latvian diplomats were in fact engaged in what is now known as “gaslighting.” To be sure, the diplomats themselves may have been “gaslit” by Finance Ministry officials. Given the Foreign Ministry’s longstanding opposition to the frontier traffic, the pretense that the remaining stations would service the local Latvian population was likely intended not only for the Soviet diplomats, but for their Latvian counterparts as well.<sup>19</sup> Wittingly or not, however, Riga’s representatives perpetuated the charade.

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<sup>17</sup> The Latvian note was issued under № 0/70665/12718. The Chief Customs Administration in Moscow soon directed Western Customs District head Jan Olin in Minsk to verify whether the Latvians had fulfilled their promise. “Nachal’niku Zapadnogo Tamozhennogo Okruga,” 28 April 1923, signed by Customs Chief Potiaev, Natsional’nyi Arkhiv Respubliki Belarus’ (hereafter NARB) 129/2/46: 203.

<sup>18</sup> “Protokol soveschaniia otvetstvennykh rabotnikov Zapadnogo Tamozhennogo Okruga, sostoiavshegosia v okruzhnom upravlenii v g. Minske 16-18 aprelia 1923 g.,” RGAE 413/14/139: 46-47ob.

<sup>19</sup> For evidence of such deception, see the discussion of the Estonian example below.

Indeed, the stipulation that “previous concessionaires” would “enjoy priority” in the awarding of the new trade permits already suggested that the reform was little more than window-dressing.<sup>20</sup> Any remaining doubts on this score were soon dissolved at a closed-door meeting at the Ministry of Finance on April 16, chaired by Blumbergs and attended by Finance Minister Ansis Buševics. To begin with, even the number of remaining stations turned out to have been substantially understated, although this may have resulted from intensive lobbying by the frontier merchants rather than from a deliberate attempt at disinformation. “[I]t is planned to open stations in 95 locations,” the Interior Ministry Jānis Kēmane reported. “Ninety-four locations have been established already, but one spot is left vacant, it is being kept in reserve. A total of 112 permits have been issued for opening stores in these 94 locations.” “In two places, in Klešči and Opoli, there are three stations planned in each,” Kēmane detailed. “Trade in these villages is very lively ... there were 7 and 11 stations in these places before ... In 14 places there are 2 stations planned, and in 78 places - one in each.”<sup>21</sup>

“Will this not lead to some conflict with the neighboring countries?” Finance Minister Ansis Buševics fretted, citing the clustering of stations at Klešči and Opoli. The Minister’s concern made plain what was already obvious to everyone present: that the stations were *not* there to serve the Latvian side. Indeed, Kēmane confirmed that “[t]he Interior Ministry mainly adhered to the principle of meeting the requests from the old concessionaires,” denying renewals only to four merchants – Atis Kalniņš and Adam Rundals of Riga, M. Melbārd of Libau, and Sando Ošup of Ludza – “who were in conflict with the police over the transport of trespassers without proper

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<sup>20</sup> “Reorganisierung des Grenzhandels,” *RR*, 6 April 1923, 5.

<sup>21</sup> “Protokols. Sēde 16 aprīli 1923 g. attiecība uz atļauju piešķiršanu tirgoties pierobežas josla,” LVVA 6824/1/407: 23-24; here, 23. Translated by Jānis Strankals.

authorization, smuggling, and other illegality.” (To improve oversight and security, however, the Interior Ministry intended “to close any stores that are not managed by their owners” – “those that are rented out.”) That the stations would continue to operate in their former capacity of frontier barter stations was also confirmed by the location of the “main warehouses” stocking the goods sold to smugglers from the Soviet side. Kēmane reported that these would be situated at Rodovoje, Zilupe, Rītupe, Goliševa, Poleščina and Indra – the hubs of the Latvian-authorized contraband trade from its very beginnings.<sup>22</sup>

It was perhaps appropriate that Finance Minister Buševics left the meeting early. What the participants discussed next might have been difficult to stomach for the erstwhile Marxist revolutionary who had smuggled illegal literature from Germany at the turn of the century, cofounded the Latvian Social-Democratic Workers’ Party (LSDSP), led it into joining Lenin’s RSDRP in 1906, and then spent years in Siberian exile for militant activities that included the ‘expropriation’ of the Helsingfors branch of the Russian State Bank for the benefit of the Revolution.<sup>23</sup> After Buševics’s departure, the meeting turned to “the export of alcoholic beverages” to the Soviet Union. “[A]n act will be drawn up,” reported K. Kalniņš, head of the Finance Ministry’s Department of Indirect Taxes, “that the export of alcohol will now be

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<sup>22</sup> LVVA 6824/1/407: 23+rev. Translated by Jānis Strankals.

<sup>23</sup> In 1918, Buševics’s wing of the LSDSP split from the RSDRP and agitated for Latvian independence, and in 1920 Buševics himself helped negotiate Latvia’s peace with Soviet Russia. The LSDSP remained a formidable force in Latvian electoral politics. In the Cabinet of Prime Minister Jānis Pauļuks, which acceded to power in January 1923, LSDSP members held – in addition to the Ministry of Finance – the portfolios of the Minister of Labor as well as of the Deputy Ministers of Foreign Affairs and Education. The party would be outlawed in the wake of Kārlis Ulmanis’s coup in 1934 and its leaders, including Buševics, briefly imprisoned. After the Soviet occupation of Latvia in June 1940, Buševics would lead the delegation of Latvian politicians that formally petitioned for the country’s incorporation into the USSR. (Aleksandr Gurin, “Sozdatel’ i protivnik Latvianskoi Respubliki,” *Baltnews*, November 10, 2018, at <https://baltnews.lv/1022433668/sozdatel-protivnik-latvi.html>)

transferred to the joint-stock company ‘Robežtirdzniecība,’ which will be a sufficient document for the purposes of state control.”<sup>24</sup>

Soviet protests and Latvian reassurances about the putatively local, domestic purpose of the frontier stations notwithstanding, Latvian authorities were not about to forego one of the country’s most profitable illicit exports to the USSR. The Finance Ministry merely sought to put a buffer between the Latvian government and the disreputable traffic. “Since alcohol exports are transferred to the joint-stock company ‘Robežtirdzniecība’, the latter must also be responsible for any illegality the traders commit,” Kalniņš explained.<sup>25</sup>

The illegality that Kalniņš had in mind, however, was not the smuggling of alcohol into the USSR, but the illicit sale of the excise-free spirits locally, before they reached the border. “With the changes just mentioned, the current procedure for escorting each batch of alcohol to the border is then removed from the duties of the controllers,” Kalniņš concluded. “With regards to the moving of alcohol across the border, by and large we will have to trust the station owners themselves,” echoed a colleague. “When the first offense is detected” – that is, if a frontier merchant sold the excise-free alcohol to local Latvians rather than to Soviet smugglers – “the guilty trader’s license must be revoked, which will serve as a warning to the others.”

Officials from the Finance Ministry’s Department of Indirect Taxation would ensure compliance. Senior controllers with three assistants each would be stationed at Rodovoje, Rītupe, Goliševa, Poleščina, and Indra; reflecting the greater volume of the traffic there, the senior controller at Zilupe would oversee five assistants. These measures obviated the October 1922

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<sup>24</sup> LVVA 6824/1/407: 23rev. Translated by Jānis Strankals.

<sup>25</sup> LVVA 6824/1/407: 23rev. Translated by Jānis Strankals.

restriction that had limited the spirits traffic to only three of the six customs houses on the Soviet frontier.<sup>26</sup> Far from sealing the liquor cask, Latvia had uncorked its every aperture.

In early April 1923, presumably reeling from Riga's apparent capitulation to Moscow's demands and expecting the frontier traffic to contract substantially, Robežtirdzniecība's board of directors had announced that it was convening an "extraordinary shareholders' meeting" in the afternoon of April 28.<sup>27</sup> Now, with the Robežtirdzniecība's monopoly on the illicit export of alcohol to the Soviet Union secured, the mood at the company's headquarters at 2 Valņu Street in Riga's old city would be decidedly more buoyant. The assembled businessmen might even have raised a glass to toast the mouthwatering prospects that still awaited them in the east.

### ***Estonian Evasions***

The Latvians' northern competitors did not escape Soviet pressure to shutter the barter stations as well. Plenipotentiary Representative Yurenev's January protest in Riga was soon echoed by the Soviet embassy in Tallinn. In February, its First Secretary S. Kalina personally called on the Estonian Minister of Foreign Affairs Aleksander Hellat and the Director of the Ministry's Political Department, Eduard Virgo, to demand "the liquidation of the so-called transit stations located along the entire Estonian-Russian border," which "have become nothing other than points of legalized contraband trade with Russia." "[S]uch stations cannot be permitted by a State that enjoys good neighborly relations with Soviet Russia," Kalina insisted, arguing that "their activity is viewed by the Russian Government as a threat to the inviolability of the borders of the Russian Republic and her economic interests." The Estonian diplomats, the Soviet embassy

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<sup>26</sup> LVVA 6824/1/407: 23rev-24. Translated by Jānis Strankals.

<sup>27</sup> "Akc. Sab. „Robežtirdzniecība" ārkārtēja akcionāru sapulce," *Latvis*, 6 April 1923, 2.

reminded the Foreign Ministry on March 19, had agreed “to take every measure towards the liquidation of the aforementioned stations.”<sup>28</sup>

Indeed, Tallinn appeared no less responsive to the Soviet protest than Riga, presumably out of similar considerations. On March 7, President Juhan Kukk (who had personally approved the frontier trade guidelines two years earlier in his previous capacity as Minister of Trade and Industry) directed a committee of the Ministers of Finance, Interior, and Foreign Affairs to review the traffic; evidently familiar with the committee’s deliberations, Foreign Affairs Ministry Political Department Director Virgo reassured the Soviet Embassy’s First Secretary Kalina that he expected the barter stations to be closed by April 1.<sup>29</sup> Like their Latvian counterparts, the Estonian diplomats were uncomfortable with the decidedly undiplomatic border traffic, and happy to foster its cessation.<sup>30</sup> Virgo’s forecast proved too optimistic, but on April 25, Kukk signed a Cabinet resolution “to close the barter stations on the land border.”<sup>31</sup>

Geography thus pointed the Estonian government towards a clever compromise. Roughly half the barter stations in Petserimaa were situated on the Estonian shore of Lake Pihkva, rather than along the land boundary – and the proportion of coastal stations was likely even higher further north, where the frontier rippled across the vast waters of Lake Peipus. By shuttering the barter stations on land, the Estonians would simply remove the most brazen irritant in their relations with

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<sup>28</sup> “Polnomochnoe Predstavitel’stvo R.S.F.S.R. v Estonii. Verbal’naia nota. V Ministerstvo Inostrannykh Del,” 19 March 1923, ERA 957/12/418: 4+rev.

<sup>29</sup> ERA 957/12/418: 1-3, 5; Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1211.

<sup>30</sup> To be sure, as indicated in Chapters Two and Five, during 1920-22, Estonian diplomats had happily leveraged their immunity from customs inspections to quietly spirit massive quantities of valuables from Russia both at the behest of the Estonian State Treasury and for personal gain. By the spring of 1923, however, the Soviet arrests had diminished these operations; and in any case, the border barter stations’ operations were always less subtle.

<sup>31</sup> “Vabariigi Valitsuse otsus,” 25 April 1923, signed by Kukk as well as the Ministers of Finance and Interior, ERA 31/2/17: 1215.

their hulking eastern neighbor, whose official trade Tallinn was actively courting. “On behalf of the Minister [of Foreign Affairs], I have the honor to report that by the Government’s resolution of April 25, the transit points situated on the Estonian-Russian border are being liquidated,” Political Department Director Virgo informed Soviet Plenipotentiary Representative Leonid Stark on June 28.<sup>32</sup> What Virgo neglected to add was that if Russian fishermen continued to visit Estonian coastal villages – situated some 15-25 kilometers from the Soviet shore and safely out of sight of the Soviet border guards – the Estonian merchants could not be expected to turn them away inhospitably.

The Soviets were getting impatient, however. Virgo’s reassuring note had been prompted by Plenipotentiary Representative Stark’s own indignant missive to the Estonian Foreign Ministry. “[T]he Estonian transit stations not only continue to exist as points of ‘legalized contraband’, but, with the knowledge and permission of the Ministry of Finance, smuggle to Russia an enormous quantity of alcohol, the import and sale of which in Soviet Russia, as is well known, is punishable by criminal law,” Stark inveighed on May 12, citing a well-informed report published in *Vaba Maa*, a leading Estonian daily:

Thus, according to *Vaba Maa*, during 1922, *two hundred thousand degrees* [25,000 liters] of *alcohol* were dispatched to Russia via the Petserimaa frontier stations. In 1923 it is intended to increase the amount of alcohol smuggled to Russia up to *one million degrees* [125,000 liters], as is clear from a “concession” granted by the Ministry of Finance to some individual who has contracted to ship to Russia in the current year an amount of alcohol certainly not less than in the last. That the aforementioned individual will not only keep his promise, but will ship to Russia the entire million degrees, is clear from the fact that, as *Vaba Maa* reports, one Palm, to whom the “concessionaire” has yielded his “rights,” has already succeeded in smuggling to Russia via the Estonian transit stations several dozen barrels of alcohol in just two short weeks.

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<sup>32</sup> ERA 957/12/418: 11.

“The existence of the so-called transit stations already constitutes a phenomenon that is absolutely unacceptable,” Stark thundered. “But the granting by the Ministry of Finance – one of the highest organs of the Estonian Republic – a ‘concession’ for the avowedly contraband export of alcohol across the border of a neighboring state, if the report in *Vaba Maa* is even partly accurate, is a phenomenon that is scandalous to the highest degree.” Stark called on the Foreign Ministry to not only shut down the frontier barter stations, but to initiate an “investigation into the unlawful actions of Estonian government officials” involved in the “concession.”<sup>33</sup>

While the *Vaba Maa* article had appeared on March 29, or nearly a month before the Estonian Cabinet resolved to shutter the barter stations along the land frontier with Russia, the Soviet ambassador had good reason for concern. The paper’s reporting was more than “partly accurate,” although the Estonian government had already taken steps to insulate itself from accusations of patronizing the smuggling of spirits to its neighbors. Finland, struggling to enforce Prohibition since 1919, had been especially vocal in its protests against Estonian smugglers plying the country’s coasts.<sup>34</sup> To alleviate such tensions, in early 1923 the Estonian Ministry of Finance stopped selling alcohol directly to merchants. Instead – in a bureaucratic maneuver that may have inspired Riga’s grant of a similar monopoly to the Robežtirdzniecība that April – the role of an insulating intermediary was taken up by the “Contract Union of the Central Organization of Estonian Spirits Manufacturers.” It was the Union that supplied the contract to the merchant Gustav Linkvist for the smuggling of 125,000 liters of pure alcohol to Russia. To facilitate this

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<sup>33</sup> ERA 957/12/418: 8.

<sup>34</sup> While Finnish authorities estimated that “the Estonian share of the total illicit trade was only 15%” and that “most of the spirits smuggled into Finland came from Germany,” Estonian smugglers were especially active intermediaries between German distilleries and Finnish consumers. Pullat and Pullat, “The Vodka Sea: Comparative History of Spirits Smuggling in the Baltic Sea,” 67.

traffic, however, the Finance Ministry – perhaps inspired by the Latvian example – authorized Linkvist to purchase the alcohol at the regular rate of 70 marks per liter, instead of the 280 marks per liter charged previously. As in Latvia, the merchant had to guarantee that the alcohol would not be sold domestically; also as in Latvia, to further ensure compliance, “the spirits were disbursed in sealed casks, with cover letters for the border guard.”<sup>35</sup>

On July 20, S. Kalina of the Soviet embassy again addressed the Foreign Ministry, demanding to know “whether all the aforementioned stations have been liquidated, and if not, then by what date these will finally be liquidated.” After inquiring with the Ministry of Finance, the Foreign Ministry finally received a response on August 29. “The merchants conducting business on the Russian border have been notified of the cessation of trading activities, and were also provided with deadlines,” the Finance Ministry announced. “The Border Guard Directorate reports that the number of traders is steadily decreasing, and will achieve its minimum by January 1, 1924.”<sup>36</sup>

Indeed, despite foot-dragging by the frontier merchants – who demanded “an extension of the liquidation period” on the grounds that they had already shipped “large stocks of goods,” to the staging areas on the frontier, and would incur losses if they were compelled to return the merchandise – Estonian authorities were steadily implementing the Cabinet’s April 25 decision to shutter the barter stations along the land border.<sup>37</sup> While over 100 frontier exchanges had been operating on the Estonian-Soviet border at the beginning of 1923, by June 1, only 42 remained.<sup>38</sup>

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<sup>35</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1210. Translated by Mari-Ann Kass.

<sup>36</sup> ERA 957/12/418: 12-14rev; Valge, 1211. Translated by Mari-Ann Kass.

<sup>37</sup> “Die Frage der Schließung der Grcrnhandelpunkte in Estland,” *RR*, 9 June 1923, 9; “Igaunijas maiņas punktus,” *Latvijas Tirdzniecības*, July 1923, 23.

<sup>38</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1219.

“After January 1, the border trade will be such that, in order to provide for those living at the border, around 15 stations will remain,” the Finance Ministry assured the Ministry of Foreign Affairs in August, in an echo of the Latvian line. “To satisfy the representatives of Soviet Russia, it may be noted that the border traders have been notified that any agents they send across the border to Russia with contraband will be punished,” and “some traders who are suspected of smuggling to Russia have been required to close their stations immediately.”<sup>39</sup>

Here was another clever equivocation. As both Finance and Foreign Ministry officials knew perfectly well, the Soviet government considered *all* of the trade conducted at the frontier barter stations contraband. However, for the Estonian authorities – as for their Latvian and Polish counterparts – “smugglers” were only those frontier traders who operated without a license, failed to pay taxes, or dealt in a limited array of forbidden goods. By informing the Soviet embassy that they were dutifully persecuting “suspected smugglers,” the Estonians were falling back on bureaucratic semantics to feign full cooperation. Further eliding responsibility, the Finance Ministry insisted that “if, as in other countries, individual civilians (not traders) deal in contraband in spite of the most severe of penalties, we cannot be held responsible. We will try to fight such activities within the limits of our abilities, but Russia should, first and foremost, also protect its own borders.”<sup>40</sup> It was the fox chiding the henhouse for its shoddy fencing.

As Jaak Valge observes, with the Ministry of Finance charged with overseeing the Estonian response, there was little chance that the lucrative trade would be abolished completely. Indeed, in their correspondence with government officials, both the owner of a barter station in the frontier

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<sup>39</sup> Valge, 1211–12. Translated by Mari-Ann Kass.

<sup>40</sup> Valge, 1212. Translated by Mari-Ann Kass.

village of Volkovo and a representative of the LLC “Produkt,” which operated stations in the villages of Iveritsy and Kopanitsy, misrepresented the Cabinet’s April 25<sup>th</sup> decision as calling only for “reducing the number” of frontier stations, rather than liquidating them entirely.<sup>41</sup> Valge reports that while “some of the barter stations were granted a several-months’ liquidation period during the summer,” others “received permission to remain in business on the condition that stations located close to one another would be merged.”<sup>42</sup>

As a result, although “business decreased to some extent,” this decline was “not in proportion to the decrease in the [number of] barter stations,” as the remaining operators picked up the slack. Thus, even as the number of barter stations on the Soviet frontier plummeted more than fourfold, from over 100 at the end of 1922 to just 23 by October 1, 1923, Valge estimates that the (Estonian-side) value of goods sold to Russian smugglers at these stations fell from 275 million Estonian marks in 1922 to 170 million marks in 1923 – a significant but smaller decline.<sup>43</sup> Admittedly, the estimated sum of the valuables and raw materials with which the Russian smugglers paid fell more in absolute terms, from over 430 million in 1922 to 260 million in 1923; but the average profit margin dipped the least, from approximately 58 percent in 1922 to 53 percent in 1923.<sup>44</sup> To be sure, the overall contraction of the traffic was cause for concern; but there was still plenty of reason to stay in business.

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<sup>41</sup> Valge, 1211. Translated by Mari-Ann Kass.

<sup>42</sup> Valge, 1212. Translated with the assistance of Mari-Ann Kass.

<sup>43</sup> Valge, 1212. Translated with the assistance of Mari-Ann Kass.

<sup>44</sup> Calculated based on the estimated trade volume figures in Valge, 1220.

### *Latvia: Denying and Dealing*

“The present internal state of affairs of Latgale must be recognized as quite satisfactory,” Deputy Interior Minister Antons Dzenis reported in an interview with *Latvijas Kāreivis*, the official army daily, in late May 1923. “The gangs of robbers that terrorized the inhabitants have been liquidated once and for all; the relations between our and Soviet border guards, which have been quite tense this spring due to the visits paid to our barter stations by the borderland inhabitants of Sov[iet] Russia, have recently improved. In general, with the liquidation of the barter stations, altercations between the border guard of the two countries occur infrequently; life has become more calm and secure.”<sup>45</sup>

Latvian entrepreneurs interested in doing business at the border must have welcomed the news that the frontier was no longer the dangerous place that it had been just months earlier. To be sure, the Deputy Minister may have sought to put a brave face on the situation. As the sole representative of the Latgalian Christian Peasant and Catholic Party in the new Cabinet, however, Dzenis was unlikely to sugarcoat the conditions in his home province. Certainly, the country’s press was no longer rife with reports of armed incursions from the Soviet side. That could only be good for business.

But what of the purported “liquidation of the barter stations” that Dzenis credited with the new tranquility at the border? The newly-authorized barter stations were supposed to be situated near a Latvian border police outpost to ensure security. The frontier traffic had surely become more orderly. However, by making it sound as if the barter stations had been shuttered, Dzenis was simply echoing Riga’s official stance: the traffic no longer existed.

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<sup>45</sup> “G. Dzenis o polozhenii v Latgalii,” *Segodnia*, 1 June 1923, 2.

In reality, of course, the trade had just received a new lease on life. In June 1923, the leadership of Gossprt, the Soviet state alcohol monopoly, called on the Customs Administration to stem “the import of contraband alcohol from Latvia, which is proceeding in a wholly systematic manner.”<sup>46</sup> Meanwhile, after a pause prompted by the uncertainty of the preceding months, advertisements targeting barter station operators again began to dot the pages of Latvian newspapers. The merchant Leo Metrik once again invited “traders at the barter stations” to procure watch parts and optical accessories at his store in Riga’s old city via a prominent tableau atop *Rigasche Rundschau*’s advertising page:

*Figure 26: Watches for the Barter Stations*



*Source: Rigasche Rundschau, 14 May 1923, 3.*

Advertisements by frontier merchants seeking new infusions of capital (such as the call for a business partner by the operator of “a barter station in a good spot on the border”)<sup>47</sup> or from holders of the coveted frontier trade licenses who sought partners with the means to begin operations – such as this invitation to help open a barter station near Zilupe – once again jostled for space with help-wanted notices and rubbed elbows with high-society engagement announcements:

<sup>46</sup> RGAE 413/14/130: 58.

<sup>47</sup> See *Segodnia*, 7 June 1923, 6. See also the call for “a respectable partner with capital” in *RR*, 6 October 1923, 15; and the announcement from one Diedrich, inviting those interested in buying shares of 150,000 Latvian rubles (30,000 Lats) in a barter station on the Soviet frontier to visit his office at 1 Kaļķu Street in the heart of Riga’s old city any day at lunchtime, in *Segodnia*, 20 October 1923, 5.

Figure 27: Seeking Partner



Source: *Segodnia*, 14 June 1923, 4.

Still others again looked to the frontier barter stations for employment.<sup>48</sup>

Citing Robežtirdzniecība's records, Ceichners reports that the number of border stations in fact nearly doubled, from around 60 in 1922 to some 110 in 1923 (not counting the joint stock company's own stations, the number of which is unknown). At the same time, however, the average turnover of each station fell by more than half, from 350,000 lats in 1922 to 150,000 lats in 1922. As a result, the estimated total turnover of the stations fell from around 21,000,000 lats in 1922 to 16,500,000 lats in 1923. However, because Robežtirdzniecība's own direct sales grew from 876,520 lats to 1,505,260 lats, the net decrease was somewhat smaller, from around 21,877,000 lats in 1922 to around 18,005,000 lats in 1923. Latvia's exports of precious metals and stones that year totaled some 11,333,122 lats, accounting for about 7 percent of the country's exports.<sup>49</sup> The Soviet frontier continued to provide.

Meanwhile, Latvian diplomats continued to provide cover for the trade by faithfully gaslighting their Soviet counterparts. In early September 1923, Latvian newspapers reported that the Soviet Plenipotentiary Representative to Riga had issued another demand "for shutting down

<sup>48</sup> One frontier barter station sought "an employee familiar with the practice, energetic, impeccable" and "honest" (*Segodnia*, 14 July 1923, 4.) See also "Zhelaiu rabotat' na obmennom punkte," *Segodnia*, 21 July 1923, 6.

<sup>49</sup> Ceichners, "Latvijas maksājumu bilance," 1083.

the trade in the border strip, because it is engaged in smuggling.” The Latvian Foreign Ministry responded, with faux indignation, that in the frontier zone “there now only operate stations that serve the needs of the local population, and closing them on the demand of another state is out of the question.” “As for smuggling,” the newspapers reported, the Foreign Ministry insisted that “it is as detrimental to the finances of Latvia as it is to those of Russia, and therefore the government uses all the means at its disposal to combat it.”<sup>50</sup>

Like the Estonian diplomats before them, the Latvians were trading on semantics. By adhering to a national definition of smuggling – a commercial activity that violated their own country’s foreign trade regulations – they were technically correct: Latvian authorities *did* combat smuggling across the Soviet border. However, this was hardly the kind of cooperation the Soviets sought. Their “[s]truggle with contraband is reduced to routing all contraband to the transit stations, and detaining everything that flows past them,” the Border Guard Directorate of the Soviet political police (OGPU) would report of the Latvian Border Police in March 1925.<sup>51</sup>

To be sure, the newly-limited number of barter station licenses, as well as the reintroduction of export duties on some of the most commonly-trafficked commodities (including herring, salt, and especially saccharin) in July 1923 created incentives to smuggle past the Latvian authorities as well as the Soviet ones. Thus, conferring in late December 1923, Finance Ministry officials considered closing the barter station operated by one Vithof in the village of Dolgoje,

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<sup>50</sup> “Grenzhandel,” *RR*, 11 September 1923, 2; “Latvijas atbilde Kreevijai,” *Deenas Lapas*, 11 September 1923, 3; “Otvet Latvii,” *Segodnia*, 12 September 1923, 2.

<sup>51</sup> “Spravka ob organizatsii pogranichnoi okhrany glavneishikh sopredel’nykh gosudarstv po dannym na I/III-25 g. i uviazki ekonomiceskoi i politicheskoi okhrany granits,” signed by deputy chief of the OGPU Border Guard Andrei Lepin (Liepiņš), Gosudarstvennyi Arkhiv Rossiiskoi Federatsii (hereafter GARF) 374/28/979: 48-49rev; here, 48rev.

Posinje parish, for dealing in “concealed saccharin.”<sup>52</sup> Moreover, high tariffs on certain articles that were imported into Latvia before being sold to Soviet smugglers encouraged some merchants to smuggle these goods *into* Latvia first. The aforementioned Finance Ministry officials considered closing seven barter stations whose owners were under investigation for dealing in unsealed fabrics, aniline dyes, and other illicit imports. The Finance Ministry also ordered the shuttering of five stations for smuggling such varied articles as millet, stolen horses, and cocaine, while *Segodnia* reported that the police had confiscated some “40 kilograms of santonin smuggled from Sov[iet] Russia” at the apartment of a certain Blum in Riga’s old city center.<sup>53</sup> Given the lengths to which the Latvian authorities continued to go to facilitate the frontier traffic, however, it is unsurprising that they recorded a mere 27 seizures of contraband goods on the Soviet border over the entire course of 1923, worth less than a third of what they had confiscated the prior year.<sup>54</sup>

What the Latvian Finance Ministry officials pursued with the greatest zeal were those frontier merchants who reneged on their commitment to sell the excise-free alcohol to Soviet smugglers. Despite the Robežtirdzniecība’s ostensible responsibility for this traffic, and periodic inspections by the two dozen controllers from the Indirect Taxes Department who were stationed on the frontier to ensure compliance, a number of station owners were tempted to sell a portion of their spirits to local Latvian buyers. Competing with the alcohol on which the Finance Ministry had levied its heavy excise tax, this illicitly-non-smuggled liquor was indeed “detrimental to the finances of Latvia.” Accordingly, the mishandling of “transit vodka” featured in 9 out of the 25

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<sup>52</sup> “Tamozhennyia dela,” *Segodnia*, 3 July 1923, 5; “Protokols 1923 g. 28. decembra apspriedei finansu min-ja,” LVVA 6824/1/407: 142+rev. Translated by Jānis Strankals.

<sup>53</sup> LVVA 6824/1/407: 142+rev; “Kontrabanda,” *Segodnia*, 14 July 1923, 3.

<sup>54</sup> Ceichners, “Latvijas maksājumu bilance,” 1085.

cases of various malfeasance by barter station operators reviewed at a meeting chaired by Deputy Finance Minister Blumbergs on December 28, 1923. Thus, the officials resolved to close the flax collection station operated by the Riga-based Austrums Joint Stock Company in the frontier village of Starinskoje in Tolkova parish “for trade in transit vodka,” as well as Sturm’s station in Michaleva village, Kočanova parish, and the barter station operated by the “Latgale” Tenant Farmer Association in Pališinas village, Landskrona parish; Jān Grigorjev’s operation in the village of Vistrelova gora in Tolkova parish was similarly ordered to shut down “due to a shortage of transit vodka found during the audit.” (These were likely repeat offenders, as Julijs Auškaps, the operator of a barter station in Pizani village in Kustina parish was only fined 160 lats “for a one-time shortage of vodka after transport.”) Jealous competitors likely denounced one another, facilitating the authorities’ task, although not all accusations bore fruit. “Consumption of transit vodka on the spot in J. Ausejs’s station has not been proven,” the Finance Ministry officials resolved, “so further steps to close the station are not needed.” More vexing were the two frontier merchants under investigation “for delivering transit alcoholic drinks to the border guards.”<sup>55</sup>

Troubling as they were, such problems could be resolved. The tippling border policemen might be disciplined by their superiors, while fines and station closings would discourage the malfeasance merchants. In any case, most barter station operators appear to have abided by Riga’s regulations, obediently selling their excise-free spirits to Russian smugglers. Three days after the meeting at the Finance Ministry, Robežtirdzniecība’s directors and shareholders might have

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<sup>55</sup> LVVA 6824/1/407: 142+rev. Translated by Jānis Strankals.

toasted the New Year with a sampling of the liquor that continued to flow freely eastward across the Soviet frontier.

## Chapter Seven

### **Rebalancing the Scales in the Baltics**

#### ***Estonia: From Polite Evasion to Hostile Accommodation***

##### *Moscow Renews its Pressure*

On February 21, 1924, the Soviet embassy to Tallinn confronted the Estonian Ministry of Foreign Affairs with what the Soviet diplomats argued was unimpeachable evidence of Estonian government complicity in the frontier traffic: five official-looking, individually-numbered pieces of paper that the embassy maintained were “passes given by the Estonian authorities to Russian smugglers for unimpeded crossing of the border.” Presumably, these documents had been found on smugglers apprehended by Soviet patrols while crossing the snowy frontier from Estonia, then forwarded to the Commissariat of Foreign Affairs in Moscow, before being returned, accusingly, to Tallinn. “[D]espite the multiple assurances of the closing of the frontier barter stations,” the embassy inveighed in the accompanying note, “these continue to exist as before, and serve primarily as a breeding ground for contraband trade.” As it had done the previous spring, the embassy insisted on “the immediate closing of the barter stations” and the criminal prosecution of the Estonian officials involved.<sup>1</sup>

The Estonian Foreign Ministry forwarded the alleged passes, along with an inquiry marked “urgent,” to the Excise Department of the Finance Ministry, which, in turn, appealed to the Interior Ministry’s Border Guard Directorate. The response echoed Latvia’s earlier reassurances: the shops along the Estonian-Soviet frontier were there only “for the purpose of supplying local residents,”

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<sup>1</sup> “Verbal’naia nota. V Ministerstvo Inostrannykh Del,” 21 February 1924, ERA 957/12/418: 15.

Border Guard Directorate Chief Lieutenant Colonel Hans Kurvits maintained. Yes, his office issued passes, but these were only for the shopkeepers and their staff, and only for movement about the Estonian border zone. "No other authorizations have been given to the border-area shops," Kurvits insisted. "If, however, Russian smugglers were secretly visiting these shops intended for local inhabitants, then the government of USSR should consider strengthening its own border guard, and not demand the liquidation of some transit shops that have been closed since 25 April 1923."<sup>2</sup>

The Foreign Ministry echoed Kurvits's defiance in its March 10 response to the Soviet note. The "passes" in question, the Ministry maintained, were simply "bills of lading given out by private merchants, and by no means by the Estonian authorities." Moreover, "in accordance with the resolution of the Estonian Government, all frontier barter stations have been liquidated." "As for the activity of smugglers who secretly appear with their supplies at certain shops of the border inhabitants," the Ministry assured the embassy that "the Estonian authorities are taking every measure towards combating this activity." "The Ministry of Foreign Affairs has the honor of asking the Plenipotentiary Representative," the note concluded, "to assist in the reinforcement of the border guard of the USSR towards this end."<sup>3</sup>

The Ministry knew better, of course. While the incriminating documents were not, as the Soviet embassy had alleged, passes issued to Russian smugglers by the Estonian authorities, they were no ordinary bills of lading, either. Instead, they were spirits distillers' cover letters addressed

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<sup>2</sup> ERA 957/12/418: 16-17; Valge, "Mitteametlik kaubavahetus Eesti—Vene piiril," 1212–13. Translated by Mari-Ann Kass.

<sup>3</sup> ERA 957/12/418: 26.

to the Estonian border guards, certifying that the discounted liquor was to be taken out of the country and not sold within Estonia.<sup>4</sup>

Nor did the Ministry itself believe that “all frontier barter stations have been liquidated.” Three days before it had issued this defiant denial to the Soviet embassy, the Ministry of Foreign Affairs had presented its own incriminating documentary evidence to the Finance Ministry: a trade permit granted on January 14, 1924 by the Petseri branch of the State Bank of Estonia to the wholesale merchant Paul Linde, who had been operating frontier barter stations since 1921, authorizing him to open a new “transit-barter station” at Irboska (Izborsk). Citing the latest Soviet complaint, the Foreign Ministry called on the Ministry of Finance “to consider seriously the consequences,” and to report on the steps taken. The Finance Ministry responded starchly that, “according to current law, putting a name on the shop is the exclusive right of the business owner, and this cannot be restricted” – but still diplomatically directed the State Bank, in a note marked “secret,” to avoid using the term “transit barter trade station” when issuing merchant licenses so as not to cause “confusion with our neighbors.”<sup>5</sup> As even the Finance Ministry itself acknowledged, however, “what matters is not the name of the shop, but rather the real business conducted on the premises.” “That ‘real business’,” the Foreign Ministry observed tartly, “does not appear to be so innocent.”<sup>6</sup>

A week after the Estonian diplomats voiced their latest denial of the frontier traffic, the Soviet embassy issued its most strongly-worded protest yet. “The Government of the [Soviet] Union, aware of the unrelenting activity of the aforementioned Estonian smuggling stations (transit

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<sup>4</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1212. Translated by Mari-Ann Kass.

<sup>5</sup> ERA 957/12/418: 43-44rev. Translated by Leeve Karmo.

<sup>6</sup> ERA 957/12/418: 43-44rev. Translated by Leeve Karmo.

shops), and regarding their continued existence as unacceptable and damaging to both countries, has delegated me, Monsieur Minister, to express a categorical protest to the Estonian Government about the latter's failure to take the necessary measures towards liquidating the shops, and to demand an investigation into the illegal actions of the Estonian authorities who encourage the smuggling," Plenipotentiary Representative Leonid Stark thundered in a two-page letter that he personally signed on March 17, 1924. "The Government of the USSR awaits the prompt report of the Estonian Government, both about the Estonian authorities' complete cessation of facilitating the transit shops' trade, and the taking of decisive measures towards the liquidation of their activity altogether."<sup>7</sup> Stark's repeated emphasis that Moscow itself (rather than just his embassy) was the driving force behind the protest, combined with the new format of the missive – a letter personally signed by the ambassador, rather than a third-person *note verbale* – constituted an appreciable diplomatic escalation.

The Estonians were evidently feeling the pressure. The head of the Foreign Ministry's Political Department warned the Ministry of Finance that the Soviets would no longer be satisfied with simple denials. On March 25, the Finance Ministry convened a conference with representatives from the Ministries of Foreign Affairs, Defense, and the Interior Ministry's Border Guard Directorate to discuss the issue of the "border trade."<sup>8</sup> A protocol of that conversation has not yet surfaced; but the following day, the Ministry of Foreign Affairs dispatched an urgent inquiry to Estonia's embassy to Latvia.<sup>9</sup>

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<sup>7</sup> ERA 957/12/418: 27-28.

<sup>8</sup> ERA 957/12/418: 31.

<sup>9</sup> ERA 957/12/418: 34.

Uncertain about how best to meet the Soviet demands, Tallinn thus looked over its shoulder to Riga, whose policies had encouraged Estonian authorities to authorize their own Soviet frontier traffic three years earlier. However, Ambassador Julius Seljamaa largely reported what the Estonians already knew from their own experience: that the barter shops on the Latvian-Soviet frontier had been officially shuttered the previous spring, only to resume their prior activities under the guise of local domestic trade. “The Latvian border guard authorities turn a blind eye on the smuggling to Russia and do not inhibit it,” Seljamaa explained, speculating that “a secret directive has probably been given to the Latvian border guard” to this effect. While Moscow issued periodic complaints (“the last memorandum was in December”), Seljamaa assured Tallinn that the Latvian Foreign Ministry simply “replied that shops are for the benefit of the local population, that it is in Latvia's interest to combat smuggling as much as it is in Russia's interest, and that the allegations that Latvian frontier authorities would allow smuggling are not true” – and the Soviets had stayed mercifully quiet on the matter in the new year.<sup>10</sup>

The Latvians' evident impunity may have assuaged the Estonian Foreign Ministry's concerns about continuing to provoke the Russians, but Tallinn was probably sufficiently emboldened by its own experience.<sup>11</sup> Perhaps the Estonian diplomats simply decided that it was easier to continue indulging the Finance Ministry's and Border Guard Directorate's rote denials than to accuse these institutions' officials of acting in bad faith – or worse yet, of corrupt personal motives. Whatever the reasoning, Tallinn had collectively concluded that even Moscow's most

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<sup>10</sup> ERA 957/12/418: 34.

<sup>11</sup> Indeed, Seljamaa prepared his letter on March 29, the same day that the Estonian Foreign Ministry issued its response to the Soviet embassy; and his letter did not reach the Ministry until the 31<sup>st</sup>. While we cannot exclude the possibility of other communications with Riga, it seems that the Estonians formulated their response on their own. To be sure, the Latvian experience would have served to validate and reinforce their stance.

strident protest was no reason to change course. “Immediately upon the adoption by the Estonian Government, on April 25 of last year, of the resolution about the closing of the frontier transit shops, we have embarked on their liquidation,” the Foreign Ministry maintained in its defiant March 29 response to the Soviet embassy. “By the end of the past year the transit shops were closed, and from the outset of the current year, nobody in the border belt has the right to engage in transit trade.” “Moreover,” the Ministry concluded, “the border guard takes all the measures in its power to thwart any smugglers’ activity, which constitutes a broadly-recognized evil in the normal trading relations between all neighboring countries.”<sup>12</sup>

While such pharisaic preaching must have exasperated the Soviet recipients, Moscow’s Tallinn embassy did not raise the matter again for another four months. Personnel rotation surely played a part in dragging out this diplomatic dance: in April, Plenipotentiary Representative Stark was named the Soviet envoy to Kabul, and his replacement would not arrive in Tallinn until late June.<sup>13</sup> The Estonians were certainly happy to keep quiet, trading all the while.

#### *The Traffic Declines and Loses Support*

However, not everyone was satisfied on the Estonian side, and not everyone kept quiet. Thus, a caustic critique of the barter shops, reminiscent of the diatribes of three years earlier, appeared in *Vaba Maa* in July 1924. “The profit from this trade goes into the pockets of private persons, and the state gets almost nothing,” the author inveighed. “Moreover, [the barter shops] harm the Estonian border guard, because the sentries responsible for escorting the Russian smugglers leave the border unsupervised, which gives undesirable elements the opportunity to

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<sup>12</sup> ERA 957/12/418: 32.

<sup>13</sup> “Stark Leonid Nikolaevich,” at <http://www.knowbysight.info/SSS/03574.asp>; “Kobetskii Mikhail Veniaminovich,” at <http://www.knowbysight.info/KKK/03231.asp>.

cross the border.” To make matters worse, “upon arriving at the nearest transit shop and not finding there the desired goods, the smugglers proceed to other, more distant shops, and slip away from the border guards’ oversight.” As if that were not enough, “the staff of the ‘transit shops’ befriend the border guards, drinking alcohol with them, which infuses moral decay into the ranks of the soldiers, among whom there are stalwart national heroes of the late war.”<sup>14</sup>

To be sure, none of these concerns were new; so what had prompted this renewed alarm on the Estonian side? After all, Valge finds that “the trade did decrease notably from the second half of 1924,” as the Soviet troops guarding the Estonian frontier were reportedly reinforced or rotated, the latter presumably to weed out corrupt sentries.<sup>15</sup> The Estonian authorities’ need for greater discretion to avoid antagonizing the Soviets surely played a part in constricting the traffic as well. Indeed, according to one key indicator, the cross-border flow was already diminishing from the beginning of the year. While the Tartu Pärmivabrik’s ledger reflected only a portion of the alcohol flowing eastward across the Estonian-Soviet frontier, the plant’s sales to the barter shops probably stayed roughly proportional to the traffic as a whole.

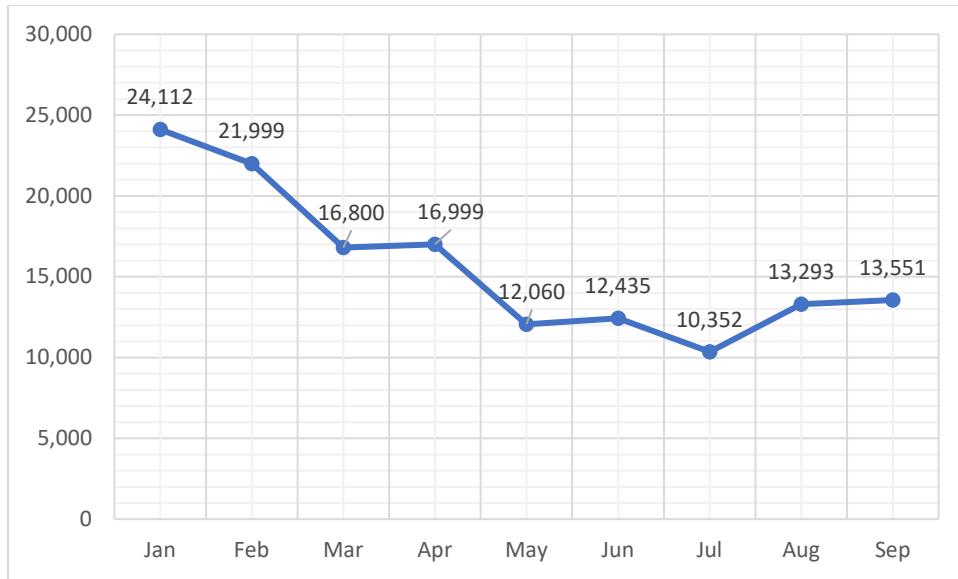
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<sup>14</sup> J. K., “Piiri kaubapunktid ja piirivalve,” *Vaba Maa*, 13 July 1924, 5, as translated in V Slepchenko, “Kontrabanda v SSSR i dvizhenie ee po raionam,” in *Kontrabanda i bor’ba s nei. Sbornik. Po materialam glavnogo tamozhennogo upravleniya*, ed. A. I. Potiaev (Moscow: RIO NKVT, 1925), 34–35.

<sup>15</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1214. Translated with the assistance of Mari-Ann Kass. On the uphill struggle against corruption in the Soviet border guard, see “Contraband, Corruption, and Conflict: Turf Wars on the Soviet Frontier, 1921–1925,” paper given at the Russian and East European History Workshop, Harvard University, Cambridge, MA, April 19, 2018.

Graph 3:

**Liters of Alcohol Sold by JSC Tartu Pärmivabrik to the Frontier Barter Shops, January-September 1924**



Source: Derived from the figures in ERA 957/12/418: 57.

As the graph indicates, the volume of the trade diminished dramatically over the first seven months of the year, falling by over half between January and July. That the *Vaba Maa* broadside appeared in July, when the traffic had reached its nadir, was no accident: the reduced economic benefits of the trade magnified its perceived security costs.

It is unclear if *Vaba Maa*'s latest expose helped jolt the Soviet diplomats back into action; but in any case, the Soviets had their own eyes on the frontier. On July 25, Moscow's new Plenipotentiary Representative to Tallinn, Mikhail Kobetskii, addressed a signed protest note to the Foreign Ministry. Kobetskii cited "absolutely accurate sources" indicating that "no fewer than 19 transit shops still operate on Estonian territory," and demanded "the most energetic measures

towards the immediate and final closure of all transit shops without exception.”<sup>16</sup> The Foreign Ministry again appealed to the Ministry of Finance, which in turn demanded an explanation from the Interior Ministry’s Border Guard Directorate. While Border Guard Commander Kurvits acknowledged that there were indeed 19 shops still operating along the frontier, he held firm to his earlier claim that they served the Estonian side. To better maintain the façade, the border guard command had even issued a directive that “all such local businesses are to be called simply shops.”<sup>17</sup> The new Minister of Finance, Otto Strandman, relayed this defiant denial to the Foreign Ministry, adding sympathetically that “the struggle against the evil of smuggling is a difficult one.” To shield his Ministry from further recriminations, Strandman enclosed a copy of his own appeal to the Border Guard Directorate “to take all legal measures to prevent smuggling.”<sup>18</sup>

Whether or not the Estonian diplomats actually credited these self-exculpations, they evidently had little appetite to investigate further. “The question of the possibility of the existence of contraband transit trade in the border strip was subjected to a comprehensive review,” Foreign Minister Karl Robert Pusta informed the Soviet embassy on August 26, 1924. “I am able to declare on the basis of fully reliable information that any transit trade points as such have been definitively liquidated. The only sites of any trade whatsoever in the border strip are the little shops that supply the local population with necessities, and have nothing to do with transit.” “I see no basis at all for laying blame on the local merchants for the occasional cases of smuggling,” Pusta concluded. “[A]ll persons staying in the border strip, and especially the local merchants, are under the constant

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<sup>16</sup> ERA 957/12/418: 37.

<sup>17</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1214. Translated by Mari-Ann Kass.

<sup>18</sup> Valge, 1215.ERA 957/12/418: 38-40.

strict control of the border guard,” which “struggles tirelessly against the activity of the smugglers, who constitute a common evil for our countries.”<sup>19</sup>

Meanwhile, as the Pärmivabrik’s ledger indicates, the frontier traffic was gradually reviving. Indeed, in mid-October, the *Vaba Maa* reported that 22 barter stations were still operating on the Soviet frontier – 20 in Petserimaa and along the Peipus lakeshore, and two near Narva in the north – or three more than in the spring.<sup>20</sup> However, this revelation itself resulted from an episode of frontier violence that accelerated the demise of the trade.

On the night of October 14 to 15, a group of Russians crossed the border in Petserimaa’s Senno parish and appeared at the “Unitase” company barter shop in the village of Luki. Whether the visitors quarreled with the manager then, had come to settle scores, or simply intended pillage all along, was never established; but around three o’clock at night, the manager, Theodor Poetikov, lay dead at their hands. As the assailants made their way back across the frontier, they were intercepted by an Estonian border patrol, which opened fire, wounding one of the men. Leaving behind traces of blood and a portion of the loot, the gang escaped to Russia.<sup>21</sup>

While the murder certainly alarmed local officials, Tallinn might well have limited its response to another protest note. However, the *Vaba Maa*’s front page report the following day, just under the masthead, provoked a more vigorous response from the Foreign Ministry – although not because of the dead shopkeeper. It was the article’s revelation – that while there were far fewer barter shops lining the frontier than in the past, and that “the trade has almost stagnated,” it had

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<sup>19</sup> ERA 957/12/418: 41-42.

<sup>20</sup> “Vene rõõvsalk üle piiri,” *Vaba Maa*, 16 October 1924, 1.

<sup>21</sup> *Ibid.*, 1.

nonetheless continued – that was most embarrassing.<sup>22</sup> Flatly contradicting the Estonian diplomats' stubborn denials, the report “makes the matter appear in a different light that we have conveyed it to the Russians,” Foreign Minister Pusta pleaded to Finance Minister Strandman on October 17, in a letter marked “absolutely secret.” “I ask you, Mr. Finance Minister, to take this matter very seriously and to deal with it, before we receive a very undesirable response from the Russians.”<sup>23</sup>

Frustrating the diplomats once more, the Finance Ministry again responded with its rote denial that “there are no special trading stations for trade with Russia in our border area, only ordinary shops.”<sup>24</sup> Whether the Finance Ministry officials continued to provide cover for the trade because they profited from it is unclear; perhaps the Interior Ministry officials were involved, although the Ministry had dutifully instructed the border guard in early September “to take every punitive measure against all forms of smuggling.”<sup>25</sup> Perhaps the local border guard officers themselves continued to indulge the traffic while reporting that it had ceased. However, Poetikov’s murder had set off alarm bells from another direction. In his detailed report on the affair, Aleksander Press, the assistant prosecutor of the province, excoriated the claim that the frontier trade could ever be properly policed. “Although those coming from Russia without permission are not allowed to venture further into the country beyond the trade stations, this prohibition is effectively impossible to enforce,” Press inveighed. “The assumption that the border guard would carry it out or even be capable of carrying it out is a foolhardy one, and based on nothing.” Citing

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<sup>22</sup> *Vaba Maa*, 16 October 1924, 1.

<sup>23</sup> ERA 957/12/418: 43-44rev. Translated with the assistance of Leeve Karmo.

<sup>24</sup> ERA 957/12/418: 47.

<sup>25</sup> ERA 957/12/418: 47.

other reports of disorder and crime fostered by the barter shops, Press insisted that “the frontier trade stations should be closed down entirely.”<sup>26</sup>

Forwarded to Tallinn, the assistant prosecutor’s proposal garnered the support of the Justice Minister, while Estonia’s new President, Friedrich Akel, directed the Ministry of Finance to report on the economic benefits of the trade. These, it turned out, had declined dramatically. The Finance Ministry’s Directorate of Direct Taxation reported that business taxes on the barter shops had fallen nearly fivefold in comparison with 1923, while income tax receipts had collapsed nearly fortyfold. Not surprisingly, the Ministry had little data on the actual turnover of goods at the shops.<sup>27</sup> Amid the general contraction of the frontier trade, the shopkeepers were even less forthcoming about their profits than before.

#### *Tallinn’s Final Straw: the December Uprising*

While the drastically diminished profitability of the Soviet frontier traffic for the Estonian Treasury was thus coming into focus, Tallinn was growing increasingly concerned about the Soviet threat to state security – with good reason. Small but militant, the Estonian Communist party had agitated for the country’s accession to the Soviet Union ever since the demise of the Estland Labor Commune in January 1919. While the party itself was outlawed, its propaganda was not; and its legal arm, the Workers’ United Front, enjoyed growing support, garnering the fourth highest number of votes in the Parliamentary Election of May 1923 and seating ten representatives, twice as many as three years earlier. The Front’s popularity in the country’s urban centers was of particular concern to the authorities: in December 1923, its candidates won over a third of the vote

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<sup>26</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1215. Translated with the assistance of Mari-Ann Kass.

<sup>27</sup> Valge, 1215.

in the city council elections in Narva and Pärnu, with the strongest showing in Tallinn itself. The German communist uprising in Hamburg that October and the ensuing repressions may have helped radicalize Estonian workers, but even more important were the deteriorating economic conditions within Estonia itself. The collapse of world prices for timber, one of the country's major exports, exacerbated the effects of a disappointing harvest that already had driven up the price of food. Revelations that the Finance Ministry had secretly sold off its gold reserves further undermined public confidence in the government.<sup>28</sup>

For Estonian communists, the crisis of capitalism seemed at hand. As they stepped up their agitation and recruiting, the authorities responded with a forceful crackdown. Beginning with a massive raid on the night of Lenin's death on January 21, 1924, the police arrested nearly 200 communist activists, including five of the ten Workers' United Front parliamentary deputies. Those who remained at large resolved to act. The resignation of the Cabinet of Konstantin Päts in March and the new government's austerity measures prompted rising unemployment, further emboldening the militants.<sup>29</sup>

In April, Otto Rästas, the leader of the underground Central Committee of the Communist Party of Estonia, traveled to Moscow to convey the party's blunt message to the leadership of the Comintern: the time had come to move from words to deeds. After persistent prodding by Rästas – buttressed by exaggerated reports of popular support back home for union with Soviet Russia as a solution to Estonia's economic woes, and warnings about an impending fascist takeover – the Politburo finally resolved on August 28 “[t]o put the Estonian Communist Party in a state of

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<sup>28</sup> Valge, “Podgotovka”; Raymond W. Leonard, *Secret Soldiers of the Revolution: Soviet Military Intelligence, 1918-1933* (Westport, Conn.: Greenwood Press, 1999), 34–37.

<sup>29</sup> Valge, *Breaking Away from Russia*, 145–46; Valge, “Podgotovka,” 185.

combat readiness” by “rendering it assistance for preparing armed resistance to attempts at a fascist coup.” A special commission that included Comintern Presidium member Dmitrii Manuilsky, Foreign Affairs Commissar Georgii Chicherin, OGPU Foreign Department head Meer Trilisser, and former deputy Cheka Chairman and current Red Army supply chief Iosif Unszlicht would oversee preparations.<sup>30</sup>

On September 24, the commission directed Rästas to prepare a 300-strong guerilla force of Estonian communist exiles, and petitioned the Central Committee for the allocation of funds for the purchase of 500 rifles, 70 Thompson submachine guns, and 200 Parabellum pistols by confederates inside Estonia itself. The elated Rästas informed his fellow leaders of the Estonian communist underground that if they could claim an early success, they could count on the support of the Red Army.<sup>31</sup>

These preparations did not go unnoticed by Estonian authorities. By late October, the OGPU was reporting that the Estonian border guard in Petserimaa and local military garrisons had been put on high alert in expectation of a Communist uprising.<sup>32</sup> In early November, Stanislav Messing, the OGPU Plenipotentiary Representative for the Leningrad Military District, warned Moscow that “the Estonian government and its counterintelligence organs are informed” about the Soviet measures. Still, money was smuggled to communists inside the country for procuring arms; weapons continued to be stockpiled near the Estonian border; and letters sent to Estonian communists in the Soviet Union exhorted them to join the effort. By November 20, 680 fighters

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<sup>30</sup> Grant Mkrtychevich Adibekov et al., eds., *Politbiuro TsK RKP(b)-VKP(b) i Evropa: resheniia osoboi papki, 1923-1939* (Moscow: ROSSPÈN, 2001), 51; Valge, “Podgotovka,” 186-89.

<sup>31</sup> Valge, “Podgotovka,” 189-91.

<sup>32</sup> Valge, 191.

were deemed ready to take part in a guerilla invasion; a week later, there were 1,000, including 200 Latvian riflemen on standby in Moscow. An authoritative new Politburo commission comprising Stalin, Trotsky, Zinoviev, Chicherin, and Unszlicht, and chaired by Red Army Chief of Staff Mikhail Frunze, was convened to oversee preparations and determine the right moment to strike.<sup>33</sup>

However, Estonian authorities remained vigilant. The border guard was reportedly reinforced by late November in the vicinity of Narva in the north, and patrols along the Petserimaa frontier were due to be bolstered by December 1 as well. Moreover, in November 27 in Tallinn, a public trial of 149 arrested communist activists concluded with lengthy sentences of hard labor for most defendants, including 39 sentenced for life; one communist leader was handed over to a military tribunal and shot two weeks earlier.<sup>34</sup>

Still more ominous for the Estonian communists' plans, however, was the country's improving economic situation. In late November, the Foreign Department of the OGPU produced a sober assessment that indicated that, while Estonia's finances remained strained and urban unemployment continued to be high, its government enjoyed sufficient popular support. On November 29, just as Red Army Military Intelligence Directorate officer Harald Tummertau

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<sup>33</sup> Valge, 191–94. Scholars concur that Zinoviev, who chaired both the Comintern and the Leningrad city administration, was the chief Politburo patron of the planned coup. See Leonard, *Secret Soldiers of the Revolution*, 33; O. N. Ken and A. I. Rupasov, "Moskva i strany Baltii: opyt vzaimootnoshenii, 1917–1939," in *Strany Baltii i Rossiiia: obschestva i gosudarstva*, ed. D. E. Furman and E. G. Zadorozhniuk (Moscow: Referendum, 2002), 227.

<sup>34</sup> Iu. Mikhailova and V. Roginskii, "Mirovaya revoliutsiia ostanovlena v Tallinne? 1 dekabria 1924 goda," in *Rossiia i pribaltiiskii region v XIX-XX vv.: problemy vzaimootnoshenii v meniaiushchemsia mire*, ed. T. N. Dzhakson (Moscow: URSS-Lenand, 2012); A. Sunila, *Vosstanie 1 dekabria 1924 goda: opyt Kommunisticheskoi partii Estonii v podgotovke i provedenii vooruzhennogo vosstaniia estonskogo proletariata 1924 goda i ego istoricheskoe znachenie* (Tallinn: Eesti raamat, 1982).

dispatched 40 fighters from Leningrad to staging areas on the Estonian frontier, and was preparing to send 40 more, he received orders to stand down. The Soviet leadership had canceled the coup.<sup>35</sup>

Or so it thought. Whether the Tallinn communists did not receive the eleventh-hour directive in time, or chose to ignore it in the hope of forcing the Kremlin's hand, has not been established; but shortly after five o'clock in the morning of December 1, around 300 fighters attacked a host of strategic locations around the Estonian capital. The formidable list of targets – which included the Parliament, the personal residence of the President, soldiers' and police barracks, a cadet officers' school, a tank depot, the aerodrome, the prison, railway stations and bridges, and the post office and telegraph exchange – testified to the yawning gap between the rebels' ambitions and their capacity. While the element of surprise allowed them to capture several of their objectives, the hopelessly outnumbered, ill equipped, and poorly coordinated militants were beaten back within hours – but not before 21 Estonian military personnel, police officers, civilians, and government officials (including a Cabinet member, Transportation Minister Karl Kark) lay dead, and over forty others were wounded. President Friedrich Akel himself narrowly avoided assassination by hiding in a remote chamber of his residence.<sup>36</sup>

The Estonian government's response to this traumatic event was predictably uncompromising. Declaring martial law, the authorities unleashed a wave of arrests, leading the head of the prison administration to complain that by year's end, its 3,428 inmates had overwhelmed a prison system designed to hold fewer than two thousand, "sleeping like sardines in a can, with the air reeking not of sweat, but of offal."<sup>37</sup> On the morning of the coup, Major

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<sup>35</sup> Valge, "Podgotovka," 194.

<sup>36</sup> Mikhailova and Roginskii, "Mirovai revoliutsiia ostanovlena v Tallinne? 1 dekabria 1924 goda."

<sup>37</sup> Sunila, *Vosstanie 1 dekabria 1924 goda*, 173.

General Ernst Põdder – whose 2<sup>nd</sup> Division, the staff of which used to issue the frontier trade permits, still shielded Estonia’s Soviet flank – was having breakfast with fellow officers at a Tallinn cafe. Põdder led the recapture of the railway station and the post office, personally shooting one of the rebels in the head just as the plotters were wiring Moscow for help.<sup>38</sup> Appointed to chair the chief military tribunal, Põdder declared that “there were only two sentences which would be meted out: the first, hanging; the second, shooting.”<sup>39</sup> Working around the clock, sixteen military tribunals tried and condemned to death at least 155 suspects, and possibly many more, some within a day of the uprising.<sup>40</sup>

Not surprisingly, the response extended to the Soviet border. Upon returning to his command post in Tartu, General Põdder would have demanded intensified vigilance along the frontier – especially as *Vaba Maa* reported that some of the participants in the attempted putsch had infiltrated Estonia by posing as Russian smugglers at the barter shops.<sup>41</sup> Indeed, the utility of the frontier shops as portals for Soviet operatives may explain why the paper’s October exposé of the traffic did not produce the “very undesirable response from the Russians” dreaded by Foreign Minister Pusta.<sup>42</sup> Whether or not the traffic had facilitated the coup, the Estonian authorities were not taking any chances. On December 13, the Interior Minister ordered the “immediate liquidation” of all remaining barter stations on the country’s Soviet frontier. With their contribution to the Treasury now negligible, the Finance Ministry put up no resistance.<sup>43</sup>

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<sup>38</sup> Donald Day, *Onward Christian Soldiers. Suppressed Reports of a 20-Year Chicago Tribune Correspondent in Eastern Europe from 1921* (Torrance, Calif.: The Noontide Press, 1984), 156.

<sup>39</sup> Donald Day, “Gibbet or Lead Only Fates for Estonian Reds,” *Chicago Daily Tribune*, 3 December 1924, 17.

<sup>40</sup> Some sources allege up to 500 executions. Sunila, *Vosstanie 1 dekabria 1924 goda*, 176; Leonard, *Secret Soldiers of the Revolution*, 36.

<sup>41</sup> “Robežtirdzniecības punkta likvidācija Estijā,” *Latvijas Kareivis*, 16 January 1925, 3.

<sup>42</sup> Valge, “Mitteametlik kaubavahetus Eesti—Vene piiril,” 1216.

<sup>43</sup> Valge, 1215.

Given the perceived gravity of the Red menace in Tallinn, it would have been futile in any case – although, ironically, the decimation of the Estonian Communist Party in the aftermath of the attempted coup, combined with the Kremlin’s abandonment of aggressive Comintern tactics, had effectively neutralized the threat. Had the Estonians wished to keep trading on the frontier, it would have been safe to continue. In the event, the Estonian frontier traders were given until February 1, 1925 to wind down their operations, and the last barter stations shuttered later that month.<sup>44</sup> The Comintern and the Red Army’s Intelligence Directorate had inadvertently succeeded where Soviet diplomats and border guards had failed: the attempted export of revolution helped seal the Soviet border from the outside.

### ***Latvia: Rebalancing the Scales***

#### *Worries and Hopes*

In the last days of February 1924, the chief of the border police in Daugavpils county, Latvia’s southern pocket nestled between Polish Lithuania and Soviet Belorussia, conducted an inspection of his domain. The chief was pleased with the officers he encountered, finding them to be “well-read, trained, disciplined and capable,” and the horses well-fed and groomed. However, he observed that trade was “very weak” at the barter stations in the villages of Gorbačova, Koškovci, Kuļbova, and others in the Kraslava district on the Soviet frontier. While the frozen Daugava River was easy enough to cross, the “deep snow” combined with “Russian vigilance” depressed the traffic: “observing the footprints in the snow,” the Soviet border guards easily “organize a ‘hunt’” for the smugglers. To the north, the lone remaining barter shop in the Dagdas district was planning to shut down entirely, blaming its lack of business on “the Red Army’s strict

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<sup>44</sup> Valge, 1215.

border guard and the deep winter.”<sup>45</sup> Whether impassably deep or packed tight under the Soviet sentries’ felt boots, it seemed the snow had smothered the smugglers’ trade.

At the same time, other signs pointed to the traffic’s resilience. In Moscow, the head of the Soviet state alcohol monopoly (Gosspirt) Kiprian Ermakov informed the Chief Customs Administration in early March that, according to the Gosspirt’s Vitebsk branch, “the contraband import of alcohol is proceeding on the same scale as before.” Ermakov called on the Customs Administration to “take the appropriate measures” to stop this illicit inflow.<sup>46</sup> To be sure, the Gosspirt’s own actions were hardly helping the situation. Several days before Ermakov issued his appeal, the Foreign Trade Department of the VSNKh’s Central Directorate of State Industry had dispatched a personal inquiry to Customs Administration chief Potiaev. Informing the customs chief that the Gosspirt had just sold some 500,000 liters of pure alcohol to Latvia, the VSNKh officials asked Potiaev “whether the aforementioned sale of alcohol to the Baltics might not stimulate an increase in the smuggling of alcohol into the USSR.” Potiaev could only agree that this was a “reasonable” expectation.<sup>47</sup> Even if the exported Soviet alcohol was not itself smuggled back into the USSR, it would surely push Latvian alcohol eastward – but the proverbial horse was out of the barn.

As the snow melted and the spring mud hardened enough to withstand the patter of feet and the crush of wheels, the traffic resumed anew. To be sure, its wingspan was unmistakably more modest. While announcements targeting frontier traders (such as the offer of “ar[ound] 100 kilos of ‘Fahlberg’ saccharin crystals for transit, cheap”) or would-be traders (such as the invitation

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<sup>45</sup> V. Alka, “Daugavpils apriņķa robežpolicijas inspekcija,” *Policjas Vestnesis*, 25 March 1924, 4.

<sup>46</sup> “V Tamozhennoe Upravlenie N.K.V.T.,” 10 March 1924, RGAE 413/14/130: 58.

<sup>47</sup> RGAE 413/14/130: 62.

to lease a barter shop at Zilupe) still occasionally appeared in the Riga papers, they were no longer reliable tenants of the advertising pages.<sup>48</sup> Still, nourished by memories of past riches and hopes of future windfalls, the barter shop operators held on. “I report that there are currently 42 stations in the border area assigned to me,” the political police chief at Zilupe reported in June 1924. “In comparison to the beginning of the years 1922-23, their number has decreased by about 20 percent,” a reduction the police chief ascribed, “in part, to the reinforcement of the Soviet border.” While the merchants reportedly earned only a “moderate profit,” the official noted that “they look forward to trade booming in the autumn.”<sup>49</sup>

However, there were unmistakable signs that – as in Estonia – security concerns were beginning to outweigh the traffic’s diminishing economic benefits. “The operation of these stations, even if it is desirable for the State from the material side, will be at least as undesirable and harmful, or even more so, from the viewpoint of security and defense,” the police chief argued. “The shops are most active during the night, when illegal Soviets arrive over the border, both individually and in groups. They walk around the village, homes, shops, talk to their friends, pass messages to the locals, make notes and so on. Who knows what people are among them sometimes, and what their intentions are.” Soviet smugglers and Latvian shop owners alike frustrated the authorities’ attempts at oversight. “The border guards, even if they wanted to, neither they nor anyone else can shepherd this big horde of sometimes twenty and more border crossers,” the police chief lamented, “and if they try to do so then the concessionaire complains to the highest authorities that their ‘pals’ are being terrorized and oppressed and the ‘guilty’ is happy if it ends with an

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<sup>48</sup> *Segodnia*, 14 May 1924, 8; *ibid*, 10 August 1924, 9.

<sup>49</sup> LVVA 3235/1-11/169: 95-96 rev. Translated by Jānis Strankals.

explanation to the controller and that the regional chief of the frontier doesn't arrive to 'investigate complaints'.”<sup>50</sup>

“There are not many police posts that have a shop nearby that are not fully demoralized by these shops, and that is completely understandable,” the police chief deplored. “Both the supervisor and the guards take necessities from the store and a bottle of transit vodka or liquor from time to time, which the shopkeeper gives without pay, as a reward for the 'services', which include: not bothering the shopkeeper and his border-crossing customers; bringing all the border crossers to a particular store; and closing the eyes to the fact that the shopkeeper makes his most important 'pals' drunk right in the shop ... This continues night after night.”<sup>51</sup>

Such concerns were likely behind the late June 1924 announcement that Finance Minister Ringolds Kalnings, about to embark on an inspection tout of Latgale, included a review of the frontier trade alongside such pressing agenda items as rebuilding after spring floods and carrying out a contentious land reform.<sup>52</sup> If past experience was any guide, the review was likely to result in more restrictions. Certainly, *Robežtirdzniecība*'s governing board appeared to sense that change was afoot; the company convened an “extraordinary” general shareholders' meeting at its headquarters for June 26, just two months after its regularly-scheduled shareholders' conference

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<sup>50</sup> LVVA 3235/1-11/169: 95-96 rev. Translated by Jānis Strankals.

<sup>51</sup> The police chief enumerated instances of bribery: “Among those well rewarded by the shopkeepers for their 'services' may be named supervisor Grubers, receiving [bribes] from Grieze company at the 'Snaži' post in Poļeščina; the 'Skripčino' post in Zilupe (supervisor Fillers) where Oglīša, an authorized person from Gremze company, sells transit vodka, of which the post is very well aware; the supervisor Vilks in Poļeščina receiving bonuses from the Guirkvela company, and so on ... the supervisor Kaije from Poļeščina, in Zabodje village bought a horse for 25,000 rubles.” LVVA 3235/1-11/169: 96+rev. Translated by Jānis Strankals.

<sup>52</sup> “Poezdka R. Kalninga v Latgaliu,” *Segodnia*, 20 June 1924, 3; “Eine Inspektionsreise des Finanzministers,” *RR*, 20 June 1924, 5.

had reviewed the prior year's heartening returns. Hinting at leaner times ahead, the agenda included "reducing the budget for expenditures."<sup>53</sup>

### *Smugglers, Spies, and Raiders*

Indeed, there were worrisome signs of growing tensions with the Soviets, which could only spell trouble for a traffic that depended on lax policing along both sides of the frontier. In late June, *Segodnia* reported that the OGPU had stepped up arrests of Latvian citizens on charges of espionage. Those in the know maintained that the Kremlin was "stocking up material" to exchange for Communists arrested in Latvia.<sup>54</sup> *Svari* soon lampooned the trade as taking place at a frontier "barter station":

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<sup>53</sup> *Ekonomists*, № 12 (15 June 1924), 728.

<sup>54</sup> "Uvelichenie chisla arrestov latviiskikh grazhdan," *Segodnia*, 27 June 1924, 2.

Figure 28: A Different Kind of Barter



*At the Barter Station*

Soviet Russia has again proposed exchanging convicted communist criminals for our citizens detained in Russia. (Newspaper reports)  
“Hey, how about it, neighbor – let’s swap: you’ve locked up mine, I’ve got yours – our sins are the same!”

Source: *Svari*, 5 September 1924, 283. Translated with the assistance of Jānis Strankals.<sup>55</sup>

The mood on the frontier – and in Moscow – was decidedly less jocular. While some Soviet arrests of Latvian citizens may have been cynical preparation for an eventual prisoner exchange, the OGPU was genuinely concerned about Latvian espionage and sabotage, particularly when these were camouflaged by an extensive contraband trade. “On the border of Latvia and the USSR, on Latvian territory, there are 35 barter stations,” Artur Artuzov, the chief of the

<sup>55</sup> *Svari* had deployed this metaphor before. See the cartoon “At the ‘Barter Station,’ *Svari*, 5 October 1923, 307.

Counterintelligence Department (*Kontrrazvedyvatel'nyi Otdel*, or KRO) of the OGPU reported to OGPU Chairman Dzerzhinsky in November 1924. “In practice, these shops serve as crossing points for Latvian spies and counterspies, as well as for the monarchists.”<sup>56</sup> The OGPU had reported in July about a British-financed Russian monarchist organization that was active in Latgale, launching small guerilla detachments across the border.<sup>57</sup> “The [Latvian] border belt is teeming with smugglers and spies who engineer crossings to the Soviet side,” Artuzov warned. Over the course of the 1923/24 operational year (October 1, 1923 – September 30, 1924), “120 agents have been deployed to the USSR.” Artuzov expressed similar concern about the Latvians’ northern neighbors. “In the border belt on the Estonian side there also exist barter shops, which also undertake intelligence work. Over the course of [19]24, 35 individual spies were deployed to our side, and 28 crossed over to Estonia,” he detailed. “The espionage is covered up by the contraband activity of the border crossers.”<sup>58</sup>

As the Lubianka saw it, the practice of “contraband camouflage” – perfected by both the Bolsheviks and their opponents during the Civil War – remained central to enemy intelligence operations. While Latvian and Estonian authorities worried that the barter shops were portals for Soviet subversion, their Soviet counterparts viewed the frontier exchanges as launching pads for the Baltics’ spies and White guard desperados. Of course, these visions were not mutually exclusive. What to Riga and Tallinn seemed to be increasingly untenable breaches in their frontier

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<sup>56</sup> “Sov. Sekretno. Kratkaia spravka I o deiatel'nosti K.R.O. O.G.P.U. za 1923/24 oper[atsionnyi] god; S.- sekretno. Spravka № II (po shpionazhu),” 30 November 1924, signed by Artuzov, RGASPI 76/3/306: 3-16; here, 11.

<sup>57</sup> Solov'ev and Chugunov, *Pogranichnye voiska SSSR, 1918-1928*, 357–60.

<sup>58</sup> RGASPI 76/3/306: 11.

defenses appeared to Moscow as the physical embodiment of capitalist encirclement and enemy treachery. The shop doors swung in both directions.

To be sure, Soviet state security officials were not concerned about frontier espionage only for its own sake. “Many neighboring foreign states work not for themselves, but on behalf of England or France,” Artuzov explained. “Thus, the Estonian, Finnish, Latvian and Lithuanian, and to a certain extent the Polish intelligence services work specifically and exclusively for England, lately [so do] the Swedes and Norwegians[; the Poles and Romanians work on behalf of the French.” Such backing explained why even the smaller neighbors disposed of “considerable funds.” “[T]he intensity of the work of foreign intelligence services against us, and therefore the funds disbursed for this work have not only not decreased over the period of 1923/24, but have grown significantly in the last months,” Artuzov warned. “From the moment of the signing of the Anglo-Soviet Treaty [in February 1924], credits for espionage against the USSR in the Baltic states have been increased threefold,” while the French were reportedly spending nearly as much as the British.<sup>59</sup>

It seemed only fitting that so many of the goods sold to Russian smugglers at the barter stations had also come from these western powers. “Most goods are French-made, some are Polish, German, and English,” the *Krasnyi pogranichnik* (“Red Border Guard”) newspaper announced to the OGPU’s frontier and internal troops stationed along the western border in December 1924, in

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<sup>59</sup> In August, Artuzov reported, British agents approached Russian monarchist circles in Tallinn with offers of up to 5,000 pounds sterling “for organizing the explosion of bridges along any railways, damaging waterworks, electric lighting, trains, telephones, telegraphs, etc.”; in October, British agents allegedly made an even more enticing offer to “monarchist and terrorist groups” in Helsinki, while other White guard associations in Finland and Poland were directed to procure “detailed information about the Comintern at any price.” RGASPI 76/3/306: 3-16.

an overview of the region's contraband trade during the past two years.<sup>60</sup> While the French share in the contraband imported into the USSR (with the exception of cosmetics) was surely exaggerated, such reports offered their readers, from the frontier to the Kremlin, physical proof of capitalist conniving. The overlapping routes of spies and smugglers penetrating the Soviet frontier were viewed through a lens that combined a Marxist penchant for systemic explanations with a Bolsheviks bent for conspiratorial thinking and a nascent siege mentality. Fused together, these habits of thought amplified the menace of both spying and smuggling as the entwined tentacles of the same bourgeois beast.

For authorities on both sides, the border both fed the tension and served as a barometer of its intensity. By that measure, however, Latvia's Soviet frontier had stayed relatively quiet, save for the occasional scuffle. Thus, in July 1924, the Latvian embassy in Moscow lodged a protest note with the Commissariat of Foreign Affairs over shots fired by Soviet border guards at three women and a boy crossing to Latvia, wounding one of the women after she had already stepped onto Latvian territory. In the same note, the embassy complained about two drunk Soviet border guards who had crossed into Latvia, "conducted themselves quite insolently, and knocked out the windows in several houses."<sup>61</sup> By the standards of the guerilla warfare then intensifying along the Soviet-Polish frontier (see Chapter Eight), such scrapes had an almost genteel feel.

However, whether they looked south to Poland or north to Estonia, Latvian authorities found plenty of reason to worry about what lay in store for their own republic. In early September

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<sup>60</sup> *Krasnyi pogranichnik*, 20 December 1924, in N. I. Afanas'ev et al., eds., *F. E. Dzerzhinsky i okhrana granits Sovetskogo gosudarstva. Sbornik dokumentov i statei* (Moscow: Voennoe izdatel'stvo Ministerstva Oborony SSSR, 1977), 124–25.

<sup>61</sup> "Kak vedut sebia krasnoarmeitsy," *Segodnia*, 30 July 1924, 4.

1924, a conference of officials chaired by Interior Minister Pēteris Juraševskis resolved to increase the size of the border police and to freeze the issue of new permits for trade in the border zone.<sup>62</sup>

*Jaunākās Ziņas* reported that the decision was prompted by new evidence that, “whether knowingly or not,” several barter station operators had abetted Soviet espionage.<sup>63</sup> Soon after the Interior Ministry meeting, the papers announced that sales of alcoholic drinks in shops along the Soviet frontier would be prohibited after November 1, and that “[a]ll border trade must be liquidated by January 1, 1925.”<sup>64</sup> Latvian security officials, it appeared, had finally had enough of the corrosive effects of the traffic.

Whatever resistance the frontier merchants may have put up against this decision was soon vitiated by developments on the ground. In late September, the Interior Ministry confirmed that “mounted armed bands” had appeared on the Soviet side of the frontier. While the Ministry insisted “there are no grounds for concern” because the border police had just been reinforced, not everyone was convinced.<sup>65</sup> *Jaunākās Ziņas* announced that according to “authoritative sources,” a hundred-strong armed band was assembling just over the border at Drissa in preparation for an invasion. “If we take into account events on the Polish border, then such bandit raids on Latvia are plausible,” the paper warned. Certainly, the locals were not taking any chances. “The population of Latgale is visibly alarmed,” *Jaunākās Ziņas* observed. “[M]any are fleeing the barter stations.”<sup>66</sup>

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<sup>62</sup> “Mery po okhrane granitsy,” *Segodnia*, 6 September 1924, 6.

<sup>63</sup> “Vene piiriäärsed kaubapunktid salakuulajate kontoriteks,” *Kaja*, 16 September 1924, 2.

<sup>64</sup> “Trezvost’ v pogranichnoi polose,” *Segodnia*, 13 September 1924, 8; “Reibinošu dzērienu pārdošanu,” *Daugavas Vēstnesis*, 19 September 1924, 3.

<sup>65</sup> “O banditskikh naletakh,” *Segodnia*, 26 September 1924, 1.

<sup>66</sup> “Prigotov[liatsia] bandy dlia vtorzen[iia] v Latviju,” *Segodnia*, 28 September 1924, 9.

### *Diminishing Fortunes on the Frontier*

From the perspective of the frontier merchants, of course, such panics only exacerbated their already-disappointing prospects. News of the impending closing of their shops had come on the eve of what normally would have been the major smuggling season – the time of longer nights, the flax harvest, and the Russian peasants' peak purchasing power. That spirits sales at the barter shops could at least continue through October, the favored month of peasant weddings, was some consolation; but giving up *all* sales just before the old-style Orthodox Christmas was sure to put a damper on celebrations on both sides of the border.

However, the barter station operators had been struggling even before the Interior Ministry's decision. The available data indicate that the contraband trade on the Latvian-Soviet frontier contracted significantly in the course of 1924. Citing Robežtirdzniecība's records, Alfreds Ceichners reports that while the number of barter stations the company supplied (not counting those operated by Robežtirdzniecība itself) decreased only slightly, from 110 in 1923 to 100 in 1924, the average annual turnover of a station dropped to less than half that of the prior year, falling from 150,000 to 72,000 lats – thus bringing estimated total sales down from 16,500,000 to 7,200,000 lats.<sup>67</sup> In fact, the average number of stations may have declined even more substantially over the course of the entire year; thus, the OGPU border guard detachment patrolling opposite Zilupe counted 43 barter shops operating in the area on July 1, 1924, but only 30 six months later – a thirty percent decrease.<sup>68</sup> If the total number of Latvian barter shops fell by a similar proportion, from 110 to 77, their total sales would have fallen even lower than Ceichners's estimate, to roughly

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<sup>67</sup> Ceichners, "Latvijas maksājumu bilance," 1083. Translated by Ieva Līne.

<sup>68</sup> Solov'ev and Chugunov, *Pogranichnye voiska SSSR, 1918-1928*, 378–79.

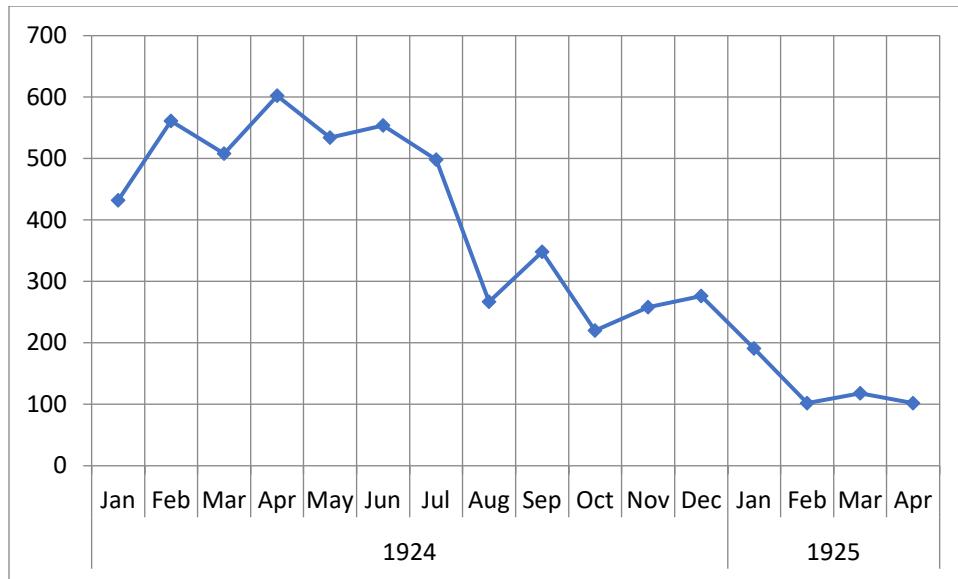
5,545,000 lats. Ceichners further reports that sales at Robežtirdzniecība's own barter stations declined even more dramatically, from 1,505,260 lats in 1923 down to just 371,510 lats in 1924. Total reported sales to Soviet smugglers at the Latvian frontier barter shops thus fell from approximately 18,000,000 lats in 1923 to between 7,570,000 and 5,545,000 in 1924 – a decline of some 60 to 70 percent.<sup>69</sup>

That the fall in turnover was so much more pronounced than the drop in the number of shops suggests that the shop closings were a consequence of the frontier trade's decline, rather than its cause. Ceichners ascribes the shops' reduced activity to "greater restrictions on arrivals from across the border."<sup>70</sup> It is certainly probable that the decision to shut down the trade was accompanied by more stringent border control – particularly after the Latvian border police force was bolstered in September, and especially following the appearance of the menacing guerilla detachments on the frontier. However, evidence from the Soviet side suggests that a precipitous decline in the traffic occurred already in mid-summer 1924:

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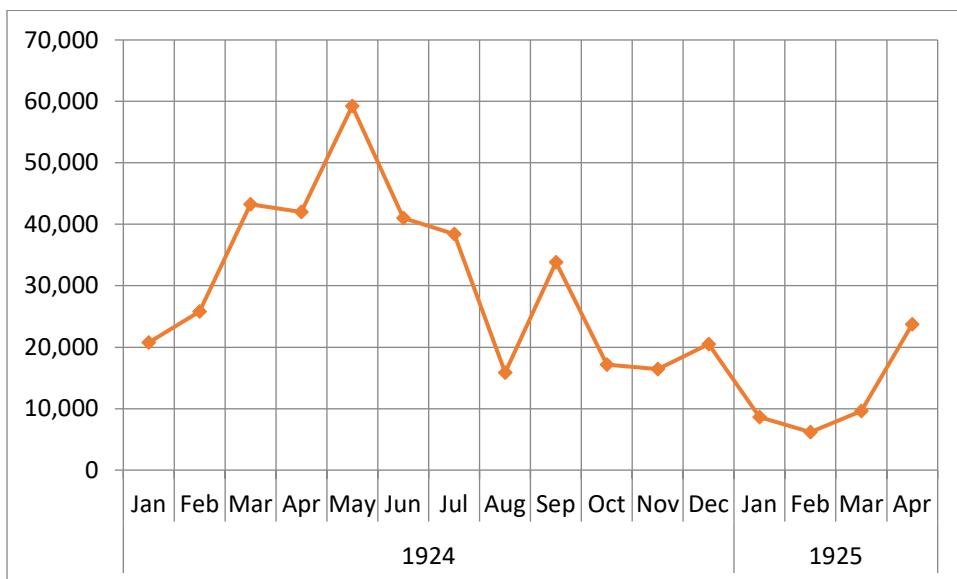
<sup>69</sup> Calculated based on the figures in Ceichners, "Latvijas maksājumu bilance," 1083.  
<sup>70</sup> Ceichners, 1083.

*Graph 4:*  
**Soviet Seizures of Contraband Goods on the Latvian Border,  
January 1924 – April 1925: Monthly Total Instances**



Source: *Vneshniaia torgovlia po evropeiskoi granitse (statisticheskii obzor)* (hereafter *VTpEG*), January 1924 through April 1925.

*Graph 5:*  
**Soviet Seizures of Contraband Goods on the Latvian Border,  
January 1924 – March 1925: Monthly Soviet Customs Valuations (in Soviet Rubles)**



Source: *VTpEG*, January 1924 through April 1925.

What caused the twofold drop in seizures of contraband – and an even greater drop in its estimated value – on the Soviet-Latvian border between June and August 1924? A month-long shock campaign against contraband trade undertaken along a stretch of the Soviet Union’s western frontier seems to have provided the immediate impetus for the decline. “The commenced spring season gives smugglers the chance to step up their activity in comparison with the winter season, because the forest roads and paths are everywhere traversable, and concealed from the border guard’s eyes,” the chief of the Soviet border guards’ Western Region command warned his subordinate officers by telegram on June 12, referring to the lush cover the region’s dense forests afforded trespassers. “[W]e are witnessing the influx of [contraband] goods onto our markets,” the chief announced. “For the purposes of paralyzing the work of the foreign concessions and of the smuggler element in the 100-kilometer border belt, from June 14 to July 10, we are implementing a month-long blockade.”<sup>71</sup>

What exactly this shock campaign entailed is unclear, but the experience of later campaigns suggests that it would have featured stepped-up patrols, aggressive recruitment of informants, and fast-track prosecutions of smugglers. The Sebezh border guard detachment, which patrolled opposite Zilupe, boasted the “liquidation of six large smugglers’ organizations” in 1924.<sup>72</sup> “Summing up the results of the month-long blockade, we must acknowledge that its substantive aims have been reached,” the Western Region border guard command reported to Moscow on August 22. “During the period of the blockade, the contraband activity of the foreign concessions as well as of the smugglers was paralyzed in the full sense of the word; the influx of contraband

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<sup>71</sup> Solov’ev and Chugunov, *Pogranichnye voiska SSSR, 1918-1928*, 512.

<sup>72</sup> Solov’ev and Chugunov, 378–79.

goods into the Minsk market and further to the interior has stalled significantly,” he boasted. “[D]espite the intensified activity of the border guard detachment and of the operational groups for the struggle with contraband, the number of seizures of contraband has declined significantly.”<sup>73</sup> The thirty percent drop in the value of contraband seized in June may have reflected a heightened vigilance on the part of both the suppliers on the Latvian side and the wholesale buyers who financed the traffic on the Soviet side; the increased risk of seizure encouraged the smuggling of smaller consignments. The dramatic August collapse in both the seizures of contraband and their value likely reflected a post-campaign quiescence, as the smugglers licked their wounds and the suppliers and financiers tallied their losses.

As practice, as precedent, and most importantly, as a source of intelligence – the border guard chief reported that his men had studied the smugglers’ methods, and noted ominously that the OGPU had “inventoried” nearly “the entire smuggler element of the blockaded districts” – the campaign lay the groundwork for future Soviet counter-contraband efforts.<sup>74</sup> As with most shock campaigns, however, the immediate impact was more limited: both the number of seizures and their value began to recover in September. Other factors, on both sides of the border, were responsible for the subsequent steady decline of the traffic during what ordinarily would have been its peak months.

The most significant of these were economic. The contraband trade prompted Soviet authorities to not only grow their policing capacity, but also to attempt to supply the borderland populations with goods from the Soviet side. The government’s primary vehicle for distributing

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<sup>73</sup> Solov’ev and Chugunov, 514.

<sup>74</sup> Solov’ev and Chugunov, 514.

goods and competing with private traders in these overwhelmingly rural areas were the consumer cooperatives. In the Pskov, Ostrov, and OPOCHKA counties, abutting the frontier from the southern portion of the Estonian border down to the middle of the Latvian, a mere 39 consumer cooperative shops were in operation on January 1, 1924. Over the course of that year, their number had grown more than fourfold, to 174.<sup>75</sup>

Meanwhile, beginning in the fall of 1924, Soviet agricultural procurement agencies stepped up their efforts to purchase the peasants' cash crops so as to prevent their seepage across the border. "With the expansion of the cooperative network in this area, and the commencement of the state organs' planned procurement operations for the buying up of flax and other raw materials from the peasantry," deputy OGPU Plenipotentiary Representative for the Leningrad Military District Vyacheslav Dombrowski reported in January 1926, both "everyday smuggling" – the smuggling of goods for local consumption rather than for resale into the interior – "and the export smuggling of flax have ceased of their own accord, and are now absolutely insignificant."<sup>76</sup> Writing on the other side of the frontier, a Latvian economist confirmed in November 1924 that "the decrease in flax fiber shipments from Latgale" from 11,452 tons during the period October 1, 1922 – September 30, 1923 to 9,223 tons during October 1, 1923 – September 30, 1924 was due "not least to the decline in trade at the barter stations."<sup>77</sup> "Gone forever into the realm of legend are the times," a Soviet customs expert exulted poetically in early 1925, "when the barbed wire barriers

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<sup>75</sup> Solov'ev and Chugunov, 363–66. On the Soviet "economic struggle with contraband," its significance, and legacy, see Andrey Shlyakhter, "The Smugglers' Bequest: Provisioning the Soviet Border Strip in the 1930s," paper given at the 41st National Convention of the American Association for the Advancement of Slavic Studies," Boston, November 12-15, 2009; and Andrey Shlyakhter, "La contrebande aux frontières de l'URSS dans les années 1920: méthodes d'évaluation et mesures de lutte," 422–26.

<sup>76</sup> Solov'ev and Chugunov, *Pogranichnye voiska SSSR, 1918-1928*, 364–65.

<sup>77</sup> The relative drop in Latgale's deliveries of flaxseed was even more pronounced, from 4,083 tons in 1922/23 to 2,494 tons in 1923/24. Rupīgis, "Lauksaimniecības produkta ražošanas un pātēriņa rajoni," 1366.

that cut through easy-to-cross areas of the border would become covered overnight, as with snow, with shreds and flocks (combinations) of flax and hemp, bearing silent witness to the ‘export operations’ of the border-area inhabitants.”<sup>78</sup>

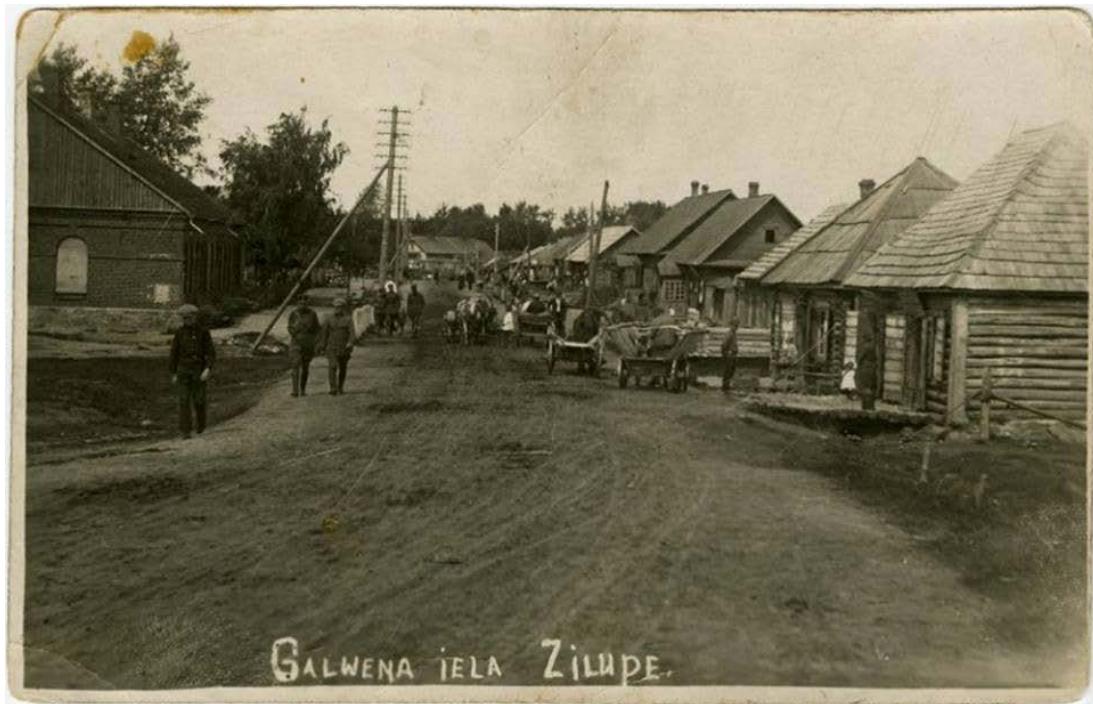
To be sure, the decline in the smuggling-out of flax formed part of a broader shift away from bulky commodities and towards more portable means of exchange, including the newly-convertible Soviet currency, the *chervonets*, as well as foreign currencies such as US dollars and British pounds. It also formed part of the broader shift away from ubiquitous smuggling by borderland peasants towards the professionalization of the contraband trade. Improved Soviet border policing and the intensified persecution of smugglers encouraged both of these developments – while both the shift towards convertible currencies and the professionalization of smuggling would encourage better border policing and the intensified persecution of smugglers on the Soviet side. At the same time, the nearly fourfold decline of precious metals amid Latvia’s official exports – from 10,091,949 lats’ worth in 1923 to just 2,662,809 lats in 1924 – testified to the decreased smuggling of these valuables from the USSR via the frontier barter stations, and thus to the broader contraction of the contraband trade on Latvia’s Soviet frontier.<sup>79</sup>

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<sup>78</sup> D. Fedenev, “Bor’ba s kontrabandoi v SSSR,” in A. I. Potiaev, ed., *Kontrabanda i bor’ba s nei*, 149.

<sup>79</sup> As for 1923, the figures show only the value of exported precious metals and scrap, but not articles such as coins and jewelry. Official Latvian imports of valuables remained negligible, with just 112,249 lats worth of precious metal articles imported into the country in 1924. Ceichners, “Latvijas maksājumu bilance,” 1083.

Figure 29: Main street, Zilupe (1926)



Source: Latvijas Nacionālā digitālā bibliotēka, at <https://dom.lndb.lv/data/obj/5479.html>

By the time the above postcard was mailed from Zilupe in September 1926, few signs remained of the frenetic energy of a border boomtown. The Latgalian peasant carts that Vilis Šūmanis had observed ferrying merchandise to the barter shops now stand empty, the draymen whiling away the time in conversation. Strolling along the opposite side of the street, however, the Latvian soldiers might take satisfaction in a more secure frontier.

#### *Riga's Qualified Retreat*

As in Estonia, the diminished value of the frontier trade helps explain the Latvian authorities' growing hostility to the traffic. Whether or not the Finance Minister's own review of the trade during his inspection of Latgale in late June and early July 1924 had been prompted by such commercial considerations, his office had increasingly less reason to push back against the

Interior Ministry's calls for shutting down the frontier barter stations. It was not enough for the trade to be profitable; the profits had to justify the security costs, not to mention the diplomatic fallout. By the autumn of 1924, 'Latvia's cup' of the imaginary scales invoked at the Finance Ministry meeting three years earlier was finally pulling down with more force than was the counterweight of commerce.

As its shareholders' meeting in June suggested, however, Robežtirdzniecība would not be caught flat-footed. News of the impending changes seems to have percolated through to the company's Riga headquarters even before the September conference at the Interior Ministry. On August 22, the management convened another extraordinary shareholders' meeting for September 15.<sup>80</sup> Two weeks after that gathering, the Ministry of Finance approved a change in the company's name to "Latgales Tirgotājs" ("Latgale Trader").<sup>81</sup> Two whirlwind years after its hopeful founding in the heady autumn of 1922, Robežtirdzniecība no longer existed. The new name suggested that the company would reorient its activities towards supplying the local inhabitants of Latgale – thus finally reconciling the reality on the ground with the assurances that Latvian diplomats had long fed to their Soviet counterparts.

Was the name-change merely another clever ploy, the kind of frontier window dressing at which Baltic businessmen and diplomats had become so adept? This time, the Latvian authorities appeared committed to following through on their promise to shut down the traffic. As in Estonia, the Tallinn putsch seemed to have removed the remaining doubts about the feasibility of trading security for profit. *Brīvā Zeme* – the Latvian Farmers' Union party paper that four years earlier

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<sup>80</sup> "Akciju sabiedrības 'Robežtirdzniecība' ārkārtēja akcionāru vispārēja sapulce," *Valdibas Vēstnesis*, 22 August 1924, 4.

<sup>81</sup> "Paziņojums," *Valdibas Vēstnesis*, 15 October 1924, 4.

was allegedly funded by proceeds from the frontier traffic – now noted approvingly that “[t]he prohibition of frontier trade has produced good results,” and “according to a competent source, the feeling of security in the border zone has increased greatly.”<sup>82</sup>

Not everyone was ready to comply, however. In late November 1924, Soviet Western Customs Region chief Jan Olin reported that at least 38 barter stations were still operating on the Latvian side across from Sebezh, and another 11 were trading across the southern stretch of the Latvian border opposite the Soviet Belorussian town of Bigosovo.<sup>83</sup> Although the Interior Ministry had ordered the frontier merchants to close down their outposts by year’s end, the traders lobbied Riga for an extension, and Soviet border guards patrolling opposite Zilupe counted 30 barter stations still operating by early 1925.<sup>84</sup> Meanwhile, a broadside in *Latvijas Vēstnesis* (perhaps paid for by the aggrieved merchants) argued vehemently against the prohibition, insisting that as long as the frontier traffic had been authorized, “it was possible to test the moral qualities of the merchants involved and to eliminate the unreliable elements.” “The justification that the existing system facilitates the entry of Communists into Latvia is unfounded,” the editorial argued. “If one wanted to maintain this justification, then all rail traffic with foreign countries would have to be banned, for it is much easier to get to Latvia by rail than through the border areas.” “It can be expected with reasonable certainty,” the paper prophesied darkly, “that the illegal trade will blossom after the closure of the frontier.”<sup>85</sup>

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<sup>82</sup> “Bessere Grenzbewachung,” *Libausche Zeitung*, 22 January 1925, 1.

<sup>83</sup> “Bor’ba s kontrabandoi v Zapadnom Tamozhennom Okruse,” signed by Jan Olin, 26 November 1924, NARB 4p/1/1951: 64-74; here, 65. Virtually identical figures are reported (as of November 1, 1924) in Fedenev, “Bor’ba s kontrabandoi v SSSR,” 185.

<sup>84</sup> “Mainas punktu slēgšana,” *Latvijas Sargs*, 4 January 1925, 1; Solov’ev and Chugunov, *Pogranichnye voiska SSSR, 1918-1928*, 378-79.

<sup>85</sup> “Der Handel in Lettgallen,” *RR*, 6 February 1925, 6.

As far as Latvian authorities were concerned, this prophesy did not materialize. In January 1925, the country's border police force was bolstered again, with the additional 175 patrolmen presumably deployed to the Soviet frontier.<sup>86</sup> Meanwhile, the railway police intensified document checks in the trains coming from Russia, as well as in those running from eastern Latgale into the Latvian interior.<sup>87</sup> “On the Soviet border, due to the termination of the border trade and the strengthening of border control on our side and in the USSR, there is no contraband traffic at all,” the border police boasted in its overview of the struggle with smuggling around Latvia’s perimeter during April 1925.<sup>88</sup>

The view from the Soviet side was less sanguine, however. Some frontier barter shops, it seems, continued to operate despite the Latvian authorities’ public pronouncements. In late February 1925, Foreign Affairs Commissariat Collegium member Viktor Kopp dispatched a letter to Semen Aralov, Moscow’s plenipotentiary representative to Riga. Kopp informed Aralov that the Soviet government had approved the “immediate” signing of a “border accord” with Latvia, which would allow petty frontier disputes (such as livestock straying to the other side) to be settled locally, without months-long correspondence between the respective capitals.<sup>89</sup> “However, we insist that the accord be accompanied by the exchange of notes about the final liquidation of the

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<sup>86</sup> The timing of this increase and that it was proposed by a representative of the conservative Latvian Farmers’ Union and supported by all the members of the Parliamentary Budget Commission except for the Left Social-Democrats all suggest that it was intended to secure Latvia’s Soviet frontier. “Uvelichenie shtata pogranichnoi politsii,” *Segodnia*, 13 January 1925, 5.

<sup>87</sup> “Bessere Grenzbewachung,” *Libausche Zeitung*, 22 January 1925, 1; “Usilenie passazhirskogo kontrolia v pogranichnykh poezdakh,” *Segodnia*, 29 January 1925, 6.

<sup>88</sup> “Kontrabandas kustība pierobežas joslā aprīļa mēnesi,” *Policijas Vēstnesis*, 29 May 1925, 2-3.

<sup>89</sup> See “V Soviet Narodnykh Komissarov SSSR. Ob”iasnitel’naia zapiska k proektu Soglasheniia mezhdu Soiuzom Sovetskikh Sotsialisticheskikh Respublik s odnoi i Latviiskoi Demokraticeskoi Respublikoi s drugoi storony o poriadke rassmotreniia i razresheniiia pogranichnykh konfliktov,” 18 December 1924, signed by Foreign Affairs Commissar Chicherin and Economi-Legal Department head Sabanin, GARF 5446/5a/190: 20; *Dokumenty vnesheini politiki SSSR*, vol. 8 (Moscow: Izdatel’stvo politicheskoi literatury, 1963), 157, 776n49.

transit shops,” Kopp emphasized. The former Soviet agent who had orchestrated elaborate international contraband purchases of military supplies in violation of the Versailles Treaty and the Allied blockade was now clad in a diplomat’s dress coat and insisting that Latvia respect the Soviet state monopoly on foreign trade.<sup>90</sup> The Latvian ambassador to Moscow “has agreed with our demand and is awaiting a final response from Riga,” Kopp reported, instructing Aralov “to raise this issue at your next meeting with [Zigfrīds] Meierovics,” the former Prime Minister who now headed the Latvian Foreign Ministry.<sup>91</sup>

Whether or not the Latvian diplomats acquiesced to this latest Soviet demand for the “final” shuttering of the barter shops is unclear. Disagreement over this condition might explain why the Soviet-Latvian “border accord” – the final text of which the Sovnarkom had approved in January 1925, and which the Soviet government wished to conclude “immediate[ly]” – was not signed in Riga until July 1926.<sup>92</sup> Given the Latvians’ history of obfuscation around the issue, it would not have made much practical difference in any case. While most barter stations had indeed shut down, Soviet border guards from the Sebezh detachment (opposite Zilupe) reported that fourteen “transit shops” were still operating by March 1, 1925, and other Latvian frontier trading outposts may have continued to function north or south of the detachment’s patrol grounds.<sup>93</sup> Indeed, even as the Latvian border police boasted “no contraband traffic at all” on the Soviet frontier in April, that same month Soviet authorities carried out 102 seizures of contraband goods along the Latvian

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<sup>90</sup> On Kopp, see McMeekin, *History’s Greatest Heist*, 226.

<sup>91</sup> *DVP SSSR*, 8:157.

<sup>92</sup> *DVP SSSR*, 8:776n49.

<sup>93</sup> Solov’ev and Chugunov, *Pogranichnye voiska SSSR, 1918-1928*, 379.

border, worth an estimated 23,700 rubles, or nearly as much as the prior three months' haul combined.<sup>94</sup>

How to reconcile the two sides' accounts? If the authorized frontier trade had indeed been “terminat[ed],” as the Latvian border police announced, and the reinforced frontier patrols and intensified document checks in the border zone had suppressed unauthorized smuggling, then what contraband were the local Soviet border guards and customs agents confiscating? The answer, it seems, lies in the newly secretive nature of the Latvian frontier traffic. Even as the OGPU acknowledged that by March 1925 most of the Latvian barter stations had either shuttered or turned into general stores servicing the local Latgalian population, it insisted that the remaining shops “operate in concert with Latvian intelligence, which employs the smugglers for the purposes of espionage.” “From this point on,” the Sebezh border guard detachment command reported, “smuggling transitions into a wholly organized traffic, utilized in one way or another by Latvian intelligence.”<sup>95</sup>

As the Baltic (and other Soviet neighbors') authorities saw it, the barter stations were not simply trading security for profit. The shops were also sites of a tradeoff between counterintelligence liabilities and intelligence opportunities. Authorizing the frontier traffic left open portals for Soviet subversion, but also facilitated gathering intelligence about Soviet intentions and capabilities, as well as mapping targets, recruiting agents, and preparing diversionary measures on Soviet territory for the event of war. In the knife's-edge world of frontier espionage and subversion, the barter shops thus magnified both risks and rewards. Whether to ban

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<sup>94</sup> VTpEG, April 1925, 141.

<sup>95</sup> Solov'ev and Chugunov, *Pogranichnye voiska SSSR, 1918-1928*, 379.

the trade and attempt to seal the border entirely, or to allow the traffic to continue under the patronage of the country's intelligence and the watchful eye of its counterintelligence, thus depended on the authorities' confidence in their ability to control the situation on the frontier and turn it to their advantage.

Deeply shaken by the December putsch, the Estonian authorities were unwilling to entertain the risk any further. To be sure, Estonian intelligence would still occasionally rely on smugglers for information gathering and liaison, and Estonian spies would continue to masquerade as smugglers themselves; but the Estonian government would no longer hazard hosting a permanent contraband traffic on its side of the Soviet border.<sup>96</sup> If, as the OGPU alleged, the Estonians really were working primarily on behalf of the British, Tallinn's dividends from this arrangement no longer justified its security liabilities.

However, with one-and-a-half times the territory of Estonia, and nearly double its population, Latvia had more cause for confidence. Perhaps most importantly, Latvia's postwar transformation from one of the Russian Empire's most industrialized regions into an overwhelmingly agrarian economy ensured that the country – reliably governed by the conservative Latvian Farmers' Union party – had not developed the restive urban proletariat that nourished the Estonian communists' revolutionary aspirations.<sup>97</sup> The attempted coup occurred in Tallinn, not Riga; and while it had certainly encouraged the Latvians to securitize their Soviet

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<sup>96</sup> In October 1925, the OGPU uncovered a sprawling network of Estonian spies and agents who employed the traditional techniques of contraband camouflage to facilitate their operations. A show trial, approved by the Politburo, was held in Leningrad in February 1926 and ended with the executions of 12 defendants and the imprisonment of 34 others; another trial of Estonian smuggler-spies opened that spring and concluded that summer with more executions. See RGASPI 17/3/524: 2; "Protsess 48 estonskikh shpionov," *Izvestiia*, 12 February 1926, 4; "Delo 19 estonskikh shpionov," *Pravda*, 21 April 1926, 4; "Rasstrel estonskikh shpionov," *Izvestiia*, 16 July 1926, 4; Dullin, *La frontière épaisse*, 160–61.

<sup>97</sup>On this point, see Sunila, *Vosstanie 1 dekabria 1924 goda*, 61–62.

frontier, it did not shock the government into sealing it entirely. The Latvian authorities were willing to continue playing the game, publicly denying the existence of any frontier trade while channeling a smaller stream for the benefit of their intelligence work. Select Latvian border barter shops would therefore continue to operate – not despite security considerations but because of them.

## Chapter Eight

### **Poland: Persisting in the Balancing Act**

#### ***Łódź's Lasting Longing***

Speaking to journalists in Warsaw in late October 1922, Soviet Trade Representative Sergei Gorchakov trumpeted the sizeable orders his delegation had recently placed in Poland despite the absence of a formal trade treaty between the two countries. “We have just concluded a contract with a certain Polish firm for import and export totaling 72 billion Polish marks,” Gorchakov enthused. “We have placed large orders for haberdashery, stationery, paper, steel, leather, and chemical articles.” But Gorchakov had disappointing news for Łódź. “We are no longer buying cloth, because we have an excess of its production in Russia,” the Trade Representative maintained. “Nearly all the textile mills are working now, and we may thus expect an imminent ban on the import of cloth to Russia.” Gorchakov hastened to add that “[a]ll goods imported to Russia without the permission of the Foreign Trade Commissariat are considered contraband, and confiscated at the border by Soviet officials.”<sup>1</sup> The Trade Representative knew his audience.

Gorchakov also knew that Polish businessmen were unlikely to be deterred by this warning. “Trade with Soviet Russia continues to proceed only by recourse to smuggling,” the *Kurier Łódzki* reported in late December. While clandestine traffic could not hope to replace regular trade and the paper lamented that “the absence of a trade treaty is sorely felt by both sides,” by year’s end,

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<sup>1</sup> “P. Gorchakov o handlu z Polską,” *KL*, 31 October 1922, 1.

the Łódź cotton textile mills were operating at nearly 110 percent of their prewar capacity.<sup>2</sup> The city had made the most of the Polish authorities' unilateral reopening of the Soviet frontier in early 1922. "Speaking recently before a parliamentary committee in Warsaw about trade relations with the Soviet Republic, the Polish Minister of [Industry and] Trade cited figures indicating that the contraband trade carried on by Poland exceeds its legal counterpart several-fold," a front-page editorial in *Pravda* fumed on December 28.<sup>3</sup>

Besides the trade sanctioned by Polish authorities, of course, there persisted the traffic in goods smuggled past *both* Polish and Soviet border patrols. "Wholesale trade on the frontier is divided into two categories: the legal, by permits from the local authorities, conducted in the presence of customs officials, the military, and state police, and the illegal, conducted by way of smuggling," a *Kurier Łódzki* correspondent reported from the western bank of the Zbrucz in April 1923. "The second kind of trade enjoys still greater volume than the first."<sup>4</sup> "The volume of this trade cannot be quantified, but it is nonetheless enormous," another Łódź paper observed, "and according to the calculations of experts exceed the value of authorized goods by 50 percent, thus reaching around 5 billion [Polish marks] a week."<sup>5</sup>

Despite Gorchakov's bluster, Soviet consumers would have plenty of reason to seek out smuggled Łódź fabrics in 1923. While the Soviet textile industry was recovering rapidly – over the course of the year, the output of woolens grew by half and that of cotton cloth nearly doubled – prices followed suit. As Soviet economists and party leaders argued over the causes of the

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<sup>2</sup> "Sytuacja w przemyśle łódzkim," *KL*, 28 December 1922, 6.

<sup>3</sup> "Pobol'she vnimaniia okhrane granits," *Pravda*, 28 December 1922, 1.

<sup>4</sup> H. T., "Nad Zbruczem," *KL*, 28 April 1923, 3.

<sup>5</sup> "Co przywozi Polska z Rosji?", *Rozwój*, 4 February 1923, 5.

“Scissors Crisis,” so named for a popular graph showing a dramatic divergence between the prices of agricultural and manufactured goods, between February and October 1923 the retail price of calico nearly doubled.<sup>6</sup> Meanwhile, according to a leading specialist on the history of Soviet trade, “when the textile syndicate and state wholesalers began curtailing sales to private businesses in 1923-24, traders made every effort to obtain supplies through alternative channels.”<sup>7</sup>

Not surprisingly, the Soviet frontier trade continued to benefit from Warsaw’s patronage. The continuing vitality of the traffic and its economic significance in the eyes of the central Polish authorities may be gleaned from a bureaucratic spat that flared on the frontier in the winter of 1923. Just southwest of Równe, in the town of Ostrog, “on the very Ukrainian border, stand wooden sheds that the Polish merchanty conducting trade with Soviet Ukraine utilized as warehouses,” the *Tygodnik Handlowy* reported that February. “The engineering department of the Ministry of Military Affairs has now demanded the emptying of these sheds and their return to the military, as before the war they had belonged to the Russian army.” An inter-ministerial commission convened to resolve the dispute concluded that the buildings have “great significance for the merchanty,” and called for them to be turned over to the Ministry of Industry and Trade.<sup>8</sup> The frontier sheds would continue to stockpile merchandise to be smuggled to the Soviets, not materiel for defending against them.

The solicitude shown to the frontier traders by Polish authorities was encouraged by the continuing influx of precious metals and foreign exchange. Indeed, that gold and silver coin

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<sup>6</sup> See Konotopov, *Istoriia otechestvennoi tekstil’noi promyshlennosti*, 291, 298, 307-08; A N. Malafeev, *Istoriia tsenoobrazovaniia v SSSR, 1917-1963* (Moscow: “Mysl’,” 1964), 40-41.

<sup>7</sup> Julie Hessler, *A Social History of Soviet Trade: Trade Policy, Retail Practices, and Consumption, 1917-1953* (Princeton: Princeton University Press, 2004), 138

<sup>8</sup> “O handel nadgraniczny,” *TH*, 15 February 1923.

remained among the primary means of payment for Polish contraband helps explain the tenacious hold of tsarist specie on the neighboring Soviet border areas. Embossed on every coin, its two heads glowering east and west, the Imperial Russian eagle stubbornly straddled the frontier that divided its former domains.

“The districts of the region adjacent to the Dniestr and Zbruch are notable for the widespread use of Russian coin, gold and especially full-weight (1 ruble 50 kopeck) silver,” the Kiev economist Evgenii Stashevskii marveled in July 1923. “One can still point to entire districts where all transactions are made exclusively in gold and silver.” With the resumption of mass private remittance flows to the USSR in early 1923, US dollar bills also came to play an increasingly significant role in these former Pale territories that traversed the Soviet frontier. “American dollars and Polish marks circulate alongside gold and silver coin,” Stashevskii noted.<sup>9</sup> While less ubiquitous, contraband platinum continued to surface on the Polish side of the border as well. “[V]ery significant quantities of platinum, primarily smuggled from Russia by way of barter, have appeared on the domestic market,” the *Kurier Łódzki* reported from Lublin, a bustling medieval market city halfway on the Warsaw-Lwów line, in March 1923. “[S]everal foreign firms have even approached the Finance Ministry with offers of concessions for buying up this platinum and exporting it abroad … [T]hese firms would surely pay for it in foreign exchange.”<sup>10</sup>

The wistful tone of this conclusion was not incidental: just that month, Poland commenced a dizzying descent into hyperinflation.<sup>11</sup> During the first six months of 1923, as Warsaw relied

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<sup>9</sup> E. Stashevskii, “Denezhnoe obraschenie v zapadnoi pogranichnoi polose,” *Torgovo-Promyshlennyi Biulleten'* (Khar'kov), 25 July 1923, 1.

<sup>10</sup> “Platyna rosyjska w kraju,” *KL*, 7 March 1923, 6.

<sup>11</sup> Wojciech Morawski, *Od marki do złotego: historia finansów Drugiej Rzeczypospolitej* (Warsaw: Wydawnictwo Naukowe PWN, 2008), 71.

increasingly on the printing press to cover its obligations, the supply of Polish marks more than doubled twice over; the value of a dollar rose nearly six-fold.<sup>12</sup> The summer brought no respite, as the collapsing German mark pulled its neighboring namesake down with it.<sup>13</sup> By September's end, there were fourteen times as many Polish marks in circulation as there had been nine months earlier; and by the end of the year, there were nearly 160 times as many. Over the course of 1923, as Polish citizens sought to safeguard their savings, the value of a dollar in Polish marks shot up by a factor of 358.<sup>14</sup> Warsaw resorted to increasingly desperate measures; by August, a patriotic donation drive intended to supply reserves to cover the currency emission netted the Treasury 546 kilograms of silver articles, 88 kilograms of gold, and 1.5 kilograms of precious stones. Civic-minded newlyweds slipped steel wedding bands onto each other's fingers to drive down the price of gold.<sup>15</sup> Currency speculators faced confiscation, hefty fines, and up to five years in prison. Authorities throughout the country undertook well-publicized raids on (mostly Jewish) currency traders; besides fanning anti-Semitic sentiment, however, the arrests both diminished the supply of foreign exchange and encouraged panic buying.<sup>16</sup>

Under the circumstances, the valuables and hard currency smuggled in across the Soviet frontier acquired an outsized significance – although the heavy-handed measures targeting currency dealers apparently threatened this supply as well. “From lip to lip passes the rumor that

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<sup>12</sup> Calculated based on the figures in Zbigniew Landau and Jerzy Tomaszewski, *Gospodarka Polski międzywojennej, 1918-1939*, Wyd. 1., vol. 1 (Warsaw: Książka i Wiedza, 1967), 280.

<sup>13</sup> Morawski, *Od marki do złotego*, 70–71.

<sup>14</sup> Calculated based on the figures in Landau and Tomaszewski, *Gospodarka Polski międzywojennej*, 1:280.

<sup>15</sup> Andrzej Jezierski and Cecylia Leszczyńska, *Historia gospodarcza Polski*, Wyd. 3-e popraw. i uzup. (Warsaw: Wydawnictwo Key Text, 2010), 324–25.

<sup>16</sup> “Odwaga szakali walutowych,” *KL*, 6 April 1923, 6; “Wycinanie polipa, wysążającego soki żywotne polski. Obławy na czarnogieldziarzy i szmuglerów w pociągach,” *KL*, 29 July 1923; “Obyski i aresaty,” *Segodnia*, 12 October 1923, 3; “Do jakiej narodowości należy 97 proc. depreconujących markę polską? Naturalnie Żydzi!,” *Rozwój*, 21 October 1923, 5.

the police have carried out personal searches of passengers on trains coming from the Russian frontier and confiscated foreign currencies carried by the merchants, which they received from the buyers of goods from the other side of the border,” lamented the lead editorial in the *Przegląd Włókienniczy*, the Łódź-based tribune of the Polish textile industry, in June 1923. “Given that this inflow of foreign currencies occupied a not-insignificant place in the total supply on the foreign exchange market, this could not but have had the most adverse impact on the general situation and magnified the scale of the cataclysm that we have been experiencing.”<sup>17</sup> Dependent entirely on cotton imports from abroad, Łódź was especially vulnerable to a diminished supply of foreign currency; meanwhile, the rapidly rising cost of living depressed domestic demand for the output of the city’s textile mills. Both factors propelled the continued contraband flow of Polish textiles across the Soviet frontier.

So, too, did the still-desultory Polish-Soviet trade negotiations. Surprisingly, Warsaw appears to have been even more responsible for the stalemate than Moscow. While intransigent on the issue of maintaining the state monopoly on foreign trade, the Kremlin at least instructed its diplomats to actively pursue a trade agreement with Poland. “[T]he NKID [People’s Commissariat of Foreign Affairs] has repeatedly urged us to engage with them for the resumption of trade talks,” the Polish ambassador, Roman Knoll, reported from Moscow in early March 1923.<sup>18</sup> On May 21, the Politburo convened a committee of top officials (including Dzerzhinsky, Finance Commissar Sokol’nikov, deputy Foreign Trade Commissar Frumkin, and deputy Gosplan and VSNKh Chairman Piatakov) to work out Soviet policy towards Poland, “shifting the center of gravity onto

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<sup>17</sup> Dr. M. Barciński, “Nowe powikłania,” *Przegląd Włókienniczy*, 15 June 1923, 267-68.

<sup>18</sup> *DM*, IV:231.

questions of advantageous trade.”<sup>19</sup> Following the committee’s recommendations, on June 14 the Kremlin directed the NKID to “pursue talks in the direction of a further rapprochement with Poland, especially in the realm of trade relations.”<sup>20</sup> After meeting with Foreign Affairs Commissar Georgii Chicherin two weeks later, Knoll reported to Warsaw that the former “pointedly returned to the question of a trade treaty, emphasizing a readiness to make every concession.”<sup>21</sup> “There is no doubt that the Soviets at the present moment are genuinely interested in improving relations with Poland from both the political and economic point of view,” Knoll observed. “These intentions of theirs have attracted the attention of the representatives of foreign countries, and above all of Germany, which betrays some concern about this.”<sup>22</sup>

Despite Łódź’s desperate need for access to the Russian market, however, Warsaw appeared less eager for a deal than did Moscow. Indeed, Knoll relayed his Soviet counterparts’ frustration with the relatively low-level officials that Poland dispatched to conduct the negotiations.<sup>23</sup> While Polish diplomats recognized the importance of normalizing trade relations, they also sought to leverage Moscow’s desire for a trade treaty to force better fulfillment of the terms of the Riga Peace, as well as to extract more favorable conditions for freight transit between the Soviet Union and Germany.<sup>24</sup> The cabinet that came to power in Poland in May 1923 – in which the most important portfolios (including the Ministries of Foreign Affairs, Industry and Trade, and Finance) were held by members of the right-wing Popular National Union, while the

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<sup>19</sup> Politbiuro protocol № 7, 21 May 1923, RGASPI 17/3/355: 2.

<sup>20</sup> Politbiuro protocol № 12, 14 June 1923, RGASPI 17/3/360: 2.

<sup>21</sup> *DM*, IV:254.

<sup>22</sup> *DM*, IV:252–53.

<sup>23</sup> Łopatniuk, *PRSG*, 98–99.

<sup>24</sup> *DM*, IV:231–32.

Internal Affairs Ministry and the Premiership itself represented the center-right Polish People's Party that drew its support from rural locales – was even less responsive to Łódź's needs and less amenable to compromise with the Soviets on the matter of the trade treaty.

Łódź could hardly afford to wait for this diplomatic dance to play out. A general strike led by textile workers demanding pay raises to match the spiraling inflation paralyzed the city in July 1923, culminating in bloody clashes with the police that left dead and wounded on both sides; another countrywide strike wave rolled through Łódź in October.<sup>25</sup> “[T]he miserable wages amid the fast-growing currency inflation caused many of us to bring to work potato pancakes baked without fat,” one participant recalled. “If some worker ate pancakes fried in oil or – what was an exceptional luxury – brought from home bread greased with lard, he was generally suspected of engaging in profiteering outside work hours. Nearly all of us drank tea brewed of mint, sweetened with a single tablet of saccharin smuggled from Germany.” Unable to afford the fruit of their own labor, textile workers dressed in American army surplus fatigues sold in the bazaars.<sup>26</sup> By early December 1923, over forty small and midsize Łódź textile factories had shuttered, while the rest operated at half-capacity. “Not a week passes without the Łódź papers announcing that in this or that district, on this or that street, the patrols have not picked up a man who has fainted from hunger,” inveighed the Socialist Party deputy Antoni Szczerkowski at an animated two-day session of the Sejm devoted to “the crisis in the textile industry.” “Workers’ families do not have

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<sup>25</sup> Kieszczyński, “Walki strajkowe włókniarzy Łodzi i okręgu łódzkiego w latach 1919-1928,” 46–70; Janina Ettinger, *Przebieg walk strajkowych w latach 1923-1930* (Warsaw: Główny Urząd Statystyczny, 1931), 1–2; Barbara Wachowska, *Strajki włókniarzy łódzkich, 1923-1938. Wspomnienia działaczy KPP* (Łódź: WydawnŁódzkie, 1962), 9.

<sup>26</sup> Wachowska, *Strajki włókniarzy łódzkich*, 10–11.

undergarments, clothing,” Szczerkowski warned. “[O]n Sundays and holidays they do not have the courage to go outside.”<sup>27</sup>

Despite the intensity of their mutual antagonisms, Łódź’s workers, manufacturers, and merchants were united in the belief that salvation lay in the east. The strikers’ demands included calls to normalize trade relations with the Soviet Union.<sup>28</sup> “[D]ue to the absence of the appropriate trade treaties, the textile industry … is suffocating on the domestic market,” lamented a parliamentary deputy from the National Workers’ Party. “[I]t is the fault of the preceding governments and of the present Government that it has not concluded a trade treaty with Soviet Russia,” Szczerkowski argued. “[T]his state of affairs can persist no longer.” “This economic crisis poses a question to the current governing majority,” echoed Wacław Wiślicki, a deputy from the National Minorities’ Bloc and the future president of the Central Merchants’ Union. “[E]ither allow this [textile] trade and industry to spread out across Russia and win that market, or, if you wish to destroy this trade and industry, the French will occupy [the Russian market], while we will have unemployment and crises.”<sup>29</sup>

While the diplomats negotiated and the deputies polemicized, the smugglers smuggled. “Lately around 70 percent of the [textile] merchandise is being exported,” and “of this, an enormous quantity goes to Russia across the so-called green border,” Szczerkowski observed. “Commercial middlemanship has blossomed, many enterprises have been established that buy up

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<sup>27</sup> *Sprawozdanie stenograficzne z 84 posiedzenia Sejmu Rzeczypospolitej z dnia 4 i 5 grudnia 1923 r*, n.d., 53–56.

<sup>28</sup> This demand was reiterated in late January 1924 at a conference of Łódź trade unions, as well as at a mass demonstration by the city’s unemployed. See P. N. Ol’shanskii, “O sovetsko-pol’skikh torgovo-ekonomicheskikh sviaziakh v 1921-1924 gg.,” in *Sovetsko-pol’skie otnosheniia, 1918-1945. Sbornik statei* (Moscow: Nauka, 1974), 106; Barbara Wachowska, “Stosunki handlowe polsko-radzieckie we włókiennictwie w dwudziestoleciu międzywojennym,” *Acta Universitatis Łódzienensis. Folia Historica* 55 (1996): 108.

<sup>29</sup> *Sprawozdanie stenograficzne z 84 posiedzenia*, 50–56, 109.

the goods straight from the source and smuggle them to Russia. And these too accumulate wild fortunes [*szalone bogactwa*].” For the socialist deputy, “this kind of trade” was the consequence of Warsaw’s lack of commitment to concluding a trade treaty with Moscow, as well as of the unhealthy “relations prevailing in industry.” “This illegal trade through the green border, where there are thousands of intermediaries, compounds the abnormality of the relations,” Szczerkowski complained. Yet Wiślicki, the merchants’ representative, saw things differently. While he also made an impassioned plea for a Polish-Soviet trade treaty, Wiślicki was understandably less perturbed by the middlemen’s profits. “We have opened suitable warehouses on the Russian border in Lutsk and Równe, concentrated in those communities where the Russian client can come, and we ship the wares there,” Wiślicki explained unapologetically. “We export that merchandise, ferry it across the green border and smuggle it to Russia, we smuggle it because every article that we dispatch with our seal paves our way.”<sup>30</sup>

For Poland’s textile manufacturers and merchants, contraband traffic across the Soviet border thus continued to provide not only a much needed market outlet and a source of hard currency, but – especially important during a protracted crisis – a source of hope and reassurance. Soviet black market demand for smuggled Łódź cloth indicated that the city’s former customers across the former Empire had not forgotten the feel of Łódź linens on their bodies. For those who did, or for those who were not yet familiar with the fruit of its factories, the contraband consignments paved the way. Warsaw and Moscow would come to an understanding yet, Łódź reckoned, and the trade would reemerge out of the shadows. Surely, freight cars laden with millions of meters of cloth would again rumble eastward.

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<sup>30</sup> *Sprawozdanie stenograficzne z 84 posiedzenia, 55–60, 105–6.*

Indeed, even as talks over a trade treaty stalled, in late October the new Soviet Trade Representative to Poland, Konstantin Miaskov, commenced preliminary negotiations with several of the major Łódź textile firms that had supplied the Imperial Russian market. Before the year was out, a delegation from the Polish Union of Textile Manufacturers paid a return visit to Moscow, where they conferred with Jakub Hanecki (Fürstenberg), a Warsaw-born wartime revolutionary smuggler who now sat on the Collegium of the People's Commissariat of Foreign Trade. "We are hopeful that our talks with the Soviets will yield good results," the delegation's chairman reported when back in Warsaw. "Russia is already accustomed to our goods, and the consumer is once again demanding the Łódź wares with which he is familiar from prewar times."<sup>31</sup>

In the event, Soviet consumers would have to curb their antebellum appetites – or turn to contraband. During the 1922/23 fiscal year (October 1, 1922 – September 30, 1923), official Soviet imports of Polish cotton cloth totaled just 35 tons; during the following fiscal year these had dwindled to a *single* ton, the lading of a handful of horse-drawn peasant carts. Soviet orders of Polish woolens remained paltry as well, totaling 41 tons in 1922/23 and 61 tons in 1923/24. Even shipments of cotton yarn, which totaled 197 tons in 1922/23, shrunk to just four tons the following fiscal year. Finally, Soviet government imports of Polish knitwear and other ready-made apparel totaled just 13 tons in 1922/23, and a mere 0.1 tons in 1923/24.<sup>32</sup> In short, official imports of Polish textile goods into the entire Soviet Union during the two-year period from October 1922 through September 1924 could have been loaded onto a single freight train.

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<sup>31</sup> Ol'shanskii, "O sovetsko-pol'skikh torgovo-ekonomicheskikh sviaziakh v 1921-1924 gg.," 96–97.

<sup>32</sup> Vinokur and Bakulin, *Vneshniaia torgovlia SSSR, 1918-1927/28*, 146–47, 604–5.

Meanwhile, contraband traffic across the Soviet-Polish frontier showed few signs of abating. “[S]muggling has reached incredible proportions,” an *Izvestiia* correspondent reported from the Volyn countryside in early March 1923.<sup>33</sup> “In terms of [facilitating] the infiltration of contraband, much harm is perpetrated by the Polish shopping arcades [*kooperativy-passazhy*] situated along the other side of the border,” Soviet Ukrainian customs head Mikhail Makotinskii observed later that month upon returning from an inspection tour of the republic’s Romanian and Polish frontiers.<sup>34</sup> The reference to entire arcades – even if these were merely rows of rough-hewn wooden sheds – suggests bustling operations. While the *Kurier Łódźki* lamented that although Soviet authorities “had, for a while, turned a blind eye to smuggling, there are now significant restrictions and strict control,” the paper reported in May that “Łódź goods enjoy significant sales on the Zbrucz frontier,” and called for more frequent direct freight runs to Lwów.<sup>35</sup> An inspection of the border area of Soviet Ukraine’s southwestern Podolia region, led in early summer by the prominent Ukrainian Bolshevik Mykola Skrypnyk, found that “[c]ooperative and private trade, as well as state, are on the decline thanks to smuggling.”<sup>36</sup> The peasants of the frontier villages are “becoming accustomed to going to the markets and fairs on the other side,” the Kamianets-Podol’sk Executive Committee chairman lamented in his report for June. “[I]n the vicinity of Husiatyn, peasant women walk over in whole flocks for the purchase of kerosene, salt, lightweight fabrics, etc.”<sup>37</sup>

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<sup>33</sup> Vit. Tkachuk, “V volynskoi derevne,” *Izvestiia*, 2 March 1923, 3.

<sup>34</sup> “Protokol № 10 zasedaniia Ukrainskoi (okruzhnoi) mezhduvedomstvennoi komissii po b/k,” 19 March 1923, TsDAHOU 1/20/1758: 93+rev.

<sup>35</sup> “Sytuacja w przemyśle łódzkim,” *KL*, 27 March 1923, 6; “Nowy rozkład jazdy,” *KL*, 10 May 1923, 3.

<sup>36</sup> “Sostoianie pogranichnoi polosy,” TsDAHOU 1/20/1758: 63-64.

<sup>37</sup> M. P. Oliinyk, *Transformatsiini protsesy na Podilli v dobu NEPu: 1921-1928 rr.* (Khmel’nytskyi: Polihrafist-2, 2015), 243.

Even as contraband trade across Poland's eastern border supplied Soviet consumers and offered Łódź a lifeline, the traffic may have diminished the prospects of regular trade. In a January 1923 circular to Polish diplomatic missions abroad, the conservative Foreign Minister Count Aleksander Skrzyński emphasized that Warsaw was leveraging the Soviets' desire for trade and transit to extract better fulfillment of the terms of the Riga Treaty. Breezily noting that "Polish-Soviet trade is almost exclusively illegal," Skrzyński intimated that Warsaw was satisfied with this arrangement.<sup>38</sup> Indeed, the head of the Soviet Ukrainian customs apparatus, would later argue in an internal memorandum that "besides a host of political considerations, with its flourishing illegal export and import, Poland is little interested in establishing normal trade relations with us and does not see a need to try especially hard to conclude a trade treaty."<sup>39</sup> By venting some of the domestic Polish pressure for a trade agreement with the Bolsheviks, contraband trade thus functioned as a safety valve, giving Łódź access to the Soviet market without requiring Warsaw to make any concessions to Moscow. In a mutually-reinforcing loop, the absence of a trade treaty encouraged smuggling, while the success of smuggling discouraged pursuit of a trade treaty.

### ***Polish Impunity: Causes and Consequences***

In early December 1922, agents of the Slutsk GPU Frontier Department detained one Vladimir Omolich, confiscating "three large and three small cuts of shoe sole leather" that Omolich had allegedly smuggled from Poland. Finding Omolich himself to be "of Polish provenance," the commanding officer resolved to hand over the smuggler to Polish authorities.<sup>40</sup>

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<sup>38</sup> *DM*, IV:232.

<sup>39</sup> "Sovershenno sekretno. V ukrainskui komissii po bor'be s kontrabandoi. Kontrabandnyi vneshe-torgovyi oborot USSR za 1925/26 god," 15 February 1927, RGAE 5240/18/3200: 93-124; here, 112.

<sup>40</sup> NARB 129/2/46: 129-130.

A safe return is a poor deterrent. Propelled by rising unemployment, pulled by the lure of profit, and no longer fearing an unrestrained Cheka, Polish citizens figured increasingly among the smugglers caught ferrying goods into Soviet territory. “Lately we have been witnessing a massive influx of contraband,” Western Customs District head Jan Olin complained at a meeting of the Central Commission for the Struggle with Contraband in Moscow in February 1923. Its Polish carriers “freely embark on such capers, knowing full well that apart from the confiscation of their goods and money, they incur no other penalty, as the GPU, wary of espionage, has resolved to dispatch them immediately back across the border.”<sup>41</sup> While fear of spies may have encouraged such shortsighted expulsions, the material poverty of the Soviet border guard provided a more pedestrian explanation: that January, the Zaslavl GPU Frontier Department had reported that captured Polish smugglers “cannot be held under guard … due to the lack of funds for this purpose.”<sup>42</sup> The more Polish citizens were caught smuggling, the more likely were their beleaguered Soviet captors to dispatch the detainees safely back to Poland – thus encouraging still more Poles to try their luck on the frontier.

Yet Polish smugglers operated with impunity not only because overwhelmed local Soviet officials did not know what to do with them. Moscow itself inspired a delicate approach: thus, Poland appears to have avoided the strident demands that Soviet diplomats issued to their Latvian and Estonian counterparts in the winter and spring of 1923. While a February 19<sup>th</sup> meeting of the

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<sup>41</sup> “Protokol № 24 zasedaniia Tsentral’noi Komissii po bor’be s kontrabandoi pri Glavnom Tamozhennom Upravlenii NKVT,” 5 February 1923, RGAE 413/14/72: 52-56; see also Olin’s March 13 circular in RGAE 413/14/137: 36+ob. Olin’s successor reported in June that customs officials handed all detained Polish citizens to the GPU “for determining their involvement in espionage”; those deemed innocent were presumably dispatched back to Poland. See Bronovitskii to Main Customs Administration, 22 June 1923, in RGAE 413/14/137: 30, 32.

<sup>42</sup> NARB 129/2/46: 101-104.

Central Commission for the Struggle with Contraband, attended by Customs Administration head Potiaev and deputy GPU Counterintelligence Department chief Pataki, resolved to “ask the People’s Commissariat of Foreign Affairs to put diplomatic pressure on the governments of Latvia, Estonia, and Poland, demanding from them the liquidation of the barter stations (transit shops) that exist on the border,” only Riga and Tallinn found themselves scrambling to respond to the sternly-worded requests of Moscow’s emissaries.<sup>43</sup>

Why not Warsaw? Certainly not because Soviet authorities had less reason to be concerned about smuggling across their country’s Polish frontier than across its Baltic borders. During the 1922/23 fiscal year (October 1, 1922 – September 30, 1923), officials in Soviet Ukraine alone recorded over 6,700 seizures of imported contraband goods, valued at nearly 670,000 rubles; these had presumably come almost entirely from Poland. Poland was also the likely source of well over half of the 9,540 separate seizures of contraband imports, valued at over 760,000 rubles, which the authorities carried out in the Western Customs District (the other portion must have come primarily from Latvia).<sup>44</sup> Indeed, V. V. Slepchenko, one of the Main Customs Administrations’s chief experts on smuggling, maintained the following year that “the better part of the contraband seized in the Moscow … region is of Polish origin.”<sup>45</sup>

Polish contraband also tended to be more valuable, or at least smuggled in larger consignments than were trafficked further north: the average seizure of goods illicitly imported

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<sup>43</sup> “Protokol № 26 Zasedaniia Tsentral’noi Komissii po bor’be s kontrabandoi,” 19 February 1923, RGAE 413/14/72: 58-59.

<sup>44</sup> Slepchenko, “Kontrabanda v SSSR i dvizhenie ee po raionam,” 18. See also “Svedeniia o dvizhenii kontrabandy,” n.d., RGAE 413/10/887: 94.

<sup>45</sup> During the 1922/23 fiscal year, seizures of imported contraband in Moscow and the surrounding region totaled 570 seizures, valued at 181,586 rubles; in 1924, that figure jumped to 2,334 cases valued at some 496,543 rubles. Slepchenko, 17-19; a draft of this piece in RGAE 413/10/887: 98.

into Soviet Ukraine during the 1922/23 fiscal year was valued at 99 rubles, compared to 80 rubles in the Western Customs District, and just 26 rubles in the Petrograd Customs District (which oversaw the Estonian and Finnish frontiers, as well as Petrograd and its environs). Even more worrisome was the value that flowed out to pay for the Polish goods: the precious metals and stones, gold and silver specie, foreign currencies and furs that were seized on their way out of Soviet Ukraine in 1922/23 netted Soviet authorities an average of 213 rubles a haul – more than double the 84 rubles' worth of outbound contraband seized on average in the Western Customs District, and nearly a dozen times more than the 18 rubles netted per seizure of contraband exports in the Petrograd region.<sup>46</sup> Along the Soviets' western border, the vast Polish frontier witnessed the most voluminous and valuable contraband traffic, in both directions.

Moreover, a constellation of events increasingly riveted the Soviet leadership's attention to the Polish frontier in the spring and summer of 1923. On March 10, Vladimir Lenin suffered his third stroke, leaving him partially paralyzed and all but unable to speak.<sup>47</sup> While the Bolshevik leader had been ailing and largely absent since the prior fall, his imminent demise – and the fear that the news would embolden counterrevolutionaries at home and abroad – sent his Kremlin comrades into a panic. The political police was put on high alert throughout the country, while Politburo members fretted about the possibility of armed intervention from the West, and proposed increasing military expenditures.<sup>48</sup> Then, on May 8, the top British diplomat in Moscow delivered to the NKID a note from his country's Secretary of State for Foreign Affairs, Lord George Curzon. The “Curzon Ultimatum” contained a list of strident demands, including the immediate cessation

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<sup>46</sup> Calculated based on the figures in Slepchenko, 18.

<sup>47</sup> Robert Service, *Lenin: A Biography* (Cambridge, Mass.: Harvard University Press, 2000), 474–75.

<sup>48</sup> Velikanova, *Popular Perceptions of Soviet Politics in the 1920s*, 26–36.

of the Comintern's revolutionary activity in British India and the region.<sup>49</sup> Two days later, at a hotel restaurant in Lausanne, Switzerland, a White émigré whose family had perished at the hands of the Bolsheviks shot and killed the Soviet representative Vatslav Vorovsky and wounded two of his associates.<sup>50</sup>

Inveterate conspirators themselves, the Kremlin's denizens did not believe in coincidences. While Soviet diplomats worked to defuse the crisis with Britain and sever relations with Switzerland, the Politburo mandated a series of steps to shore up the country's western perimeter. On May 19, the Kremlin ordered the Politburo Secretariat to prepare a team of ranking officials "to ascertain the political condition" – i.e., reliability and readiness – "of the border districts, particularly the border guard" along the Polish border; two days later, "Polish" and "Romanian" commissions were assembled to inspect these respective frontiers.<sup>51</sup> While the commissions shined a spotlight at the full range of problems along both borders, Politburo meeting minutes indicate that the Soviet leadership paid particular attention to the 1400-kilometer Polish stretch.<sup>52</sup>

Given the extent of the Kremlin's concerns about securing the Polish frontier, why did the Soviet embassy in Warsaw not echo its counterparts in Riga and Tallinn, by calling on the Polish government to shutter the shops serving Soviet smugglers? While a definitive answer may await in the files of the Russian Foreign Ministry's archive, it seems probable that Moscow had hoped to strong-arm the Baltics before turning to the much more powerful Poles. The Soviet diplomats'

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<sup>49</sup> Jon Jacobson, *When the Soviet Union Entered World Politics* (Berkeley: University of California Press, 1994), 111–13.

<sup>50</sup> K. A. Chistiakov, "Pokushenie M. Konradi na glavu sovetskoi delegatsii V. V. Vorovskogo v Lozanne 10 Maia 1923 g.," *Novyi istoricheskii vestnik* 6, no. 1 (2002), [http://www.nivestnik.ru/2002\\_1/13.shtml](http://www.nivestnik.ru/2002_1/13.shtml).

<sup>51</sup> Politburo protocol № 6, 19 May 1923, RGASPI 17/3/354: 1; Politburo protocol № 7, 21 May 1923, RGASPI 17/3/355: 2.

<sup>52</sup> Dullin, *La frontière épaisse*, 44.

frustrating experience with the Latvian and Estonian obfuscations may in turn have dissuaded the People's Commissariat of Foreign Affairs from presenting the same desultory demands to Poland. Being led around by the nose by Riga and Tallinn was unpleasant; losing face to Warsaw was unacceptable. The Baltics' deft defiance thus inadvertently shielded their chief rival in the contraband trade from Soviet pressure.

At the same time, the lack of a diplomatic response left it up to the Soviet authorities themselves to stem the flow of contraband across the Polish border by other means. "It is necessary to conduct the struggle with contraband in such a manner as to entirely deprive [the Polish frontier shops] of a clientele," the Soviet Ukrainian customs chief Makotinskii had argued in March. "We will thus force them to die a natural death."<sup>53</sup> On August 23, 1923, before moving on to debate whether to support a planned uprising by German Communists, the Politburo heard Foreign Affairs Commissar Georgii Chicherin's report on relations with Poland. The meeting minutes on the subject detail only a single specific point, hinting at its significance. "Direct the RVSR [Revolutionary-Military Council], the NKVT [Commissariat of Foreign Trade] and the GPU to form a commission for developing *urgent measures for the struggle with Polish contraband*," the Politburo resolved, directing the GPU to take charge of the effort.<sup>54</sup> It would be up to leather-jacketed Chekists, not frock-coated diplomats, to curb smuggling on the Polish frontier.

### ***Bolsheviks, "Bandits," and Business at the Border***

In late February 1924, reports appeared in the Lwów papers that were sure to cause consternation in Łódź, although perhaps a mix of schadenfreude and apprehension in Riga. The

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<sup>53</sup> TsDAHOU 1/20/1758: 93.

<sup>54</sup> Politburo protocol № 27, 23 August 1923, RGASPI 17/3/375: 1. Emphasis mine.

local authorities had resolved to “completely liquidate the frontier trade between Poland and Sov[iet] Ukraine,” Riga’s *Segodnia* relayed. “This directive has been issued ostensibly temporarily, but it is being implemented very decisively, and at the present time all commercial relations on the border have been suspended. The issuance of border-crossing passes to all agents of the trading firms has been stopped.”<sup>55</sup>

What prompted this abrupt about-face at the frontier? A week earlier in Warsaw, the Polish Cabinet had convened to discuss the alarming state of border control in the East. “The border police is spread so thin,” complained Władysław Sołtan, the new Minister of Internal Affairs, “that it falls to each policeman on duty to guard a stretch one kilometer long.” Shortages of boots, uniforms, and housing remained so severe that they prompted “frequent cases of desertion to Russia.” A dearth of telephone lines hampered communications, while the lack of horses hamstrung pursuit of intruders, “rendering impossible … the defense of the border against the armed bands that infiltrate from Russian territory.”<sup>56</sup>

Indeed, the security situation along Poland’s eastern frontier continued to deteriorate. To be sure, the incidence of “banditry” (whether criminal brigandage, politically-motivated guerilla raids, or both) in the three provinces bordering Soviet Belorussia was highest in 1922, when the authorities reported some 313 attacks by “organized groups,” and the number of such assaults declined to 228 in 1923 and 178 in 1924. However, as Białystok historian Wojciech Śleszyński notes, the scale and brazenness of individual attacks launched or supplied from the Soviet side

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<sup>55</sup> “Prekraschenie pogranichnykh torgovykh snoshenii s Sov. Rossiei,” *Segodnia*, 20 February 1924, 1.

<sup>56</sup> “Protokol 70. Posiedzenia Komitetu Politycznego Rady Ministrów RP 13 lutego 1924,” in Marek Jabłonowski and Włodzimierz Janowski, eds., *O niepodległej i granice*, vol. 5, Komitet Polityczny Rady Ministrów: protokoly posiedzeń 1921-1926 (Warsaw-Pułtusk: Wyższa Szkoła Humanistyczna, 2006), 244-45.

grew highest during the latter two years.<sup>57</sup> In his recent study of the security situation in interwar southeastern Poland, Adam Adrian Ostanek likewise emphasizes that “beginning in 1924, the chief security problem in Eastern Lesser Poland” – i.e., the provinces bordering Soviet Ukraine – “became the diversionary groups arriving from Soviet territory” and their local allies.<sup>58</sup> Scholars of Russian special operations, who have examined the available evidence from the Russian archives, echo these assessments.<sup>59</sup>

This development may appear paradoxical. After all, the Polish-Soviet War was receding into memory; the frontier was finally demarcated and patrolled more thoroughly on both sides; the NEP was sanding off the edges of Bolshevik militancy; and the Soviet leadership was actively pursuing a trade treaty with Poland. Why, then, the uptick in the scale of guerilla incursions in 1923-24? While the history of Soviet “active intelligence” remains to be written, two major factors probably combined to cause this escalation.

One was the persistence of revolutionary militancy among Soviet leaders from Moscow to the frontier, as well as among rank-and-file Bolsheviks frustrated by the NEP. By late summer 1923, the financial and political crises consuming the Weimar Republic encouraged even the most level-headed denizens of the Kremlin to plan for revolutionary developments in Marx’s homeland. While the Politburo approved secret shipments of both money and arms to German Communists, Soviet diplomats worked to preempt any Polish military intervention in Germany. Scholars have

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<sup>57</sup> Wojciech Śleszyński, *Bezpieczeństwo wewnętrzne w polityce państwa polskiego na ziemiach północno-wschodnich II Rzeczypospolitej* (Warsaw: Instytut Studiów Politycznych PAN; Instytut Historii Uniwersytetu w Białymostku; Oficyna Wydawnicza RYTM, 2007), 296.

<sup>58</sup> Adam Adrian Ostanek, *W służbie Ojczyźnie: Wojsko Polskie w systemie bezpieczeństwa województw południowo-wschodnich II Rzeczypospolitej (1921-1939)* (Warsaw: Wojskowa Akademia Techniczna, 2019), 128.

<sup>59</sup> Aleksandr Kolpakidi and Aleksandr Sever, *Istoriia spetsnaza GRU: Ot voennykh partizan do “vezhlivykh liudei”* (Moscow: Veche, 2017), 35.

surmised that the intensification of Soviet cross-border raids in the latter half of 1923 served as a “shielding action” intended to tie down Polish forces in the east. At the same time, the guerillas continued to pursue the broader Soviet goal of fomenting a Belorussian and Ukrainian peasant uprising. The frontier raids thus formed a part of the preparations for a renewed revolutionary conflagration.<sup>60</sup>

The other driver of the increased scale of operations was the growing size, experience, firepower, and attendant audacity of the Soviet guerillas themselves. Two such warbands, led by Stanislav Vaupshasov and Kirill Orlovskii, who operated in the thick forests that traversed the frontier with Soviet Belorussia, grew especially active, carrying out nearly a hundred raids between May 1922 and November 1924. According to Soviet sources, between April and November 1924, Soviet guerillas reportedly undertook some 80 “significant combat operations” on the western side of the Belorussian border alone.<sup>61</sup> Polish sources account for over 200 organized attacks and acts of sabotage, involving approximately a thousand “bandits,” and claiming the lives of 54 policemen and local inhabitants along the Soviet border over the course of 1924.<sup>62</sup>

The perpetrators, a Polish border guard report alleged, were “mostly organized, trained, and led by specialists from the GPU, and disposed of light arms and machine guns supplied

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<sup>60</sup> Artur Ochał, *Tarcza II Rzeczypospolitej: Korpus Ochrony Pogranicza 1924-1939* (Warsaw: Instytut Pamięci Narodowej; Komisja Ścigania Zbrodni przeciwko Narodowi Polskiemu, 2018), 93; Wojciech Materski, *Na widecie: II Rzeczypospolita wobec Sowietów 1918-1943* (Warsaw: Oficyna Wydawnicza “Rytm,” 2005), 210–22; I. Linder, *Krasnaia pautina: tainy razvedki Kominterna, 1919-1943* (Moscow: Ripol klassik, 2005), 265; David R. Stone, “The Prospect of War? Lev Trotsky, the Soviet Army, and the German Revolution in 1923,” *The International History Review* 25, no. 4 (2003): 799–817.

<sup>61</sup> While the guerilla commanders had every incentive to exaggerate their exploits in reports to their handlers on the Soviet side, Vaupshasov, Orlovskii, and several of their confederates went on to illustrious careers in Soviet special operations, from the Spanish Civil War through the Eastern Front of World War Two. (Kolpakidi and Sever, *Istoriia spetsnaza GRU*, 35.)

<sup>62</sup> Dominiczak, *Granica wschodnia Rzeczypospolitej Polskiej w latach 1919-1939*, 110.

primarily from abroad.”<sup>63</sup> To be sure, such Manichean assessments elided the complexity of local resistance to Polish rule in the *Kresy*, which included not only Communist guerillas but also Ukrainian and Belorussian nationalists, vengeful peasants, and marauding brigands. However, this was due to more than the seduction of simplicity. Pinning the blame for a patchwork of local unrest on the machinations of a powerful foreign adversary served both to elevate the significance of the Polish authorities involved in the struggle, and to absolve them of responsibility for creating the conditions that had provoked armed resistance in the first place. Decrying the porosity of Poland’s eastern border was easier than confronting the explosive ethnic contradictions in the country’s eastern borderlands.

Not surprisingly, such concerns reanimated the earlier objections to the Soviet frontier traffic. At the February 13, 1924 Cabinet meeting in Warsaw, the Ministry of Internal Affairs Security Department chief Władysław Jaszczołt insisted that “security considerations necessitate the abolition of the so-called mobile points for trade with Russia.”<sup>64</sup> Judging by the reports in the Lwów papers a week later, Polish authorities along the Soviet Ukrainian border, at least, appear to have heeded this call. For good reason: the incidence of “banditry” in the provinces abutting Soviet Ukraine actually rose from 152 instances in 1923 to 162 in 1924, with the province of Wołyń, where the bulk of the assaults took place, reporting an increase of over twenty percent.<sup>65</sup> The result was the aforementioned cessation of the issuance of border-crossing permits to merchants.

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<sup>63</sup> *Korpus Ochrony Pogranicza: Jednodniówki w zbiorach Centralnej Biblioteki Wojskowej* (Warsaw: Polonia Militaris, 2006), 121.

<sup>64</sup> Jabłonowski and Janowski, *O niepodległej i granice*, 5, Komitet Polityczny Rady Ministrów: protokoły posiedzeń 1921-1926:258.

<sup>65</sup> Calculated based on the figures in *Rocznik Statystyki Rzeczypospolitej Polskiej. Rok Wydania III. 1924* (Warsaw: Główny Urząd Statystyczny, 1925), 258.

The downturn did not last long. In the spring of 1924, Polish authorities began to fret about shoring up their country's new currency, the złoty, due to be introduced into circulation in late April. Several days prior to the first issue, Sejm Speaker Maciej Rataj noted in his diary that foreign trade figures for the first quarter of the year "demonstrate a marked deterioration of our balance of payments from month to month." "In March, the balance was 30 percent negative," Rataj observed with alarm. "If things do not change, the złoty could find itself under severe pressure right at birth."<sup>66</sup> Meanwhile, a Sejm deputy lamented that the Polish textile industry was experiencing "complete stagnation," unable to sell cloth marked down by a third of the price.<sup>67</sup> The Soviet frontier beckoned anew.

Accordingly, after falling precipitously in March and April, Soviet seizures of Polish contraband recovered rapidly in May and June.<sup>68</sup> "The contraband import of goods from abroad has lately acquired enormous proportions," the Kamianets-Podol'sk regional party committee secretary warned in a secret circular in late June 1924. "Owing to the lack of market outlets, the neighboring states that share a border with us, Romania and Poland – particularly the latter – are attempting to impose their wares on us by force ... flooding our markets with goods from abroad."<sup>69</sup> By this point, the frontier exchanges were operating again, their bustling trade prompting renewed concern among Polish security personnel tasked with preventing Soviet infiltration. "The shutting down of trade with Russia along the frontier, especially by suspect

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<sup>66</sup> Wojciech Materski, *Polska a ZSRR 1923-1924: stosunki wzajemne na tle sytuacji politycznej w Europie* (Wrocław: Zakład Narodowy im. Ossolińskich, 1981), 232; Morawski, *Od marki do złotego*, 96.

<sup>67</sup> *Sprawozdanie stenograficzne z 135 posiedzenia Sejmu Rzeczypospolitej* z dnia 24 czerwca 1924 r., 6.

<sup>68</sup> Calculated based on the figures in *VTpEG*, February 1924, 140; idem, March 1924, 140; idem, April 1924, 139-40; idem, May 1924, 142; idem, June 1924, 140.

<sup>69</sup> Soviet document obtained and translated by Polish intelligence, in "Tajne. Trzymać pod zamknięciem. Komunikat informacyjny okresowy za czas od dnia 10 lutego do dnia 25 marca 1926," 24 March 1926, signed by 4<sup>th</sup> KOP Brigade commander Colonel Maxymowicz-Raczyński, ASG KOP 541/26: 33-35.

firms,” argued the commander of the 9<sup>th</sup> Independent Cavalry Brigade, stationed at Baranowicze, that July, is key to “establishing security in the borderland.” The colonel placed this measure first in his list of proposed actions, ahead of such “urgent” steps as clearing brush cover along the borderline and reinforcing patrols.<sup>70</sup>

Moreover, even as Polish authorities alternately stopped and resumed the issue of frontier trading permits, their ability to control the flow of goods and people across the Soviet frontier remained limited.<sup>71</sup> As a result, besides the frontier traffic sanctioned by the Polish side, smugglers continued to ply an extensive contraband trade in violation of both Polish and Soviet regulations. Smuggling “is blossoming in the full sense of the word,” mused a retired Polish army officer whose estate abutted the Soviet frontier in the Nowogródek province, in a September 1924 interview with a *Kurier Łódzki* correspondent. The smugglers trafficked in “a great variety of articles, but most of all vodka, silks, textiles, saccharin, cocaine, pharmaceuticals, etc.” “Just how widespread and profitable smuggling is may be gleaned from the fact that practically all the inhabitants of the borderland engage in it,” the officer lamented. “It is very difficult to find a farmhand for work in the field, for every peasant prefers to smuggle goods over the border.” “When asked about the border and whether it is difficult to cross,” the officer reported, “a smuggler shrugs contemptuously

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<sup>70</sup> Wojciech Śleszyński, *Walka instytucji państwowych z białoruską działalnością dywersyjną, 1920-1925*, Dokumenty do dziejów kresów północno-wschodnich II Rzeczypospolitej (Białystok: Polskie Towarzystwo Historyczne, Oddział w Białymstoku; Wydawnictwo Prymat, 2005), 73–76.

<sup>71</sup> “Various people cross the eastern border back and forth from Poland to Soviet Russia and nobody stops them,” one parliamentary deputy lamented in late June 1924. “It so happened that the Minister of Internal Affairs dispatched his representative so that the latter would walk among the people like Harun al Rashid” – the Abbasid Caliph who allegedly frequented the streets of Baghdad in disguise so as to ascertain the true state of affairs in his realm – “and see whether the border could be crossed. And so this representative of the Ministry of Internal Affairs walked along, zigzagging from Poland into Russia, from Russia into Poland, and nobody detained him in that border belt, which is supposed to inhibit the march of Soviet agents.” (*Sprawozdanie stenograficzne z 134 posiedzenia Sejmu Rzeczypospolitej z dnia 21 czerwca 1924 r.*, 23.)

and replies: ‘Which border are you talking about? Because as for the Polish one, it doesn’t exist – there is only the Bolshevik one.’<sup>72</sup> An earlier cartoon in the paper chastised the derelict frontier policemen whose indiscipline and indifference allowed smuggling to “bloom” on the country’s eastern border in the spring of 1924:

*Figure 30: “Smuggling” is blooming.”*



*On our eastern border  
“Smuggling” is blooming.”*

*Source: Kurier Łódzki, 30 March 1924, 5.*

Perhaps unwittingly, the advertisers who paid the cartoonist’s salary were the same Łódź textile manufacturers whose merchandise the depicted smuggler carried across the Soviet border. However, the wares weighing down his valise (or, more likely, a pack on his back) were changing, as were the contents of the traffic authorized by Polish officials. Improving Soviet border control encouraged the smuggling of goods with a higher value-to-mass ratio; but so did an improving Soviet economy.

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<sup>72</sup> H. T., “Jak żyją ludzie na kresach wschodnich,” *KL*, 30 September 1924, 3.

With the end of the Scissors Crisis, rising incomes, and a nascent urban middle class leavened by the NEP, Soviet consumers were looking beyond necessities. “The importation of cheap and low-quality goods (simple peasant cloth, extraordinarily cheap combs, stationery, cotton suspenders, etc.), which were previously ferried across the border in caravans of carts, in bales, in factory packaging and weighing 5-10 poods [around 80-160 kilograms], has diminished or ceased entirely,” Soviet Western Customs District chief Jan Olin reported in a late November 1924 overview of the struggle with contraband trade in Soviet Belorussia over the preceding months. “In place of these goods are now primarily coming in expensive grades of cloth, combs (including French ones), silk stockings, tricotine” – a sturdy, twill-woven woolen cloth – “scarves, silk and celluloid suspenders, French and Belgian mother-of-pearl buttons, optical components and other more expensive goods of this kind, transported across the border by foot-borne carriers, who move freely through the brush, the forest, and the multitude paths and country roads into our rear.”<sup>73</sup> Similarly, the head of the Moscow customs house noted that in 1924, for the first time, his subordinates were seizing valuables that had been smuggled *into* the country, especially “gold watches and watch cases,” an influx prompted by the “mass production of this merchandise in neighboring Poland” as well as its portability.<sup>74</sup> At the same time, testifying to the persisting porosity of both sides of the border to bulkier commodities, Polish smugglers in the Wilno province were reportedly ferrying sufficiently large quantities of butter into Soviet Belorussia to raise its market price in Warsaw.<sup>75</sup>

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<sup>73</sup> “Bor’ba s kontrabandoi v Zapadnom Tamozhennom Okruse,” signed by Jan Olin, 26 November 1924, NARB 4p/1/1951: 64-74; here, 71.

<sup>74</sup> “Doklad o rabote po bor’be s kontrabandoi moskovskoi tamozhni za 1924 g.,” signed by [Aleksandr] Izrailev, 3 February 1925, GARF 374/28/987: 1-28; here, 3+rev.

<sup>75</sup> “Szmugiel masła do Bolszewji,” *Dziennik Wileński*, 14 October 1924, 1.

However, Warsaw was much less concerned about butter than it was about guns, non-metaphorically speaking. Growing ever more brazen over the course of 1924, the Soviet guerilla raids culminated in two attacks that would force a reckoning on Poland's Soviet frontier. Shortly after midnight on August 4, Stanislav Vaupshasov led a detachment of fifty-eight guerillas armed with machine guns and hand grenades in a full-scale assault on the Polish border town of Stołpce in Nowogródek province. Besides freeing two leaders of the outlawed Communist Party from the county jail, the raiders wrought havoc to government buildings, plundered shops, and killed several policemen before retreating across the border while Soviet border guards provided fire cover.<sup>76</sup> On September 24 in Polesie province, a band of guerillas led by Kirill Orlovskii stopped a train carrying a number of Polish dignitaries – including the former Minister of Internal Affairs, now Governor of Polesie, Stanisław Downarowicz. In addition to relieving the passengers and accompanying policemen of their valuables and weapons, the guerillas stripped the district police chief and Downarowicz himself naked (and, at least by one account, administered a whipping to the hapless governor – who was quickly forced to resign).<sup>77</sup> Then-Premier Władysław Grabski would recall that while “the assault on Stołpce was the most famous, the assault on Governor Downarowicz was the most humiliating.”<sup>78</sup> In light of Downarowicz’s longstanding commitment to securing Poland’s Soviet frontier – manifested in his early opposition to the freewheeling frontier traffic – it was a dramatic (if painfully validating) display of poetic injustice.

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<sup>76</sup> Stanislav Alekseevich Vaupshasov, *Na trevoznykh perekrestkakh: zapiski chekista*, 3rd ed. (Moscow: Izdatel’stvo politicheskoi literatury, 1988), 117–19; Śleszyński, *Walka instytucji państwowych*, 114–17. On the broader significance of this operation, see Stone, “The August 1924 Raid on Stolpce, Poland, and the Evolution of Soviet Active Intelligence.”

<sup>77</sup> Śleszyński, *Bezpieczeństwo wewnętrzne*, 304; Kolpakidi and Sever, *Istoriia spetsnaza GRU*, 37; Vaupshasov, *Na trevoznykh perekrestkakh*, 134.

<sup>78</sup> Śleszyński, *Bezpieczeństwo wewnętrzne*, 304.

Warsaw had had enough. Within days of the Stołpce raid, the Polish Cabinet resolved that only a “militarized border police” would suffice to shield the country’s eastern frontier.<sup>79</sup> Formally established in September 1924 and deployed by the end of the year, the well-funded, equipped, and trained Border Protection Corps (*Korpus Ochrony Pogranicza*, or KOP) would prove a significant improvement over its predecessors.<sup>80</sup> To be sure, its task would soon become easier: concerned about losing control of the unruly guerillas, increasingly skeptical of the export of revolution, and seeing more to gain from improved foreign relations, the Kremlin resolved in February 1925 to end “active intelligence” operations on the Soviet Union’s western frontier.<sup>81</sup> But Warsaw was not taking chances, and the KOP would become a prominent feature of Poland’s eastern frontier landscape until the demise of the Second Republic.

However, even as it took drastic measures to secure the country’s eastern flank (including promulgating martial law) Warsaw did not follow the example of Poland’s northern neighbors in putting a stop to the authorized contraband trade. The sacking of Stołpce notwithstanding, Wilno, Lwów – and, of course, Łódź – were preparing for another busy fall season on the Soviet frontier. “[A]n unheard-of demand for textile wares is raging in Russia,” Łódź’s *Głos Polski* enthused in late September 1924, citing accounts of hundred-person queues at the doors of Soviet textile trusts, with 10-meter limits on the length of fabric allocated to individual customers. “In light of this, it is anticipated that the frontier trade will intensify significantly.”<sup>82</sup> Reports from early November

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<sup>79</sup> Marek Jabłonowski and Jerzy Prochwicz, eds., *O niepodległą i granice*, vol. 4. Korpus Ochrony Pogranicza. Wybór dokumentów (Warsaw-Pułtusk: Wyższa Szkoła Humanistyczna, 2001), 16–18.

<sup>80</sup> Ochał, *Tarcza II Rzeczypospolitej*; Śleszyński, *Bezpieczeństwo wewnętrzne*, 138–40; Dominiczak, *Granica wschodnia Rzeczypospolitej Polskiej w latach 1919–1939*, 102–28.

<sup>81</sup> Stone, “The August 1924 Raid on Stolpce, Poland, and the Evolution of Soviet Active Intelligence.”

<sup>82</sup> “Popłyty na wyroby włókiennicze w Rosji,” *Głos Polski*, 23 September 1924, 7.

indicated that Polish merchants bearing passes from local authorities continued to frequent the “shopping arcades” lining the border with Soviet Ukraine.<sup>83</sup> Later that month, the Soviet Western Customs Region chief Jan Olin reported indignantly the locations of over 30 Polish frontier shops catering to smugglers from Soviet Belorussia, where “Polish firms are widely distributing promotional cards announcing the opening of branches for ‘trade with Russia and Ukraine,’” promising “that an agent of the firm will appear at the border on the first call, with passes for the ‘merchants’.”<sup>84</sup>

Apparently frustrated by the Poles’ impudence, however, some Soviet authorities appear to have taken matters into their own hands. At three-thirty in the morning of November 5, 1924, the trading halls situated on the eastern outskirts of the frontier town of Ostrog, on Poland’s border with Soviet Ukraine, went up in flames. As the locals rushed to put out the fire, they were met with bullets, let loose by Soviet border guards shooting across the barbed wire barriers that stretched along both sides of the frontier. An officer of the Polish border police, as well as a night watchman, fell victim in the ensuing skirmish, as did one of the arsonists from the Soviet side. By the time it was all over, Ostrog’s frontier trading halls had burned to the ground.<sup>85</sup>

Like the raids on the Baltics’ barter stations, this sortie was probably the result of local initiative. Perhaps emboldened by the escalating violence all around, a Soviet border guard commander may have decided to strike at the smugglers’ mothership.<sup>86</sup> Whatever its aims,

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<sup>83</sup> “Sowbandy grasują dalej bezkarne. Krwawy napad na hale w Ostrogu,” *KL*, 6 November 1924, 2; “Bolszewicy podpalili hale targowe w Ostrogu,” *Ilustrowany Kurier Codzienny* (Krakow), 7 November 1924, 13.

<sup>84</sup> NARB 4p/1951: 65.

<sup>85</sup> *KL*, 6 November 1924, 2; *Ilustrowany Kurier Codzienny*, 7 November 1924, 13.

<sup>86</sup> On the Soviet side, these experiences offered both practice and precedent for much more ambitious action. Five years later, amid the fog of an undeclared war against the Manchurian warlord Zhang Xueliang, OGPU raiding parties crossed the Amur and Ussuri rivers dozens (and possibly hundreds) of times to decimate the barter stations lining the Chinese shore. See Andrey Shlyakhter, “Contraband, War, and Diaspora: the Impact of the Chinese Eastern Railway

however, the attack did not prompt Polish authorities to withdraw their support of the traffic. Viewed from Warsaw, the Ostrog arson was just another flashpoint in the guerilla war raging along the Soviet frontier. The attack did not even make the front pages. After all, during their first three months of service alone (November 1924 through January 1925) KOP soldiers reportedly repelled some 39 attempted incursions by “armed bands,” chased another 13 gangs out across the border, and came under fire by Soviet patrols some 62 times – including 9 instances when the Soviet border guards shielded the guerillas’ retreat.<sup>87</sup>

However, the establishment of the KOP was no doubt accompanied by intensified scrutiny of the frontier merchants and a reduction in the ranks of authorized traders. Those with suspect ties – or insufficient connections – would have been forced to close shop. Thus, Soviet border guards counted 82 barter stations operating along the Belorussian stretch of the Soviet-Polish frontier and the southern portion of the Soviet-Latvian border by January 1925 – still a sizeable presence, but significantly fewer than the 146 such shops reported in the area in June 1924.<sup>88</sup> Those allowed to continue could be subjected to closer oversight by Polish authorities.

Moreover, the KOP made a concerted effort to crack down on unauthorized trade. Upon returning from an inspection tour of the Wołyń portion of the Soviet frontier in early December 1924, KOP chief General Henryk Minkiewicz boasted of especial improvement “with regards to smuggling.”<sup>89</sup> Indeed, of the 1,246 people Polish border guards detained for crossing illegally

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Conflict, July-December 1929,” paper given at the Russian and East European History Workshop, Harvard University, Cambridge, MA, November 14, 2013.

<sup>87</sup> *Korpus Ochrony Pogranicza: Jednodniówka*, 16–17.

<sup>88</sup> “K punktu 8-mu. Spravka. Politicheskia kontraband[a],” n. d. [spring 1925], signed by Andrei Lepin, deputy chief of the OGPU Border Guard and Interior Troops Directorate, GARF 374/28/979: 44+rev.

<sup>89</sup> “Sytuacja na naszem pograniczu się poprawia,” *KL*, 13 December 1924, 3.

from the Soviet Union between November 1, 1924 and January 31, 1925, well over half (740) had come to do business. Of these, a KOP captain identified 649 as “professional smugglers” (*zawodowych przemytników*), perhaps to distinguish them from the nearly 300 captured Soviet spies, agents, couriers, and agitators, many of whom also dealt in contraband goods to camouflage and finance their missions.<sup>90</sup> Notably, the captain classified the other 91 detainees who came to trade as “merchants” (*kupcy*) – underscoring the distinction between those Soviet smugglers whose Polish partners had secured them visitors’ day passes from local authorities, and those who sought to bypass such cumbersome and costly bureaucracy.<sup>91</sup> Why the 91 “merchants” were detained is unclear. Perhaps they crossed the border outside of the designated 24-hour window, or through an unauthorized stretch of land; perhaps they had earned the “merchant” moniker by obtaining passes in the past, but now attempted to enter unbidden.

Whatever the particulars, the broad outline is clear: in the fall of 1924, in response to intensified cross-border militancy, Polish authorities – like their Baltic counterparts – moved vigorously to securitize the country’s Soviet frontier. However, the Poles did not attempt to abolish the authorized contraband trade as the Estonians did, nor to curtail and channel it exclusively for the benefit of intelligence like the Latvians. To be sure, Polish intelligence would continue to make extensive use of the traffic; indeed, in a testament to the trade’s vitality and longevity, the KOP itself would operate multiple frontier “trading-intelligence outposts” (*placówki*

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<sup>90</sup> *Korpus Ochrony Pogranicza: Jednodniówka*, 17. While epistemologically dubious, classifying some borderland peasants who smuggled on the side as “professional smugglers” might also have elevated the foe and valorized the KOP’s victory.

<sup>91</sup> *Korpus Ochrony Pogranicza: Jednodniówka*, 17.

*handlowo-wywiadowcze*) that catered to Soviet smugglers at least through 1928.<sup>92</sup> But it was the continued significance of the traffic to the Polish economy – and specifically to the country’s textile industry – that would ensure its persistence on a mass scale. To the chagrin of Łódź’s manufacturers and workers, a trade agreement with the Soviets remained elusive.<sup>93</sup> Accordingly, Soviet seizures of contraband Polish cloth continued to rise into the second half of the decade; during the operational year 1926/27 (October 1, 1926 – September 30, 1927), Soviet authorities confiscated over twice as many woolens (by weight) on the Polish border as they had over the same period two years earlier.<sup>94</sup> With a population, economy, and military that dwarfed those of its northern neighbors, Poland could afford to absorb the risks of Soviet spies’ and saboteurs’ tradecraft, while reaping the rewards of Soviet smugglers’ trade.

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<sup>92</sup> “Tajne. Trzymać pod zamknieciem. Komunikat informacyjny okresowy za czas od 1/X 28 r. do 31/XII 28 r.,” 15 January 1929, signed by 1<sup>st</sup> KOP Brigade Commander Nowak, ASG KOP 541/102: 15rev.

<sup>93</sup> Wachowska, “Stosunki handlowe polsko-radzieckie we włókiennictwie w dwudziestoleciu międzywojennym,” 108–10.

<sup>94</sup> Vinokur and Bakulin, *Vneshniaia torgovlia SSSR, 1918–1927/28*, 808–9.

## Conclusion to Part IV

Moving from the Soviet frontier to the halls of government in Riga and Tallinn, Chapter Six reveals how Latvian and Estonian diplomats engaged in a delicate dance of denial vis-à-vis their Soviet counterparts. While Moscow demanded that the Baltic states shutter their frontier barter stations, Riga and Tallinn variously acquiesced, dragged their feet, and deployed linguistic legerdemain to deny the reality on the ground: that both countries' authorities actively continued to facilitate the frontier traffic. The chapter thus demonstrates how the Soviet Union's neighbors successfully deployed "diplomatic weapons of the weak" – weaker states wielding an arsenal of evasive techniques to lead a stronger counterpart around by the nose – to prolong the profitable traffic.<sup>95</sup> Because the two countries were responding to Soviet pressure almost simultaneously, the precise chronology of mutual inspiration is difficult to establish. Even as they competed for the Soviet frontier windfall, however, Tallinn and Riga looked to each other for both guidance and validation.

Chapter Seven explains why contraband trade across the Soviet Union's Baltic frontiers contracted by the middle of the decade. It finds that in early 1924, Moscow renewed diplomatic pressure on Tallinn to shut down the frontier barter stations. Still invested in the traffic, the Estonian Finance Ministry continued to obfuscate; the Foreign Ministry played along, continuing to gaslight the Soviets. Nonetheless, contraband trade across the Soviet-Estonian border declined

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<sup>95</sup> This adaptation of James C. Scott's influential concept of resistance to the realm of international relations has been suggested by John Dwyer in his study of the populist Mexican government's expropriation of American landholders. See James C. Scott, *Weapons of the Weak: Everyday Forms of Peasant Resistance* (New Haven: Yale University Press, 1985); John J. Dwyer, "Diplomatic Weapons of the Weak: Mexican Policymaking during the U.S.-Mexican Agrarian Dispute, 1934–1941," *Diplomatic History* 26, no. 3 (July 2002): 375–95.

over the course of 1924 due to the interplay between developments on both sides. As the Soviets bolstered the border guard, Estonian authorities appear to have reduced the number of barter stations to avoid exacerbating tensions. The declining volume and profitability of the traffic, in turn, reduced the ratio of economic benefits to security costs, reanimating the earlier critiques of the trade on the Estonian side. It was the attempted Communist putsch in Tallinn in December 1924, however, that proved the final straw. The Comintern and the Red Army's Intelligence Directorate thus inadvertently succeeded where Soviet diplomats and border guards had failed: the export of revolution helped seal the Soviet border from the outside.

The chapter finds that contraband traffic across the Latvian-Soviet frontier also began to contract in mid-1924, primarily as a result of developments on the Soviet side. These included targeted policing (a major anti-smuggling “shock” campaign in July) and economic measures (supplying the Soviet border districts with consumer goods and stepping up state procurements of flax). As in Estonia, the declining volume of the trade reduced the economic benefit/security cost ratio, magnifying longstanding security concerns. Latvian authorities largely wound down the trade – yet some barter stations continued to operate to provide cover for Latvian intelligence operatives on the Soviet frontier. Less fearful of the Soviets than were the Estonians due to Latvia's greater size and agrarian nature (and the attendant absence of a restive proletariat), the Latvians thus charted a middle course between Estonia and Poland. Select Latvian border barter stations would continue to operate – not despite security considerations but because of them.

Chapter Eight uncovers the factors that combined to propel Łódź textiles and other contraband across the Polish-Soviet frontier in 1923. On the Soviet side, the Scissors Crisis rendered Soviet cloth too expensive for Soviet consumers. Meanwhile, the intensification of

Moscow's "currency intervention" put more gold coins and foreign currency into the hands of Soviet smugglers, while the resumption of remittance flows from the abroad injected more hard currency (especially US dollars) into circulation, particularly in the former Pale territories along the Soviet frontier. On the Polish side, hyperinflation rendered the valuables and hard currency coming from the Soviet side all the more significant. Finally, in the mutually-reinforcing loop identified in Chapter Three, the continued failure to conclude a trade treaty with Moscow encouraged smuggling, while the success of smuggling discouraged pursuit of a trade treaty.

Meanwhile, the Latvian and Estonian success at resisting Soviet diplomatic pressure to shut down the frontier trade likely discouraged Moscow from attempting to pressure Warsaw. Over the course of 1924, however, a series of increasingly brazen cross-border Soviet guerilla incursions led Polish authorities to adopt aggressive measures for securitizing the frontier. Nonetheless, the continued importance of the contraband trade to the Polish economy, its continued utility for Polish intelligence, and the greater confidence (relative to Tallinn and Riga) that Warsaw derived from Poland's size and military all combined to ensure the traffic's persistence on a vast scale.

## Conclusion

Borders, it has been said, are the scars of history.<sup>1</sup> The scars that carved the western borderlands of the Russian Empire into new nations were certainly painful. The partitions splintered ethnic and religious communities, split villages, bisected fields, and frayed family ties. And they cut across decades, and sometimes centuries, of commercial circulation. The barbed wire stitching these incisions hardly helped heal them.

The raw scars courted contagions. These were microbial – epidemics raged among the masses of refugees straggling home to Poland, Latvia, and Estonia – as well as metaphorical. Both sides had fears aplenty. Moscow worried about the Civil War opponents who had taken refuge across the western frontier – the White Guards, Savinkovites, Ukrainian nationalists, anarchists, and others – who never signed peace treaties with the Bolsheviks. Then there were the neighbors themselves. The Poles were dangerous enough on their own, but they also enjoyed the support of the French; the Latvians and Estonians worked for the British. Meanwhile, Warsaw, Riga, and Tallinn worried about the influx of Soviet subversives, Comintern agents – and, in the Polish and Latvian cases, Jews. For the Soviets' western neighbors, the story is thus one of surgery, separation, and suspicion.

As this dissertation demonstrates, however, this is not the whole story. To be sure, the new Soviet frontier and the Soviet state monopoly on foreign trade weighed heavily on the new nations' economies. They had been the Empire's vital organs, now left with no body to service. However, the frontier itself became a mineable resource: sufficiently real to enable major economic

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<sup>1</sup> Attributions vary, but most commonly attributed to the French statesman Robert Schuman (1886-1963).

differences between the sides, but porous enough to turn these disparities into lucrative opportunities. So lucrative that for all three governments, the benefits of facilitating the contraband traffic in violation of Soviet laws appeared to outweigh the risks.

It did not begin that way. Soviet Russia, in fact, became the first of the four states to authorize smuggling in violation of its capitalist neighbors' prohibitions, with deputy Foreign Trade Commissar Solomon's smugglers especially active in bribing their way past Polish patrols. But that was war; as Solomon had shrugged, *à la guerre comme à la guerre*. Blockade running and trading with the enemy were not Bolshevik inventions. In any case, the wartime traffic would pale before the stream of contraband that flooded the frontier after the fighting stopped. However, its legacies – the efforts by other Soviet institutions to trade across the frontier without Moscow's permission, and the nexus between smuggling and spying in both discourse and practice on both sides of the border – would continue to shape the traffic in peacetime.

Riga, Tallinn, and Warsaw (in that order) would take some time to warm up to the idea of opening their frontiers to Soviet smugglers. The Baltic authorities' first instinct after the cessation of hostilities with the Bolsheviks was to bolster border patrols, introduce restrictions on transporting goods in the border belt, and even shoot smugglers, all in order to secure their nations' food supply: an understandable concern for countries that depended on imported foodstuffs and abutted a land on the brink of famine. Polish authorities, too, bolstered patrols and debated introducing capital punishment for food smuggling – even as it was becoming apparent that, the Russian famine notwithstanding, Soviet Ukrainian peasants were smuggling more grain *to* Poland in exchange for manufactured goods. The initial construction of the cordon sanitaire on the ground

was thus prompted as much by local economic exigency (and moral panic about this exigency) as by global capitalist ideology.

However, the smugglers had shown the way. Tallinn and Riga soon followed. In the summer of 1920, taking advantage of shortages on the Soviet side, the Estonians revived the Hanseatic salt route. Estonian coast guard boats watched over barges laden with salt as they waited for Russian fishermen-smugglers on the watery frontier. Meanwhile, the Latvian Ministry of Provisioning, which oversaw the country's flax monopoly, organized frontier barter stations where Russian peasant smugglers exchanged flax for salt and other necessities; the Ministry also used the stations, which it leased to private concessionaires, to offload its misbegotten barrels of Norwegian herring.

By the spring and summer of 1921, as the introduction of the New Economic Policy on the Soviet side intensified the frontier traffic, the authorities in all three countries recognized the need for reforms. The Estonians moved first; unlike the Latvians, they had not yet authorized trade along their land frontier with the Soviets, but smuggling bloomed regardless. Petserimaa land captain Johannes Reinthal thought that by channeling this traffic through designated barter stations as the Latvians had already done, he could both improve oversight and tax the merchants' profits in order to balance the county budget. Tallinn authorized the trade in April. Meanwhile, the traffic was coming under increasingly caustic criticism in Latvia itself. In a striking manifestation of an anti-market discourse that straddled the Soviet frontier, the barter stations were excoriated as sites of "speculation"; they were also alleged to be a source of dark money for the governing Latvian Farmers' Union party. In early July, a contentious conference of government officials and business leaders in Riga resolved to reform the Soviet frontier trade to ensure greater control. After

concluding its own peace treaty with Moscow in March, Warsaw, too, followed the pull of smugglers flooding Poland's new Soviet frontier, the push of the country's business lobby, and the catalyst of competition from the Baltics.

The three countries' experiences diverged in the fall of 1921. After an inspection uncovered the authorities' failure to supervise the Soviet smugglers and properly tax the Estonian merchants, Tallinn resolved to shutter the barter stations by February 1922. In Warsaw, fearing Soviet subversion, Internal Affairs Minister Stanisław Downarowicz issued an order severely restricting the frontier trade authorized by the Polish side; meanwhile, an attempted invasion of Soviet Ukraine by Ukrainian guerillas from Poland encouraged both the Polish and Soviet sides to intensify policing along the border. While Poland and Estonia thus moved to curtail or even shutter the trade along their Soviet frontiers, Latvia cautiously moved ahead with its new system of barbed-wire-fenced enclosures where well-vetted Latvian merchants could barter with Soviet smugglers.

However, 1922 witnessed a renewed flourishing of the contraband trade along all three countries' Soviet frontiers. The entrenchment of the NEP on the Soviet side, with its opportunities for the unfettered circulation of contraband goods, was certainly crucial to making this possible. But it was a series of policy decisions in Warsaw, Riga, and Tallinn that made it happen. An economic downturn in Poland amplified an unusually-concordant chorus of manufacturers, merchants, and workers calling for the lifting of Downarowicz's restrictions on the frontier traffic, while the disappointing outcomes of official trade talks with Moscow rendered the traffic more appealing to Warsaw. Going even further than its northern neighbors had gone to accommodate the frontier trade, by February 1922 Polish authorities sanctioned the operation of "mobile crossing

points,” whereby Polish customs officials and gendarmes traveled to supervise the transactions between Polish merchants and Soviet smugglers. At the same time, a system of paid permits issued by local government administrations was intended to restrict the trade to ‘respectable’ wholesale merchants. In practice, the restrictions (as well as official and popular discourse) targeted Jewish traders – while also highlighting the central role that cross-border Jewish networks played in making this vibrant traffic possible.

Like Warsaw, frustrated by the trajectory of trade talks and a flare up in political tensions with Moscow – both admittedly exacerbated by the arrests of Estonian diplomatic personnel and their local associates for smuggling vast quantities of valuables out of Russia – Tallinn reversed its opposition to the frontier trade. Flax and valuables, including church plate let loose by the Bolshevik’ spring 1922 confiscation campaign, continued to stream west; sugar, salt, smelt, lard, tea, cocoa – and, increasingly, alcohol – flowed east. Perhaps spurred on by the example (and competition) of its neighbors, Riga also moved to liberalize Latvia’s Soviet frontier traffic, establishing a veritable free-trade zone between the borderline and Latvian border guard posts. The Latvian finance ministry also offered financial incentives to encourage the smuggling of alcohol and saccharin to the Soviet side. Meanwhile, thousands of tons of smuggled Soviet flax fiber and flaxseed continued to pour into Latvia, making up for the country’s own poor harvest and boosting its chief export; they were joined by dozens of tons of valuables – primarily silver, but also gold, platinum, and precious stones – that also bolstered Latvia’s balance of payments with the West. With the establishment of the Robežtirdzniecība Joint-Stock company for supplying the frontier barter stations, the flourishing traffic reached the highest level of commercial organization of all three smuggler states. However, an uptick in Soviet cross-border

banditry targeting the shops and their visitors on the Latvian side of the border, as well as a suspicious “epidemic” of fires gutting several Estonian frontier barter stations highlighted the security costs of the lucrative trade.

The unilaterally-sanctioned traffic continued along all three countries’ Soviet borders in 1923, bolstered by two new infusions of gold coins and foreign exchange into circulation on the Soviet side: the “currency intervention” by the State Bank and the Finance Commissariat, and the resumption of remittances from abroad, primarily from working-class Jews in the United States and paid out in U.S. dollars. Perhaps spurred into action by the loss of such precious convertible media of exchange, as well as a growing awareness of the neighbors’ support for the traffic, the Soviet government opened the year with diplomatic demarches demanding that both Latvia and Estonia shutter their barter stations. Frustrating their Soviet counterparts, Latvian and Estonian diplomats deployed the full arsenal of “diplomatic weapons of the weak” to deny or obscure the reality on the frontier, while the traffic continued much as before.

Beginning in mid-1924, however, contraband trade over the Soviet Union’s Baltic frontiers entered a downward spiral. A combination of policing and economic measures on the Soviet side prompted the traffic to contract; while the lower turnover and smaller profits reduced the economic benefits, intensified cross-border militancy along the entire Soviet western frontier magnified the security costs. For Estonia, the attempted Communist putsch in Tallinn in December 1924 proved the final straw; feeling less vulnerable, the Latvians severely curtailed their traffic, but left some barter stations open to facilitate cross-border intelligence operations. As both the Soviet and Baltic states secured their common frontier, however, the center of gravity of the contraband trade shifted even more decisively south.

The Scissors Crisis that so frustrated Soviet economic planners in 1923 proved a boon for Łódź by rendering Polish textiles even more attractive to Soviet consumers. Meanwhile, Poland's hyperinflation rendered the valuables and hard currency offered by Soviet smugglers even more attractive to Polish merchants. Moscow did not wish to repeat its frustrating experience in Tallinn and Riga with a futile diplomatic appeal to Warsaw; but by August, the Politburo was sufficiently concerned to direct the political police, the army command, and the Foreign Trade Commissariat to develop "urgent measures for the struggle with Polish contraband." As in the Baltics, the uptick in Soviet cross-border guerilla activity inadvertently facilitated this aim; Polish security officials renewed their calls to shut down the frontier trade to facilitate border policing. Despite taking far-reaching measures to secure Poland's Soviet frontier, however – or perhaps finding these measures, such as the establishment of the Border Protection Corps, sufficiently reassuring – Warsaw did not shut down the trade. Poland's Soviet frontier traffic would continue to flourish.

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What does the shadowy history uncovered in this dissertation reveal about the "Smuggler States" that formed the core of the cordon sanitaire? By highlighting the powerful pull of the east on the societies and governments of Poland, Latvia, and Estonia, this history complicates the centrifugal narrative of national liberation these nations prefer to remember. As the dissertation demonstrates, Warsaw, Riga, and Tallinn each acquiesced to their citizens' clamor to reconnect with the Imperial Russian market. Indeed, the economic forces pulling them back east were so strong that all three nations traded away their security for profit at the frontier. They continued to do so for as long as the traffic remained profitable enough to justify the security risks – a calculation familiar to all smugglers.

That the Bolsheviks pursued a schizoid foreign policy is well known: on the one hand, the Comintern; on the other, baldfaced denials of subversive activities and an effort to normalize relations via the Commissariats of Foreign Relations and Foreign Trade. What my research reveals is that the neighboring states *also* pursued a schizoid foreign policy of their own: on the one hand, sponsoring smuggling on a vast scale; on the other, baldfaced denials and the normalization of relations. Without positing a moral equivalence between the Soviets' guerilla violence and the neighbors' contraband commerce, it is safe to assume that this cycle of "mutual gaslighting" encouraged intransigence on both sides of the budding Iron Curtain.

While we know that Poland, Latvia, and Estonia cooperated to form a united anti-Bolshevik security front, my research reveals how their ground-level *Ostpolitik* was shaped by economic competition – a competition that rendered all three nations less secure. They opened their eastern borders to contraband trade because officials and businessmen in each of the three smuggler states were concerned that the "precious wave" rolling west from Russia would otherwise flow into the neighbors' coffers, and because they worried that it would soon dry up. They were also eager to gain a foothold on the Russian market – by whatever means – before the others, and before economic behemoths like Germany, France, and the UK. Ironically, the dissertation demonstrates that these Western states supplied the capital nourishing a contraband traffic that rendered the eastern edge of the cordon sanitaire a porous sieve.

At the same time, the dissertation advances our understanding of the gradual *hardening* of the cordon sanitaire's eastern edge. My research highlights the nonideological dimensions and uncovers the uneven rhythm of this process. The dissertation argues that food insecurity and attendant moral panic were central to all three border states' initial efforts to secure their eastern

frontiers. Indeed, it finds that early opposition to the border trade (particularly in Latvia) was couched in an anti-speculation discourse that straddled the Soviet frontier. It was also nonideological factors – improved provisioning at home and the pull of profit in the east – that led all three countries to relax their border controls so as to facilitate the frontier traffic against Moscow's wishes. Ironically, however, the abolition of the traffic in Estonia and its drastic reduction in Latvia by the end of 1924 meant that the Comintern inadvertently succeeded where Soviet diplomats and border guards had failed: although intended to break down barriers between states, the “illicit export” of revolution instead helped seal the Soviet border from the outside.

The dissertation argues that the hardening of the cordon sanitaire was uneven not just in time, but also in space. While all three states eventually sought to seal their Soviet borders to contain Bolshevik revolutionary violence and propaganda, Poland did not go nearly as far as the Baltics did in curbing the frontier traffic. To be sure, with an eastern frontier more than twice as long as that of the two Baltic states combined, it would have taken Poland far more resources to stamp out the contraband trade even *if* Warsaw had wished to do so. It did not. The length of this border also made it more difficult for Soviet authorities to patrol their side, rendering Poland's traffic more sustainable. The ratio of economic profit to security liability – the calculation, voiced or implicit, that hung over every policy discussion in Tallinn, Riga, and Warsaw – remained high enough in the Polish capital to ensure that the frontier trade continued on a vast scale.

Finally, the dissertation illuminates the question of Poland's, Latvia's, and Estonia's agency on the world stage. It demonstrates how they successfully challenged the more powerful Soviet state – and that the answer to the question "who governs the frontier?" is not simply, "the stronger side." Riga and Tallinn deftly deployed "diplomatic weapons of the weak" to fend off Soviet

pressure to shutter the frontier barter stations; Soviet frustration in the Baltics likely shielded Warsaw from similar demarches. All along, the border states held the initiative, forcing Soviet authorities from the frontier to the Kremlin to react to the unilaterally-sanctioned traffic.

While a thorough analysis of the Soviet response to the contraband challenge lies beyond the scope of this dissertation, some sense of the continued significance of smuggling in the eyes of the Soviet leadership may be gleaned from the punishments prescribed for the offense. In March 1926, amid an acute shortfall in the government's foreign exchange reserves, the Kremlin granted the Special Collegium of the OGPU political police, for the period of six months, the power of "exile, banishment, and confinement to camp for up to 3 years," without trial, "both those suspected and found to be engaged in the smuggling of goods, abetting such smuggling, buying up contraband goods, [and] sealing the same with counterfeit customs seals."<sup>2</sup> While ostensibly temporary, the sanction to imprison even *suspected* smugglers marked a significant greasing of the "NEP's slippery path" towards the Stalinist model of extrajudicial and prophylactic policing.<sup>3</sup> A year later, the articles covering professional smuggling, violating the state monopoly on foreign trade, breaking foreign currency regulations, and trafficking people across the border accounted for nearly half the activities deemed "Especially Dangerous to the USSR" in the 1927 Statute on

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<sup>2</sup> For smugglers putting up resistance (a notoriously elastic concept) or simply smuggling while armed, the OGPU was granted the right of "extrajudicial reprisal [*vnesudebnoi raspravy*] up to execution by firing squad." "Protokol № 14 Zasedaniia Politbiuro TsK VKP(b)," 11 March 1926, and "Prilozhenie № 1 k p.4 pr. № 14, Ob usilenii mer po bor'be s kontrabandoi," RGASPI 17/3/550: 1-3, 11.

<sup>3</sup> Yuri Goland emphasizes this point in Goland, *Krizisy, razrushivshie NEP. Valiutnoe regulirovanie v period NEPa.*, 128. The term is borrowed from Robert Argenbright, "Marking NEP's Slippery Path: The Krasnoshchekov Show Trial," *The Russian Review* 61, no. 2 (2002): 249–275. On the persistence of extrajudicial policing during the NEP and the increasing reliance on covert and prophylactic "Chekist" methods, see Stuart Finkel, "An Intensification of Vigilance: Recent Perspectives on the Institutional History of the Soviet Security Apparatus in the 1920s," *Kritika: Explorations in Russian and Eurasian History*, New Series, 5, no. 2 (Spring 2004): 299–320; Paul Hagenloh, *Stalin's Police: Public Order and Mass Repression in the USSR, 1926-1941* (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; The Johns Hopkins University Press, 2009), 30–88.

State Crimes. Of these crimes, however, only the violation of the state monopoly on foreign trade entailed up to ten years' imprisonment – and only the professional smuggling of goods or valuables could lead to execution.<sup>4</sup>

Soviet authorities thus hardened the Soviet borders, and Soviet laws, against the contraband commodities of capitalism. Even as they linked Soviet consumers with the outside world, the ports and distilleries of Riga, Tallinn, and Tartu and the cloth factories of Łódź had inadvertently fashioned the foundations of the interwar Iron Curtain.

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<sup>4</sup> “Polozhenie o prestupleniakh gosudarstvennykh (kontrevoliutsionnykh i osobo dlia Soiuza SSR opasnykh prestupleniakh protiv poriadka upravleniia),” signed by TsIK Chairman A. Cherviakov and TsIK Secretary A. Enukidze, February 25, 1927, in *Izvestiia*, February 27, 1927, 5-6.

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4P. Tsentral'nyi Komitet Kommunisticheskoi Partii Belorussii

129. Upravlenie Zapadnogo Tamozhennogo Okruga Narkomvneshorga RSFSR-SSSR

### *Estonia*

ERA: Eesti Rahvusarhiiv, Tallinn

1. Politseitalitus

13. Petseri Maaülem

31. Riigikantselei

957. Välisministeerium

Eesti Kultuuriloo Arhiiv, Eesti Kirjandusmuuseumis, Tartu

A-137

### *Latvia*

LVVA: Latvijas Valsts vēstures arhīvs, Riga

3235. Politiskās policijas pārvalde

6824. Finanšu ministrija

### *Poland*

AAN: Archiwum Akt Nowych, Warsaw

Ministerstwo Spraw Wewnętrznych

ASG: Archiwum Straży Granicznej, Szczecin

915, 943. Baony Celne

541. Korpus Ochrony Pogranicza (KOP)

Narodowe Archiwum Cyfrowe (online)

1-A-2928

*Russia*

GARF: Gosudarstvennyi Arkhiv Rossiiskoi Federatsii, Moscow

374. Narodnyi Komissariat Raboche-Krest'ianskoi Inspeksii SSSR

5446. Sovet Ministrov SSSR

RGAE: Rossiiskii Gosudarstvennyi Arkhiv Ekonomiki, Moscow

413. Ministerstvo Vneshnei Torgovli SSSR

5240. Narodnyi Komissariat Vneshnei i Vnutrennei Torgovli SSSR

RGASPI: Rossiiskii Gosudarstvennyi Arkhiv Sotsial'no-Politicheskoi Istorii, Moscow

17. Tsentral'nyi Komitet Kommunisticheskoi Partii Sovetskogo Soiuza

76. F. E. Dzerzhinsky

*Ukraine*

TsDAHOU: Tsentral'nyi Derzhavnyi Arkhiv Hromads'kykh Ob'ednan' Ukrayiny. Kyiv

1. Tsentral'nyi Komitet Komunisticheskoi Partii Ukrayiny

TsDAVOU: Tsentral'nyi Derzhavnyi Arkhiv Vyshchykh Orhaniv Vladiv ta Upravlinnia Ukrayiny, Kyiv

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*Kaja*

*Riigi Teataja*

*Päevaleht*

*Pecherskii vestnik*

*Vaba Maa*

Latvia

*Baltische Blätter*

*Briva Zeme*

*Daugavas Vēstnesis*

*Deenas Lapas*

*Ekonomists*

*Ho-Ho*

*Jaunais Vārds*

*Jaunākās Ziņas*

*Latvijas Kāreivis*

*Latvijas Sargs*

*Latvijas Tirgotajs*

*Latvijas Vestnesis*

*Latvis*

*Libausche Zeitung*

*Pirmdeenas Rihts*

*Policjas Vestnesis*

*Rigasche Rundschau*

*Segodnia*

*Svari*

*The Latvian Economist*

*Valdības Vēstnesis*

### Poland

*Dziennik ustaw Rzeczypospolitej Polskiej*

*Dziennik Wileński*

*Gazeta Kaliska*

*Głos Polski*

*Gazeta Wieczorna*

*Głos Wołyński*

*Ilustrowany Kurier Codzienny*

*Kurier Łódzki*

*Kurier Warszawski*

*Mucha*

*Nowa Reforma*

*Polska Gospodarcza*

*Przegląd Gospodarczy*

*Przegląd Kupiecki*

*Przegląd Techniczny*

*Przegląd Włókienniczy*

*Przemysł i Handel*

*Rzeczpospolita*

*Rozwój*

*Słowo (Wilno)*

*Tygodnik Handlowy*

### Russia

*Vneshniaia Torgovlia po Evropeiskoi Granitse (statisticheskii obzor)*

*Gudok*

*Izvestiia*

*Pravda*

*Vestnik Finansov*

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*Torgovo-Promyshlennyi Biulleten'*

United Kingdom

*The Board of Trade Journal and Commercial Gazette*

*The Times*

*Westminster Gazette*

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