

# VII

## Matvei Hedenstrom

From the date of Ustinov's departure from Australia in May 1906 until the arrival of a new Russian diplomat, Matvei Matveyevich Hedenstrom, in March 1908, the Russian Consulate General was managed by the French consul in Melbourne, P. Maistre.<sup>1</sup> Hedenstrom was born on 12 December (OS) 1858 in Odessa into the family of a captain in the Yelisavetgrad Hussars.<sup>2</sup> He was a grandson of Baron Matvei Matveyevich Hedenstrom, the renowned explorer of Northern Siberia. Upon graduation from the University of Kiev in 1882 he joined the Kiev Palace of Justice, but voluntarily resigned that post the next year. In 1886, he reappeared in Paris. On the recommendation of the Société de géographie commerciale de Paris, supported by the French Ministry of the Navy, the twenty-two-year-old Hedenstrom travelled to northern Sumatra, the region of Aceh, 'for purposes of research'. This was a very dangerous journey, as at that time the Dutch were at war with the forces of the sultanate of Aceh. Moreover, the aims of the journey were somewhat unclear. It lasted a long time. Only in 1890 did Hedenstrom return to Russia, and in 1892 he joined the Ministry of Internal Affairs. At first he was responsible for special assignments in the office of the Governor-General of Tomsk region, in Siberia, then took charge of the office of the governor of the Amur region, in Russia's Far East.<sup>3</sup> In 1900, he submitted a request to be transferred to

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1 *The Advertiser*, 15 May 1906, p. 11.

2 Date of birth and Hedenstrom family details drawn from archive materials made available by Natalia Motorina, the Tiumen' local historian.

3 AVPRI: 159-749/1-1351, ff 37-44; *Bulletin de la Société de géographie commerciale de Paris*, Vol. 9, 1886/1887, pp. 207, 318; Tomsk Regional State Archive, 3-2-3170, ff 12-15.

the Foreign Ministry. This was supported by a letter of recommendation from his former superior, Hermann Avgustovich Tobiesen, the governor of Tomsk in the years 1890–1895, who described him as ‘a man of outstanding ability ... in both his personal and professional capacities’. He was, Tobiesen said, ‘intelligent, courteous, at home in several foreign languages, circumspect in matters of business’.<sup>4</sup>

In 1900–1904, Hedenstrom served as acting vice-consul in Hakodate. Even at this date he was evidently performing secret intelligence-gathering assignments on behalf of the Foreign Ministry and the Ministry of the Navy. In June 1904, he was sent to the Red Sea ports to take part in ‘prophylactic measures for the Foreign Ministry’: at the outbreak of the Russo–Japanese war it was essential to ensure that Russian ships could pass safely through the Suez Canal and Red Sea to reach the Far East.<sup>5</sup> He then served for a short period as consul in Malta, before being transferred to Melbourne. It must be said that in all his time in Australia Hedenstrom fully lived up to the testimonial he had been given. Everywhere he displayed extraordinary energy, and his judgements – both in interviews with the press and in his official dispatches to the Foreign Ministry – were distinguished by his perspicacity and the frank expression of his views, which were extremely conservative. In Australia, for example, while acknowledging the country’s many successes, he was sharply critical of what he saw as the excessive influence in public life of the trade unions and socialist elements. ‘Unionism,’ he remarked, ‘is against liberty’,<sup>6</sup> and in one of his dispatches he did not omit to stress that Australia’s prosperity had been achieved not ‘thanks to the socialists’ but rather ‘in spite of them’.<sup>7</sup>

Hedenstrom willingly assisted travellers and scientists who visited the countries where he worked and helped them achieve results. In 1903, he provided assistance to a scientific expedition to Hokkaido, led by Vatslav Seroshevsky (Wacław Sieroszewski) and Bronislav Pilsudsky (Bronisław Piłsudski) and organised by the Imperial Russian Geographical Society,

4 AVPRI: 159-749/1-1351, ff 46–47.

5 D. P. Pavlov, ‘Rossiiskaia kontrrazvedka v gody russko-iaponskoi voiny’, *Otechestvennaia istoriia*, No. 1, 1996, p. 22.

6 Quoted in *Barrier Miner*, 14 April 1909, p. 4.

7 AVPRI: 155-408-484, f. 236. See Document 99.

and, in 1908, during a visit to Australia by Vladimir Vladimirovich Sviatlovsky, a lecturer at the University of St Petersburg, he helped him obtain ethnographic exhibits.<sup>8</sup>

In 1908, Hedenstrom's endeavours in the support of science were recognised: for 'significant services to enrich the Museum's collections' he was elected a corresponding member of the Peter the Great Museum of Anthropology and Ethnography ('Kunstkamera') in St Petersburg.<sup>9</sup>

In Australia, Hedenstrom was accompanied by his wife, Baroness Maria Dmitriyevna Stuart, from the Russian (more precisely, Moldavian) branch of the famous Scottish Stuart clan. While her husband served as consul, the Baroness was not idle: on a voluntary basis she headed the Victorian Branch of the Alliance Française.<sup>10</sup>

In October 1909, the Hedenstroms sailed for Ceylon on leave and never returned to Melbourne. In July 1910, he was officially relieved of his duties as consul general in Melbourne 'at his own request', though retained in the service of the Foreign Ministry.<sup>11</sup>

In 1914, Hedenstrom reappeared in Italy, where he was apparently serving as a clandestine agent of the Foreign Ministry. It is known that he made contact with Benito Mussolini, who made his newspaper *Popolo d'Italia* available for propaganda articles favouring a renunciation of Italy's neutrality and its entry into the First World War on the side of the Entente. Through Hedenstrom, Mussolini proposed in 1915 that the Russian Government should finance a stepped-up propaganda offensive in the press and provide funding to provoke an armed clash on the Italian border with Austria, so as to draw Italy into the war. Hedenstrom returned to Russia to discuss Mussolini's proposals in government and military circles, but, after Italy's entry into the war at the end of May 1915, they were no longer relevant.<sup>12</sup>

8 See G. I. Dudarets and V. M. Latyshev, 'Ekspeditsiia V. Seroshevskogo i B. Pilsudskogo na o. Khokkaido v 1903 g.', *Izvestiia instituta nasledii Bronislava Pilsudskogo*, No. 6, 2002, pp. 137–145; L. G. Rozina, 'V. V. Sviatlovskii – sobiratel' kollektssii iz Okeanii', *Sbornik Muzeia antropologii i etnografii* (Miklouho-Maclay Institute of Ethnography), Vol. 30, Leningrad, 1974, pp. 127–139.

9 Archive of the Russian Academy of Sciences (St Petersburg Branch): 1-1a-155, f. 402.

10 *The Argus*, 27 March 1909, p. 16.

11 *The West Australian*, 12 October 1909, p. 5; AVPRI: 159-336/2-655, f. 59.

12 A. S. Korneev, 'Iz istorii odnogo zagovora ("Delo Mussolini-Gedenshtroma")', *Istoricheskii arkhiv*, No. 5, 1962, pp. 96–112.

In 1916, Hedenstrom was in Petrograd,<sup>13</sup> but it seems that in August 1917 he and his wife left the city, intending to sit out the uncertain times in the remote provinces. As an experienced intelligence agent, he sensed the danger of the political situation and its tragic consequences for people of his social background and position. His wife's two brothers were soon arrested and perished. In his memoirs, the singer Fedor Shaliapin left this account of their arrest:

At almost the same time as the arrest of the Grand Dukes, two of my close friends, the Barons Stuart, were arrested in St Petersburg. ... In truth the Stuarts were no proletarians, whether by origin, conviction, experience or spirit. However, they had never been involved in politics. But they were barons. ... Barons! That was quite enough for them to be suspected and arrested. ... Knowing them as intimately as I did, I could vouch with my own life, anywhere and at any time, for their complete innocence. I set out for the Cheka headquarters in Gorokhovaya Street. I had to go there many times ... seeking their immediate release ... It seems that the leadership had decided that the death penalty would no longer be imposed for political offences, and a decree on this was expected, so in order to ensure that none of the detainees should escape death – Heaven forbid! – they were all shot in one night. Thus my two good friends, the Barons Stuart, perished for no reason.<sup>14</sup>

It has not so far proved possible to establish where or how Hedenstrom's life came to an end, only that it was not in revolutionary Russia. In May 1921, the Hedenstroms registered in a hotel in Tallinn, the capital of Estonia, having arrived there from Petrograd, and at the end of that month they proceeded to the estate of Kolga, which belonged to Count Peter Stenbock, a major-general in the imperial army and distant relative of Hedenstrom's wife.<sup>15</sup>

13 *Vés ' Petrograd 1917*, Petrograd, 1917, p. 152.

14 Fedor Shaliapin, *Maska i dusha*, Paris, Sovremennye zapiski, 1932, p. 63.

15 Rahvusarhiiv. Tallinna aadressbüroo fondi aadresslehed, TLA.1376.1.64.

95. Hedenstrom to A. Bentkovsky,<sup>16</sup>  
 Director, Second Department, Russian  
 Ministry of Foreign Affairs

Melbourne,  
 8 April (27 March) 1908  
 No. 1

Confidential

[...] Yesterday, over a period of two hours, I had occasion to speak with the Federal Prime Minister of Australia, Mr Deakin.<sup>17</sup> The conversation was of an exclusively political nature and was, in my opinion, so interesting that I consider it my duty to bring it to the attention of Your Excellency for the information of the Minister of Foreign Affairs.<sup>18</sup>

Mr Deakin began by saying that, although he was aware that the British Government was rendering assistance to Japan during the Russo–Japanese War, in Australia even then sympathies lay wholly on the side of the Russians.<sup>19</sup> He added that the misconceptions held in certain countries regarding the Japanese prior to that war have now all been dispelled, and he could state with all certainty that should there be another war between Russian and Japan, the latter would be left entirely to its own devices, without direct or indirect aid from any quarter, including China.

Hostility towards Japan is particularly strong in Australia, which will never grant the Japanese free access to it. Any intervention by the British Government in this direction would be met with the fiercest opposition from the Federal Government of Australia. However, he added, such intervention is unlikely since there is a stipulation in the Anglo–Japanese Treaty that Japanese entry into Australia can occur only with the consent of the Australian Government. Without such consent, Japan has no right to demand that the British Government exert any influence in this matter. Consequently, Australia is completely closed to the Japanese. Mr Deakin

16 Alfred Karlovich Bentkovsky: Foreign Ministry official, Director of the Second Department in 1905–1916.

17 Alfred Deakin was Prime Minister in 1903–1904, 1905–1908 and 1909–1910.

18 The Russian Foreign Minister in 1906–1910 was Alexander Petrovich Izvolsky.

19 On Australian attitudes to Russia and Japan at the time of the Russo–Japanese war, see Document 91.

observed that, although in recent years the population of Japan has been increasing by 800,000 per year, the Japanese are not emigrants. They seek to subjugate new countries not to resettle any surplus of their own people, but to exploit the subjugated peoples for their own benefit, to force the population of conquered countries to work for them. When they have, so to speak, wrung every last drop from a nation which is foreign to them, they return to their homeland. Mr Deakin evidently keeps a very close eye on everything that happens in Japan and considers that the financial and industrial crisis which it is undergoing is more serious than is reported in the newspapers.

Mr Deakin subscribes to the idea of Australia establishing its own standing army and hopes to have a bill passed in Federal Parliament on general military service, introducing this gradually.<sup>20</sup> He believes that by 1921 the Australian Army will comprise over 200,000 men for the purpose of supporting Britain and defending only Australia, in the event of war between Britain and some foreign power.

Any resolution of the question concerning a common colonial policy with Britain is as yet premature, since it will be raised again only in four years' time and will depend on which party, the Protectionists or the Freetraders, has a majority at that time.

Mr Deakin expressed his regret that the Russian Naval Squadron is not en route to the Pacific Ocean. Otherwise he would have taken the opportunity to invite it to visit Australia, like the American Fleet, which will be here in September.<sup>21</sup> If, in the light of this, the Minister of Foreign Affairs deemed it advantageous to show the Russian naval standard in Australia, I believe I could arrange for such an invitation to be issued by the Australian Government, through the mediation, of course, of the British Government. [...]

AVPRI 184 (Embassy in London) -520-1037, ff 98–101. Author's copy. In Russian. Translated by Maria Kravchenko.

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20 A system of compulsory military training was first introduced in 1909 on Deakin's initiative, and fully adopted and implemented in 1911.

21 See Document 100.

## 96. Hedenstrom to Personnel and Management Department, Russian Ministry of Foreign Affairs

Melbourne,  
28 (15) June 1908  
No. 17

[...] Australia is a vast country, equal in area to 4/5 of Europe, and consisting of six separate states, which in 1901 formed a federal government and was named the Commonwealth of Australia. The states are the following:

- (1) Western Australia; capital Perth; port Fremantle;
- (2) South Australia; capital Adelaide;
- (3) Victoria; capital Melbourne; seat of the Federal Government and its parliament;
- (4) New South Wales; capital Sydney;
- (5) Queensland; capital Brisbane;
- (6) Tasmania; capital Hobart.

New Zealand chose not to join the Australian Commonwealth, and constitutes a separate British colony, with Wellington as its capital.

Trade between Russia and Australia is insignificant, and the country's interest to us lies almost exclusively in the political sphere.

Only a few Finnish schooners under the Russian flag visit Australia annually, but these sail mainly not between Russia and Australia, but between Australia and other foreign countries, usually Britain and South America.

Given this situation, one consul general is sufficient for Australia, as there is little clerical work.

However, quite frequently in one or other of the cities listed above circumstances arise which require intervention or action by the Russian consul in person. These most often concern sailors or masters of Finnish ships flying the Russian flag.

In view of the immense distances between some Australian ports, for example Fremantle and Melbourne (seven days' sailing), a consul who is resident in Melbourne cannot be asked to set out for another city to resolve a matter which might be dealt with by an honorary consul. Furthermore, such journeys involve expenses. For such eventualities the need arises to institute the office of honorary consul and vice-consul in each of the aforementioned ports, to render assistance and support to Russian nationals cast by destiny to the ends of the earth.

In view of this, should the Ministry of Foreign Affairs concur with my opinions set out above regarding the need for honorary consuls in each of the state capitals, I have the honour to request that the persons named in the attached lists be appointed to that office.

I have taken extreme care in the selection of these persons.

In Sydney we already have an honorary consul in the person of Mr Paul, who has served in this capacity for 51 years. Though elderly, he is still in fine fettle and enjoys wide respect, so there is absolutely no reason to replace him.

For Sydney and Newcastle there is a vice-consul, Dr Rougier, a French subject, who also meets the necessary requirements in full.<sup>22</sup>

James Stewart,<sup>23</sup> for whose appointment as honorary consul in Melbourne I seek approval, is a former lord mayor of Melbourne, a highly esteemed and well-known lawyer who enjoys universal respect and possesses considerable funds. It is true that he is 72, but, like most Englishmen, he is completely hale and hearty. Since there is a permanent consul general in Melbourne, an honorary consul is needed only in his absence, in order that no appeal be made to other consuls for their services, and to avoid being in their debt.

In Brisbane there is Mr Macdonald, the director general of the biggest Australian shipping line.<sup>24</sup>

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22 Emile Rougier: a French doctor resident in Sydney who worked for the Australian branch of the Pasteur Institute; honorary Russian vice-consul in Sydney and Newcastle from 1907 until his death in 1911.

23 Actually James Stewart Butters, a Victorian politician and entrepreneur; Mayor of Melbourne in 1867–1868.

24 Benjamin Wickham Macdonald: Australian entrepreneur and co-owner of 'Macdonald, Hamilton & Co.', an agency serving the Australasian United Steam Navigation Company.

In Adelaide, Dr Giles is respected by all,<sup>25</sup> and rendered service in the case of the Russian sailor Lindberg, who died, and in that of the sailor Zaphiridis, who was tried in court.<sup>26</sup>

I shall shortly submit proposals concerning other persons, about whom I have not as yet received sufficiently detailed information.<sup>27</sup> [...]

AVPRI 184 (Embassy in London) -520-1314, ff 1–4. Author's copy. In Russian.

## 97. Hedenstrom to Second Department, Russian Ministry of Foreign Affairs

Melbourne,  
28 (15) July 1908  
No. 20

[...] Until the present time, international law has recognised three types of civilised state: (1) sovereign or independent states, (2) vassal or semi-independent states, and (3) colonies. But I am a Russian Imperial Consul in a country whose state system, from the point of view of international law, does not fit a single one of these three types.

Australia, and perhaps some other British colonies, represents a new, fourth type of state to which a special place probably needs to be assigned in textbooks of international law.

In their international relations, all civilised states assume the existence of a responsible authority in each one, to which they may turn to in case of need. I shall attempt to demonstrate that, in practice, Australia has no such authority. This matter is very closely connected to Britain's relationship to its colonies.

25 William Ansley Giles: an Australian surgeon who had practised in Adelaide medical establishments since 1885.

26 In 1907, Åke Lindberg, a sailor and Russian national, was sent to hospital in Wallaroo, SA, where he soon died of dysentery. His treatment led to a number of financial problems and Hedenstrom took charge of resolving these. A year later, in April 1908, while the British steamer *Ocean Monarch* was in Port Adelaide, a drunken brawl took place on board and a sailor called Alexander Zaphiridis, a Russian national, shot and killed another sailor on the same ship, Heinrich Stender, a Russian Finn. The jury accepted that Stender had provoked him, but sentenced him to prison for twelve months.

27 Hedenstrom's efforts to expand the Russian consular service in Australia brought results: in November 1908, Giles and Macdonald were appointed honorary Russian consuls in Adelaide and Brisbane respectively.

Absorbed in their internal affairs and especially in competition amongst themselves, the governments of the European states have up to now, I believe, devoted little attention to the study of this relationship. Yet this study is of particular interest to governments which have entered into alliances or agreements with Britain. The question of the direction of Britain's colonial policy, and with it the direction of its own internal life, is dependent on whether the relationship between the mother country and her enormous and remote colonies will be strengthened or weakened. Without reaching far into the future, one can, however, already foresee that, before long, public opinion in England will have to settle upon one of two directions. It will have to choose between classical – so to speak – all-consuming imperialism, which assumes that every British colony is an inalienable part of the British Empire, existing and administered according to London's decree, and liberal imperialism, under which the central government does not concern itself with the internal administration of its possessions. It is linked with them almost solely through homogeneity of race and community of interests. The British Government's attitudes towards European states, especially those with whom they have concluded agreements, will probably also depend upon this choice. Russia is one such state.<sup>28</sup> One must assume that the policy which is most advantageous to the colonies will triumph. It is impossible to prove this at present, the factual data are not yet clear, but it may be that they are more apparent from Australia than from anywhere else.

Both the British themselves and the Australians assert the loyalty of the colonies. Here the meaning of the concept of loyalty needs to be agreed. In Australia, at any rate, it is understood in the sense of assuming no renunciation of even the smallest part of rights already acquired, both those recorded in the constitution and those established in practice. Therefore, supporters of unlimited imperialism will, from the very beginning, need to be able to accommodate both the inflexible determination of the colonies to preserve all that they have acquired, and the discharge of obligations assumed by the central government in agreements and treaties with other states. Of course, there may be instances where compliance

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28 Hedenstrom is referring to the Anglo-Russian Convention signed in St Petersburg on 18/31 August 1907, determining spheres of influence in Central Asia and Persia. The Convention effectively amounted to an Anglo-Russian alliance and the final act in the creation of the Entente (Britain, France and Russia).

with certain clauses in Britain's international treaties will entail limitations in the internal autonomy of its colonies. In such cases the position of the British Government will be extremely delicate.

In order to gain some idea of the full complexity of this situation, it may perhaps be worth considering the rise of the self-governing British colonies, in particular Australia, and the general fundamentals by which it is administered, i.e. its constitution. Knowledge of this may be of practical as well as abstract value.

Among the self-governing British colonies, two stand out by the vastness of their territory, the scale of their trade, the value of natural resources as well as their debts to Britain: Canada and Australia.

The former, by virtue of its geographical location, is not as free as the latter. Having a 5,000-verst border with the great American republic,<sup>29</sup> it looks to England as the natural protector of those freedoms which it would hardly enjoy should it be swallowed up by its neighbour.

The Canadian constitution is more than 40 years old,<sup>30</sup> the Australian constitution only seven, so the latter most closely reflects contemporary relations between Britain and its colonies.

From the point of view of the country's internal organisation, the Australian constitution formed a federal government (the Commonwealth) in 1901, which serves as a central organ for the six Australian states, which until then were completely independent of one another: Western Australia with its capital Perth and its port of Fremantle, South Australia with its capital Adelaide, Victoria with its capital Melbourne, still the seat of the Federal Ministry and Parliament, New South Wales with its capital Sydney, Queensland with its capital Brisbane and the island of Tasmania with its capital Hobart.

New Zealand declined to join the Federation.

The six states surrendered some of their rights in favour of the Federal Government in order that this central organ could govern the country for the common interest, observing, however, certain restrictions and submitting to certain obligations.

29 5,000 versts = 5,334 km. In fact the border is almost 8,900 km, approximately 8,340 versts.

30 Canadian Constitution: Hedenstrom is referring to the *British North America Act*, adopted by the British Parliament in March 1867, establishing the Dominion of Canada.

Among the powers surrendered to the Federal Government, external interests, i.e. those which concern other countries, are most prominent. Each separate state has retained self-government in its own internal affairs. Here, already, a somewhat strange situation arises, since, although the Federal Government is in charge of external affairs, from a diplomatic point of view Australia itself bears no responsibility and has no independent representation at all.

The functions of the Federal Government consist of the right to legislate and administrate in affairs of external trade, navigation and all matters associated with them, including the extremely important area of setting customs tariffs. It has charge of excise duties, premiums for export and manufacture, posts and telegraph, military and naval defence, lighthouses, quarantine, fisheries (marine), immigration and emigration, matters of personal status (marriage, divorce, inheritance, naturalisation), and legislation regarding banks, insurance, coinage, weights and measures. To this should be added the right, in certain circumstances, to underwrite the debts of the separate states, to acquire railways with their permission, the right to levy taxes and execute loans, and, finally, the management of all external relations, in particular those concerning the islands of the Pacific Ocean. There is a Minister and Ministry of External Affairs.

It would be a mistake, however, to conclude that the Federal Government had left the governments and parliaments of the separate states extremely little power and few functions.

The latter retain the absolute right to sell or rent their own public lands, operate their railways, conclude loans at their own expense, liquidate and convert them. With the exception of excise duty, customs and posts and telegraph, they manage all other direct and indirect taxes. The separate states deal with matters of agriculture, mining, public works, arbitration, public education and justice (with the exception of cases subject to the jurisdiction of the Federal High Court).

In certain matters the Federal Government is granted legal powers which have not been removed from the separate states. In cases of discrepancy, Federal parliamentary law must be applied. These cases mainly concern immigration, banks, insurance and bankruptcy.

Irrespective of this duplication of authority, some of the functions of the Federal Parliament are even more limited. Thus, in matters of trade, the Federation (Commonwealth) has charge of relations with foreign

countries as well as those between the separate states whereas the legislation regarding trade is completely under the jurisdiction of the separate states. The Federal Government must observe complete uniformity in matters of premiums for internal manufacture and export, whereas in this respect conditions in the separate states are quite different.

Under the two-chamber system, the House of Representatives and the Senate, the latter constrains the Federal Government's power most of all with regard to the interests of the separate states.

In Canada, senators are appointed by the Government,<sup>31</sup> so it can always be sure of a favourable majority. In Australia, senators, as well as members of parliament, are elected directly by the people, and each state, regardless of its size, has the same number of representatives in the Senate. Their prestige and independence from the Government represent a considerable force, and the standing of the Senate in Australia is extremely high.

The norms determining the relationship between the Federal Government and the mother country from a political point of view are the most interesting part of the Australian constitution, since they give us an idea of the degree of this country's independence.

In general these norms are borrowed from Canada's constitution, but with certain quite significant changes.

A comparison of both constitutions leads to the conclusion that the independence granted to Australia is even broader than that enjoyed by Canada.

The Governor-General of Australia is the representative of the British Government,<sup>32</sup> but though paid from local budget resources, he plays a dual role. On the one hand he is the connecting link between the Colonial Office and the Federal Government; on the other, as head of the executive authority he is the leader of the parliamentary system. These last functions do not entail any special responsibilities, since the Governor-General enacts his decisions only with the agreement of the

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31 This is inaccurate. In Canada, senators were appointed not by the Government, but by the Governor-General, who acted on behalf of the Crown. However, the appointments were made on the basis of a list recommended by the Canadian Prime Minister.

32 The Governor-General of the Commonwealth of Australia is not, in fact, the representative of the British Government, but of the British sovereign; in 1908, of Edward VII.

cabinet. In reality, serious matters are discussed and decided without his participation, and the political role of the Governor-General amounts to signing whatever is placed before him.

Should a government submit its resignation, then, by virtue of established custom, the Governor-General summons the leader of the opposition and instructs him to form a new ministry, on no account taking any part in discussions as to its formation. The sole prerogative of the Governor-General consists in agreeing to or refusing the prime minister's request to dissolve Parliament.

When the British Government wishes to discuss important matters with the governments of the self-governing colonies, the Governor-General's intermediary role disappears. The British Colonial Office discusses matters of this kind directly with the prime ministers of those colonies.

Thus in 1902 a conference was convened under the chairmanship of Mr Chamberlain, the Colonial Secretary, at which matters of political and commercial relations between the constituent parts of the British Empire were discussed, as well as the future organisation of defence.<sup>33</sup> Not one of the Governors-General was present at this conference. The same happened in 1907.

The Canadian constitution, incidentally, states that the Governor-General administers the country according to his instructions, i.e. those he receives from London. There is no such clause in the Australian constitution. It was considered inadvisable to accord the Governor-General the right to refer to any instructions from without; the instructions he receives from the Federal Prime Minister are sufficient. The fiction underlying the British organisation of government professes, it is true, that this is only advice, but with the proviso that it be carried out: 'There is no compulsion, but you must.'

There does exist, however, a fundamental principle: that no law in any part of the British Empire can take legal effect without royal assent.

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33 Here and below, Hedenstrom is referring to the Colonial (Imperial) Conferences of 1902 and 1907.

In Australia, as in any other self-governing British colony, the powers of the Governor-General give him the right to grant such assent in the King's name, or to submit the law to the British Government for consideration. In actual fact, the Governor-General almost always gives assent, and, moreover, at once.

In cases when a law touches upon broader imperial interests or infringes upon any international agreements in force between Britain and foreign countries, the Governor-General confers with the law officers of the Crown to decide whether to ratify the law or submit it to the British Government. In the latter case, one can be fairly confident that His Majesty's Government will not refuse to ratify it. We shall shortly see that, even when the adoption of certain laws was likely to lead to misunderstandings with foreign countries, the British Government still approved them. It prefers to meet such difficulties half-way, rather than place its veto on decisions of the Federal Parliament.

In cases of extreme importance, when a law directly infringes upon British laws, the Government of the mother country intervenes in its passage through the Federal Parliament, but strives to do this before it has been finally passed, while it is still at the discussion stage. This was the case with the law on navigation, which, however, was ratified in the form Australia wanted.<sup>34</sup>

The Governor-General of Australia does not have the title of viceroy, and he communicates officially only with the Colonial Office, upon which he directly depends.

Apart from the Governor-General, who, as stated above, is the intermediary between the Australian Federation and the mother country, the only constitutional tie between the two countries is the institution of the Federal High Court.

The powers of the Federal High Court created by the constitution are extremely broad and diverse. Without dwelling on the list of its functions, one important circumstance should be emphasised: prior to the ratification of the Australian Constitution, one of the fundamental

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<sup>34</sup> This refers to the *Sea-Carriage of Goods Act 1904*.

principles underlying relations between the mother Country and the colonies was that, in certain instances, any decision of the Colonial Court could be appealed in the Privy Council (King-in-Council).<sup>35</sup>

In 1899 the draft constitution drawn up by Australia was presented in London. Chamberlain, at that time Colonial Secretary, expressed complete sympathy with the idea of creating the Federation, but thought that the Australians had gone too far in their desire for independence, even encroaching upon the prerogatives of the central government. As a consequence of this he invited delegates to London in order to discuss certain changes in the text of the constitution. The Australians hastened to do the Colonial Secretary's bidding, but from the very outset they announced that they had been given precise instructions not to agree to any changes; the bases of the draft had been drawn up with the agreement of all the states, and they demanded that the draft be ratified in the exact form in which it was presented. They noted that amendments could lead to the breakdown of the agreement to form a federation, achieved with such difficulty. Chamberlain did not dare assume responsibility for the failure of a project as important as the founding of a federation, and renounced the amendments he had proposed, with the exception of one, the question of the jurisdiction of the Federal High Court.

According to the original draft wording in clause 74 of the constitution, the Federal High Court rules definitively in disputes concerning the interpretation of the constitution, both with regard to relations between the Federal Government and the state governments, and between the state governments themselves, without right of appeal to the British High Court. In Chamberlain's opinion, it was impossible to agree to this clause without infringing upon the supreme power of the King. For the Australian delegates it was also a matter of principle not to accept amendments to a project which had been drawn up with the consent of the whole populace. There were, incidentally, certain other grounds for this, but of those they could not speak openly. They knew that in interpreting the Canadian Constitution, the Privy Council did not always produce rulings sufficiently broad for the colonies. With respect to their own country, the Australians therefore wished to see the interpretation of

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35 King-in-Council: a British legal term signifying the actions of the monarch agreed by the competent organs of executive authority. In the present case, the reference is to an appeal to the Privy Council against the ruling of a court. The monarch acts as King-in-Council, on the Privy Council's recommendations.

the constitution wholly within the jurisdiction of its very own national institution, and asserted that that institution would resolve such matters with great dispatch and knowledge.

They finally came to an agreement in which, essentially, the Australians had their own way, but yielded in the format, so clause 74, now in force, states that Federal High Court decisions regarding interpretation of the constitution are subject to appeal only when the Court itself decrees that its decision may be appealed.

Since both sides wanted to come to an agreement, they made haste to settle upon such a compromise, although it left the matter not entirely clarified and continues to give rise to misunderstandings.

The federation of the separate states of Australia could not change the official position of this new state with regard to foreign governments. Theoretically, however, there are no relations, since from a diplomatic point of view the Commonwealth of Australia is no more than a British province. In drawing up their constitution, however, the Australians included legislation on foreign affairs among the areas administered by the Federal Parliament and, as stated above, formed a special Ministry of External Affairs. Canada does not have one. It goes without saying that this ministry is in charge of only those matters that concern Australia, but since foreign governments have no diplomatic relations with Australia, in their eyes the entity responsible is the British Government; a country which has no responsibility, it would seem, cannot have any corresponding rights. Meanwhile, the path that Australia is taking in the promulgation of laws which undoubtedly affect the interests of foreign nationals is so provocative that its finances are no match for it, let alone its military power.

In a subsequent dispatch, about the socialist movement in Australia and its influence upon legislation,<sup>36</sup> I shall consider more closely the restrictive and anti-liberal laws now in effect in this country. I shall now mention only in general outline those of them which directly affect the interests of foreign nationals.

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36 See Document 99.

I. The Customs Bill.<sup>37</sup> According to this law, all consumables on any ship arriving in Australia, from the moment of its entry into port, are subject to custom duties, and payment of these continues until the ship departs from the last Australian port. The first Australian port of call for ships coming from Europe, especially steamships, is Fremantle, the last – usually Sydney. The return voyage from Fremantle to Sydney is about 4,900 miles.<sup>38</sup> Upon leaving Fremantle the ships go out into the open sea, where they have to remain for several days, and if they are proceeding to another Australian port the duty applies throughout this time. This law is enforced by government officials in the most irksome ways: at one time they even affixed seals on provisions so that the ship would be forced to purchase supplies in an Australian port. Some captains broke the seals when they reached the high seas, and used the provisions, but they were then subject to punishment upon arriving at an Australian port. This bill thus violates the most elementary fundamentals of international law, according to which every merchant ship on the high seas is subject only to the jurisdiction of its own country.

It also violates general legal principles, since duty may only be levied on goods or products which are used within a country or are imported into it, not those beyond its borders.

II. The Post and Telegraph Act, ratified by the British Government in 1901.<sup>39</sup> By the terms of this act the Federal Government refuses subsidies for transporting mail to shipping lines which employ coloured labour as crew. It is well known that almost all ships employ black men as stokers for transit through the Red Sea and the tropics. For a long time this law had resulted in the extremely unpunctual delivery of mail. It is still in force today.

III. But the most serious violation of international interests is the Immigration Restriction Act.<sup>40</sup> In its present form, it unconditionally prohibits the admission of all coloured people into Australia, with the sole

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37 This bill came into effect as the *Federal Customs Act 1901*. It introduced a unified national system of duties and tariffs.

38 The return voyage from Fremantle to Sydney, without calling at ports en route, is 4,374 miles.

39 The *Post and Telegraph Act 1901* provided for subsidised postal services to Australia. Article 15 of the Act stipulated that the crews of all vessels delivering mail to Australia should be entirely white.

40 The *Immigration Restriction Act* adopted by the Australian Parliament in 1901, with subsequent amendments, became the basis for the White Australia policy, with the aim of limiting non-white immigration as far as possible and protecting the Anglo-Saxon cultural identity of the nation. The Act was also intended to protect the Australian labour market against competition from workers from Asia and the Pacific.

exception of visiting officials. Europeans arriving in Australia, if they are not British subjects, may be subjected to an examination on their knowledge of one of the world's languages, chosen by a government official. In theory, therefore, it is necessary to know all languages, including Chinese, Arabic and so on. Besides this, contract labourers are not admitted and, finally, a person cannot set foot in Australia if an official believes that he might be a burden upon any public or charitable institution.

This law violates the generally accepted right of freedom of movement.

An unbelievable law applies to masters of merchant ships, including British ships: it subjects them to a fine of 100 pounds sterling (1,000 roubles) for every sailor who jumps ship. This is contradictory because the police do not assist in the capture of fugitive sailors, stating that the latter are under the protection of the laws of a free country, while the masters are fined for the lack of vigilance which allowed an undesirable immigrant to enter the country.

I have cited laws which I would have difficulty in believing if I did not have them before my very eyes. They affect the rights and interests of foreigners and therefore may be the subject of enquiries from interested governments. In these instances, Australia's lack of responsibility stands out particularly sharply. The Federal Government, driven into a corner, replied that these laws had received royal assent and were of general imperial interest. Upon inquiry, the British Government replied that these were local Australian laws, and that they did not consider they had the right to interfere in the affairs of self-governing colonies. On various pretexts, the British Government dragged out negotiations, greatly assisted by the long distances, and in the end they came to naught.

Let us assume, however, that one of the Great Powers, from one reason or another would like to pursue its protest to its conclusion, i.e. until they received a definite positive or negative answer and, if the latter, to apply the laws operating in Australia to their own country; for example, the immigration laws I referred to or those on navigation. Australians are British subjects, so any retaliatory measure would have to apply to all British subjects without exception. What would the British Government say if, for example, Germany enacted a law by which German jurisdiction would apply to crimes committed on board British ships on the high seas, on the ground that those ships were sailing from one German port

to another? In such a case, would the British Foreign Secretary deem that the fundamental principles of international law and international treaties on trade and navigation had been violated?

Prior to the formation of the Australian Federation, the separate states were an insignificant quantity in the eyes of the Great Powers, so their ways of doing things were of concern to very few. Upon the formation of the Federation a new nation emerged, occupying an area of land equal to 4/5 of Europe. On this huge expanse live a mere 4 million inhabitants, including women and children. Adult males number 1.5 million.<sup>41</sup> It is natural that the eyes of states with an excess of population should turn more and more to a country which could accommodate and support a population exceeding that of Australia many times over. It is quite understandable that the question of the international position of a country which is considered a British province, but has its own Ministry of External Affairs and enacts the most provocative laws concerning foreigners, is becoming a pressing problem. The time may be not far off when some naval power might wish to test Australia's executive power and see if it actually exists.

In this country, relations between the Federal Government and the mother country are complicated by the constitutional rights of the separate states, whose memory of complete independence is still very fresh.

A recent example of misunderstandings between the central government of the United States of America and Japan showed that the constitutional rights of individual states in a federal state can give rise to acute complications where international relations are concerned.<sup>42</sup> Something similar could easily happen in Australia, but with more serious consequences.

Russia's interests in Australia are so insignificant that of course there can be no question of officially raising the delicate question of Australia's position from a diplomatic point of view. The elucidation of this uncertainty would naturally place both the British and the Federal Government in a most ambiguous position. If, however, in individual cases, it became

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41 According to official statistics, on 31 December 1907 the population of Australia was 4,167,037, comprising 2,212,480 males and 1,984,557 females.

42 In 1906–1907, the US adopted a series of discriminatory measures against Japanese immigrants and banned the entry of Japanese into the US from the Hawaiian Islands. In May 1907, there were anti-Japanese race riots in San Francisco. This led to a sharp deterioration in US–Japanese relations, and only the efforts of both countries' diplomats served to ease the tension. In late 1907 and early 1908, the two countries reached a gentleman's agreement on a voluntary limit on Japanese emigration to the US.

necessary to choose which of the two governments to address, I believe that one should choose the Federal Government and not the Imperial Government.

The Federal Government is not well pleased when negotiations on matters concerning Australia are held in London, and on the contrary is somewhat flattered when addressed directly. On the other hand, the British prefer to comply with petitions emanating from the Federal Government. [...]

AVPRI 184 (Embassy in London) -520-1037, ff 194–226. Author's copy. In Russian. Translated by Maria Kravchenko.

## 98. Hedenstrom to Bentkovsky, Director, Second Department, Russian Ministry of Foreign Affairs

Melbourne,  
10 August (28 July) 1908  
No. 25

[...] A few days ago I was visited by a representative of the Melbourne trading company Campbell, Itone & Co., who told me that Russian-produced furniture is for sale in Melbourne and that it reaches Australia by way of London or Hamburg. Finding that the furniture is of high quality and is retailed here, the representative would like to establish direct contact with the manufacturers in St Petersburg, so that Russian furniture might be ordered directly from Russia, by-passing the places en route and thus avoiding the costs paid to middlemen in London or Hamburg.

The representative gave me a written list of questions to which he would like answers. In addition he expressed a desire to receive a catalogue of the products of Russian furniture manufacturers, in English, and with English measurements. I am well aware that German manufacturers send out catalogues of their wares in the languages of the countries where they intend to market them.

Herewith I have the honour to enclose for Your Excellency the letters sent by the aforementioned company, expressing their wishes.<sup>43</sup>

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<sup>43</sup> The letters are not reproduced here.

In my opinion this matter merits attention, as it may lead to the direct importation of Russian industrial goods to Australia. In addition to passing copies of the attached letters to the Ministry of Trade and Industry, and publishing a brief summary of the contents in the press, I wonder whether you might perhaps deem it possible to invite a representative of the St Petersburg furniture manufacturers and suggest that he make contact, directly or through my office, with the Melbourne company, on the terms proposed by that company. In this way we may bring about a practical result.<sup>44</sup> [...]

AVPRI 155 (Second Department, I-5) -408-484, ff 124–126. In Russian.

## 99. Hedenstrom to Bentkovsky, Director, Second Department, Russian Ministry of Foreign Affairs

Melbourne,  
1 September (19 August) 1908  
No. 27

[...] I have the honour to submit to Your Excellency herewith a dispatch on the socialist movement in Australia.

I do not know what view the Minister of Foreign Affairs, or you yourself, will take of it, but if the question should arise of publishing it in the *Collected Consular Dispatches* I would respectfully request that it should not appear while I am in Australia.<sup>45</sup> This is because Australians are extraordinarily averse to any form of criticism except praise, and therefore the publication of this dispatch will make my position even more difficult than it is now, and will shut off the few channels of information still open to me. [...]

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44 The material appended by Hedenstrom was forwarded to the Ministry of Trade and Industry and from there to the furniture manufacturers F. Meltzer (St Petersburg) and F. Fischer (Moscow). They did not, however, show any interest in developing direct trade with Australia. From documents preserved in the Russian State Historical Archives, it emerges that both firms replied to say that they had never had any catalogues of their wares and therefore could send nothing to Australia.

45 *Collected Consular Dispatches*: a journal published by the Foreign Ministry six times a year in the years 1898–1910, containing the most interesting dispatches from diplomats and commercial agents on the socio-economic development, political configuration, economy, transport and trade of foreign countries.

Melbourne,  
1 September (19 August) 1908  
No. 26

Socialism in Australia

Australia and New Zealand enjoy the reputation of being countries which apply the principles of the most advanced socialism and, in this respect, of carrying out the most audacious experiments. In general, these countries are thriving and those who would revitalise the contemporary social system are drawing the conclusion that all peoples should follow their example.

A closer acquaintance with Australian socialism will perhaps indicate that such conclusions are somewhat too hasty.

The structure of European societies could hardly accept the methods they resort to in these far-off lands, where the climatic, economic and political conditions are completely different from ours. It does not follow from this that we have nothing to learn or nothing to borrow from them. The study of this or that order of things is always useful, whether in the sense of introducing it at home or, on the contrary, so as to profit from the experience of others in order not to repeat their mistakes.

Up to now, European socialists have done but little to acquaint us with their like-minded confederates in Australia, confining themselves to the sole assertion that everything is good in Australia thanks to socialism. I repeat, a closer acquaintance with this question in Australia itself will perhaps elucidate the reason for the European socialists' restraint, for which sufficient explanation may be found in the characteristics which are peculiar to socialism in Australia and make it especially interesting.

It is true, both European and Australian socialists are united by one common goal – the desire to gradually destroy private property. Their reasoning, however, is completely different.

European, in particular French and Russian socialists, have difficulty in reconciling themselves with the idea of patriotism; the extremists deny it altogether. In Australia the feeling of patriotism is extremely highly developed. The disparity lies only in the fact that some extend their patriotism to the whole of Australia, while others restrict it to a rather

narrow framework, but in both parties patriotism is uncompromising, mistrustful and exclusive, often reaching the point of over-weening self-praise.

This is the first difference between European and Australian socialism.

The second concerns their attitudes towards religious questions and feelings.

In Europe, events are full of hostile socialist manifestations against what they call a perversion of the mind and the conscience. In Australia and New Zealand political activists are indifferent to matters of religion, including so-called clerical ones. Indifference is at its greatest, perhaps, in the most extreme workers' circles. The churches of various denominations are not especially friendly with each other, but the Government treats each of them with equal impartiality, extending its assistance and protection to each of them in equal measure. Under such conditions, political activists' membership of completely different denominations has absolutely no effect on their work or their popularity.

One should also note yet a third difference.

Respect for peace and public order occupies a completely secondary position in the eyes of European socialists. As advocates of active propaganda, they condemn the use of force only when the latter is directed against themselves. Thus far in Australia respect for the individual and the property of others constitutes a basic principle, although the general crime rate is probably the same as in other civilised countries. Violent actions as a product of socialism are very rare, owing to an innate respect for the law. The existence of this factor has stood Australian socialism in very good stead. The correct actions of the Labor Party have misled the public with regard to its aggressive power and its essentially total indifference to public or private interests, as long as these do not coincide with its own interests involving its predatory inclinations not only to utilise, but to abuse the advantages obtained. In a British country, where the difference between classes is especially pronounced, in the legendary home of snobbery, elevated almost to a cult of outward observance of generally accepted norms, a different, less circumspect mode of operation would probably have harmed the socialists' cause and from the very beginning raised a barrier to the achievement of their desires. It is possible that the leaders

of socialism in Europe would also have encountered less opposition if their harsh actions had not set patriots, believers and peaceful citizens against them. But this error has been committed and can hardly be remedied.

Perhaps for these reasons the European socialists desire that what is going on at the far end of the world should remain unknown as far as possible. It is therefore of all the more interest to us.

The Labor Party in Australia has not yet decided to openly call itself socialist. Its leaders have only recently begun to utter this word, and then only with caveats and qualifications of all kinds. It is as if they were preparing society to accept ideas which it regards with suspicion, perhaps in the hope that with time the suspicion will abate and the time will then come to reveal the ultimate aim of a pure socialist programme, the essence of which is expressed in 'collectivism'. There is no doubt that socialism in Australia, as in Europe, is the organ and instrument of a class of people who nourish the hope of satisfying their interests by means of a gradual general levelling. Socialism attacks capital because the latter is a source of personal initiative and generates the inequalities which socialism hopes to destroy. But Australian socialists are more cautious and perhaps more practical than European socialists, and therefore refrain from over-harsh actions and strikingly abstract philosophical theories. While European socialism calls for international solidarity, Australian socialism is exclusive and has no wish for any contacts beyond its own borders, finding that Australia's geographical situation enables it to carry out experiments without any outside interference. Australians on the whole are averse to the idea of free competition and strive to eradicate it in their own land.

The federation of Australian states was only formed in 1901. Workers' unions existed in the six Australian states much earlier than this and had their own representatives in the local parliaments. But, in the absence of a central government, they were unable to impart a common character to their efforts. Furthermore, the rivalry between the separate states, or rather, colonies, as well as the vast area across which the population was scattered, served as obstacles to general agreement. The influence of the unions was of necessity limited and showed in the fact that in the local parliaments of individual colonies they were able to achieve aid for the unemployed, increases in wages and a reduction in working hours. At the same time they organised and directed strikes and promoted the election of their like-minded associates to parliament or to administrative appointments. The establishment of the Federal States could have threatened such political

sport, from which the labour unions were deriving a certain benefit, and the Labor Party could have blocked the formation of the Federal Parliament, but, on the other hand, it also understood the benefits to be derived from being its originator, and the Federation (Commonwealth) of Australia was founded.

Naturally, the Federal Parliament would reduce the importance of the local parliaments, so the Labor Party had to occupy the most influential position possible in the former. While maintaining its former influence in the local parliaments, the functions of which were quite extensive, the Labor Party set to work. Circumstances favoured its prospects.

For quite understandable reasons, the newly-formed Federal Parliament possessed neither the experience, nor, in particular, the unity which lends strength to any collegial entity. For the most part, differences were related to the aims which the Federation was to pursue in the near future. The Labor Party, however, owing to its previously existing unions, embarked upon a new political life, already organised. All it needed to do was preserve its organisation and discipline, which it achieved with great benefit to itself.

In 1903 the Labor Party held one third of all the seats in Parliament, and in 1904 it took power, but was obliged to step down due to the complete inability of its representatives to manage affairs of state.<sup>46</sup> Nevertheless, for the first three years of Federation the Labor Party took every opportunity to put forward its programme, which projected measures only for the immediate future. It was not yet concerning itself with the more distant future, but the socialist principles underlying the laws it proposed and enacted are beyond any doubt. They all had the purpose of State interference in the private affairs of its citizens and sought to eliminate any manifestations of private initiative, any possibility of individuals profiting from the fruits of their own labours and any competition in general. For these reasons these principles can only be called anti-liberal.

The most immediate aim of the Labor Party's legislation was the isolation of Australia.

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46 In the 1903 federal election, the Labor Party took twenty-three of the seventy-five seats in the House of Representatives. In 1904, when Alfred Deakin resigned, the Labor leader John Christian Watson formed a government, the first Labor Government in Australia and the world. However, it held power for less than four months, from 27 April to 18 August 1904.

Thus, at a time when this country – isolated commercially by the seas, and politically by the British fleet – had only just come into being, only just joined the ranks of other nations and attracted their attention, its first step was to lock itself away. Upon the initiative of the socialists, a whole set of laws was enacted, imbued with the narrowest and most hostile sentiments, augmented by even more restrictive rules, applied with relentless severity as if their main aim was to suppress all industry, trade and movement of people.

On 1<sup>st</sup> May 1904, on the pretext of the international Labour Day celebration, a deputation from the Labor Party presented the Government in Melbourne with a declaration which for the first time categorically stated its resolve ‘to abolish all hired labour and capitalism and to prepare the rebirth of a new social structure in which all the implements of production and their administration should belong to the people’, and, in the meantime, to fix by law a standard working day of eight hours or less with adequate remuneration for all industries and workers without exception, all disputes to be settled by compulsory arbitration, a pension for the aged to be set up at the expense of the Federal Government, the establishment of a federal bank belonging to the people, and so on.<sup>47</sup> This was a completely clear and definite socialist programme, setting out its aims and means. A few months later a general assembly of the Labor Party of the State of Victoria demanded a gradual nationalisation of all means of production, distribution and exchange, adding a further demand: that members must not dare to vote for any bill which did not accord with this programme.<sup>48</sup> The Government could not openly agree to such a harshly-worded demand, so the Labor Party then thought up an extremely vague term, which I had difficulty in elucidating: it demanded the ‘nationalisation of monopolies’. Since public institutions in Australia (including railways) already belonged to the State, the phrase ‘nationalisation of monopolies’ meant that the State could take over any private enterprise simply by declaring it a monopoly. This bill, however, did not pass.<sup>49</sup>

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47 Hedenstrom appears to be referring to the demands set forth at a May Day rally in Melbourne in 1904 by the prominent British socialist Tom Mann, then living in Australia. According to the *Adelaide Advertiser* (2 May 1904, p. 6, ‘May Day Celebrations’), Mann moved a motion signifying ‘determination to overthrow wagedom and capitalism, and the establishment of an international co-operative Commonwealth, in which all the instruments of industry should be owned and controlled by the whole people’.

48 The reference is clearly to the resolutions of the Third Commonwealth Political Labour Conference, held in Melbourne in July 1905.

49 The nationalisation of monopolies bill, presented by Watson’s Labor Government in 1904, was not passed because this was a minority government.

In 1906 the Labor Party's programme was as follows:<sup>50</sup>

- I. A complete cessation of coloured immigration.
- II. The establishment of a progressive tax on large properties of land.
- III. The setting up of an old-age pension for the whole of Australia.
- IV. An alteration to the law on compulsory arbitration in favour of the workers.
- V. The promulgation of restrictive laws concerning navigation.
- VI. The establishment of a militia for defence.
- VII. The nationalisation of monopolies.

There was no longer any mention of destroying capitalism, which was somewhat comforting to the well-to-do classes.

Thus a halt came about in the socialist-workers' movement and demands, which it is necessary to explain.

In a country whose constitutional government is based on universal suffrage, also including women, every government must reconcile broad interests of State with the demands of the mass of the population. Such concordance is not always easily achieved. In other countries this aim is substantially assisted by well-known traditions, bitter past experience, the fear of external complications and the existence of a certain cultural national minority capable of exerting political influence upon an uneducated majority. Because of the youth of its polity, Australia does not yet possess such elements and its political life is of an impetuous nature.

Apart from that, Australia is a wealthy country with a temperate climate, suitable to life and diversions in the open air. These conditions involuntarily foster the desire to enjoy oneself. Therefore the idea of labour and working is not as strong as we see in other countries, while the view of government as an institution intended to guarantee the freedom and safety of its citizens has expanded to such an extent that they consider the government is obliged to provide everything and, consequently, everything may be demanded from it. Under such conditions the terrain is very favourable for socialism of the Australian kind, which differs from the European by its greater patience and, at the same time, is not particularly interested in

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50 In fact, the Labor Party did not adopt any new programmes in 1906. At the time when Hedenstrom was writing 'Socialism in Australia', the programme adopted at the Third Commonwealth Political Labour Conference in 1905 was in effect.

the distant future. Here, one must also point out another difference from European socialism. The latter, dismayed by the severe inequality between separate classes of the population, strives to create a new order by first destroying the old; European socialists do not recognise half-measures.

In Australia the situation is more uniform; the Australian worker is never destitute and, therefore, does not see the need to tear down everything existing at present. He is not a follower of fiery and militant representatives and at times pauses, wishing only to retain the results achieved, not yet desiring to demolish society, but only to continuously improve his own well-being within it.

These circumstances, taken together, have influenced the fact that the Labor Party has temporarily rejected the extreme principles expressed in its initial programme.

But not only material conditions and the safety provided by British power have determined the nature of socialism in Australia. It is also a consequence of the relationship between labour and capital which obtained in the earliest years of colonisation. At that time huge works were commenced. The population of Australia was increasing quickly. Workers, especially good ones, were scarce. A good stonemason earned 15 roubles a day.<sup>51</sup> Until 1892 Australia enjoyed unlimited credit in Britain.

Such prosperity could not continue forever. With the increase of population thanks to immigration, which at that time was encouraged, and given some competition, worker's wages had to fall. But the workers had been spoiled by the previous years, their appetites had been whetted, and they had no desire to go backwards. The trade unions closed ranks, foreseeing the inevitable conflict which eventually broke out. Extremely violent strikes took place in the years 1890–1892, which, however, were put down, public opinion being against them.<sup>52</sup> After this, the unions changed their tactics and turned their efforts to achieving political influence in the new Federation. This tactic consisted in offering their

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51 Here and later, Hedenstrom quotes values in roubles at the exchange rate of the time: ten roubles to one pound.

52 Hedenstrom is referring to the major and long-lasting strikes that shook the country in 1890 (the seamen's strike), 1891 (the shearers' strike) and 1892 (the miners' strike). All ended in failure, but served as a stimulus for the growth of the trade union and labour movement, and prepared the ground for the formation of a labour arbitration system in the colonies.

services, and then, having made themselves indispensable, enforcing the implementation of their wishes. It was successful and the unions achieved almost dictatorial power, and have retained it to this day.

On the basis of certain data from the past few years, it is possible, I believe, to distinguish three movements, three aims pursued by the Labor Party, which until 1905 were also shared by both the Government and public opinion.

The first was directed against the principle of competition and made steady progress; the second was aimed at impeding the development of private initiative, encroaching upon the principle of free labour; the third was directed towards the abolition of private property, designated as capital or the means of production. The success (incidentally, unproven) of this last move has so far been expressed in the enactment of laws concerning compulsory arbitration in industrial affairs, but promulgated with a certain bias towards the workers.<sup>53</sup>

I consider it my duty to point out that the main purpose of my classification of the socialist movement is to make a detailed investigation of it more accessible.

The first two movements pave the way for the third, but all three have the ultimate aim which we have already seen in the Labor Party programme of 1904,<sup>54</sup> the aim pursued by the European socialists with the greatest passion and the least method, to wit, the complete destruction of the social order that the socialists call bourgeois.

As I have just said, the socialists' first step was aimed at the destruction of the principle of competition. They first set about destroying it from without.

The introduction of such a system would obviously have restricted trade with foreign countries and thus reduced trade in general, but the Labor Party, having an extremely limited understanding of political economy and pursuing only its most immediate aims of increasing wages and reducing working hours, forced the Government to table some draft bills:

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53 The *Commonwealth Conciliation and Arbitration Act* was passed in December 1904.

54 Labor Party programme of 1904; apparently another reference to Tom Mann's May Day demands.

- I. a customs act;
- II. an act concerning navigation, posts and telegraph;
- III. an immigration act.

In my previous dispatch concerning Australia's international status,<sup>55</sup> I cited these three laws as impinging upon foreign interests. I am constrained to repeat them here, since they, with other laws, are products of the work of the socialist Australian Labor Party.

#### I. The Customs Act

This bill received royal assent and came into force on 3<sup>rd</sup> October 1901.

In accordance with one of its clauses, all consumable products on ships entering Australia are subject to customs duties from the moment the ship arrives at the first Australian port until the moment of its departure from Australia. Of necessity, ships sailing from Europe to Sydney are obliged to stop at Fremantle. The distance between this port and Sydney, in both directions, is about 4,900 miles through open seas. Throughout this time, they continue to pay duty on the products they consume. Initially the customs officers would affix seals on all products as soon as a ship came into Fremantle, so that the ship was obliged to stock up on all necessities in Australia. The ships' masters used to break the seals upon sailing out into the open sea, but in this case they were subject to punishment upon arrival at the next Australian port. The Australian authorities thus claimed for themselves the right to pass judgement upon the actions of foreign nationals committed on their own territory, since a merchant ship on the high seas is subject only to the jurisdiction of its own government. The enforcement of this law elicited a mass of disputes and ended in a compromise between the Australian Government and the shipping companies, by which the local authorities would not apply any more seals, but the masters were obliged to declare and display all the products they had and pay duty on them.

Besides being in breach of the basic principles of international law, the introduction of such a restrictive and irksome law cannot be explained by fiscal aims, since in comparison with total customs revenue it represents an insignificant amount. Whereas revenue from customs duties as a result

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<sup>55</sup> See Document 97.

of an improbably high tariff (on average about 40% of declared value) brings in the impressive sum of 80 to 100 million roubles per year, the aforementioned yield is less than 200,000 roubles annually.

From an impartial point of view, this law makes no sense at all, but this is not how it seems from the Australian socialists' point of view. Taking advantage of Australia's remoteness and the protection of the British fleet, the Labor Party began to isolate Australia, showing that, if it was unable to completely forbid the entrance of foreign ships into its ports, then it was free to place upon them whatever restrictions they chose. I am informed by the most reliable of sources that the Labor Party was guided by precisely such considerations when the bill was passed into law.

## II. The Post and Telegraph Act.

According to one of the clauses concerning navigation, coloured crew members are forbidden to set foot on Australian soil, and clauses concerning the mail mean that, in view of the cessation of any contact with coloured men, those European shipping companies (including British companies) which employ coloured labour will receive no subsidy from the Post Office for transporting mail.

The law on navigation is enforced so strictly that, when a sailing ship with a Chinese crew was wrecked on Australian shores, the Chinese who survived were imprisoned and then deported.

By means of these laws the local socialists apparently wished to preserve the purity of the Australian breed against the infiltration of unsuitable sheep into the flock.

The Post and Telegraph Act almost demands the impossible. When sailing across the Red Sea and the tropics, ships have to employ black stokers, because white men are unable to endure such labour.

By the introduction of these restrictive laws, the socialists came close to achieving the aim I referred to above: the isolation of Australia.

The extracts I have cited from the above laws, drawn up by the socialists, are, however, only the precursors, so to speak, to a declaration of war. The declaration itself came very swiftly in the form of an unlikely law on immigration (the Immigration Restriction Act of 1901).

The title of this act indicates its purpose, but in reality the purpose is much broader. One need only read two clauses to realise that it is not a question of restricting immigration, but of terminating it completely. This task was not so easy to achieve, for the matter concerned free access to a civilised country, i.e. a universally recognised right. By violating it, Australians would have placed themselves outside the statutes of international law. However, instead of promulgating precisely defined laws, they devised a formula which, instead of clarity, introduced the arbitrary application of discretion. Thus Clause 3 of the Immigration Act says, word for word: 'entry into Australia is forbidden to any person who, upon the request of a government official, is unable to write 50 words in any of the European languages selected by the official.'<sup>56</sup>

But even this was deemed insufficient. After a period of time, in 1906, the law on immigration was changed and, at the present time, its initial wording refers to all Europeans except British subjects, and the requirement concerning knowledge of languages has been extended to all the languages of the globe. This last amendment was made in consequence of an application from the Japanese Government, which asked that their language be assigned a position equal to the European ones.<sup>57</sup> Entry into Australia by coloured people, including British subjects, has been absolutely forbidden (with very few exceptions). Furthermore, according to that same Clause 3, no person may enter the bounds of Free Australia if an official thinks that he might be a burden to society or some charitable institution.

There is no need to demonstrate that the said laws had not the aim of limiting immigration, as their titles hypocritically announced, but of terminating it completely. And indeed, those who were interested in settling in Australia stopped going there, while the shipping companies refused to carry any coloured people at all.

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56 Hedenstrom's 'word-for-word' rendering conveys the sense, without using the word 'dictation'. The relevant clause of the *Immigration Restriction Act 1901* reads: 'Any person who when asked to do so by an officer fails to write out at dictation and sign in the presence of the officer a passage of fifty words in length in a European language directed by the officer'.

57 The date given by Hedenstrom is incorrect. The amendment was adopted in December 1905 and permitted the holding of language tests not only in European languages, but in any one of the 'prescribed' languages. It was adopted at the request of Japan, which insisted that Japanese should be given status equal to that of European languages. In practice, however, the amendment meant an increase in the number of languages in which the immigration authorities could apply the test, and thus exclude undesirable immigrants.

Here are the numerical data for immigration by decade, commencing in 1852.

1852 to 1861: 521,000 persons  
1862 to 1871: 188,000 --- ‘ ---  
1872 to 1881: 223,000 --- ‘ ---  
1892 to 1901: 2,400<sup>58</sup> --- ‘ ---

For the three-year period 1902 to 1905, departures from Australia exceeded arrivals by 8,000 persons.<sup>59</sup>

Mention should be made of one more appendix promulgated in 1905, referring to workers arriving by contract, and not excluding British subjects. Here the hypocritical law states that contract workers will be admitted, but only in cases when the Minister of Foreign Affairs, or a person authorised by him, finds that they are not coming for the purpose of competing with local workers. This is tantamount to the exclusion of all contract workers.<sup>60</sup>

At the same time as this, a whole population of coloureds (Kanakas) was forcibly expelled from one of the Australian states (Queensland), on the pretext that they were not native Australians, although they had been there much longer than the British. The Kanakas were unskilled labourers on the sugar plantations, where white people cannot work because of the difficult climatic conditions.<sup>61</sup> Nonetheless, the Kanakas were expelled to nearby islands, while the plantation owners were thus deprived of working hands and were ruined.

In Tasmania the natives were dealt with even more simply: they were exterminated by murder.<sup>62</sup>

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58 The decrease in migration for the period of 1892 to 1901 occurred not as a consequence of immigration laws, which at that time had not yet been promulgated, but as a consequence of a terrible drought that lasted for seven consecutive years, causing untold misfortune in Australia and temporarily halting its economic life. (Hedenstrom's note.)

59 The figures cited accord broadly with the official statistics, except for the period 1902–1905 when, according to the consul, departures exceeded arrivals by 8,000. In fact, the net balance in that period was also positive, at 2,660.

60 This refers to the federal *Contract Immigrants Act*, passed into law in December 1905.

61 In the years 1906–1908, 10,000 Kanakas (Kanaks) were sent home from Queensland. They had earlier been brought by force by ‘blackbirders’ to work on the sugar plantations.

62 Practically all the native Tasmanians were exterminated by the British in the first thirty years of colonisation, which began in 1803. Of some 5,000 natives on the island, by 1833 only 500 remained. The last full-blood Tasmanian, Truganini, died in 1876.

By means of the law on immigration and contract labour, Australia has raised an insurmountable barrier against the admission of any European labourers and any coloured persons, whoever they might be.

Thus, the aim of the socialists' first move – the isolation of Australia and elimination of competition from without – was achieved. Since the promulgation of the immigration laws, Australia has been visited by travellers, tourists and businessmen, but there have been no more immigrants.

It should be noted that, with the exception of the socialists, no one in Australia favours these laws.

Having safeguarded itself from external competition, the Labor Party set about destroying internal competition. This was done by attacking the principle of free labour, by limiting opportunities to profit from the fruits of one's labour, and it involved even deeper aims: the destruction of capital, which the socialists call an implement of production.

Investigation of this matter is extremely complex; it is further complicated by the fact that the laws are written in a specific language with many technical expressions barely intelligible to any Englishman.

A place of honour in Australian socialists' legislation in this field is occupied by laws regarding arbitration between employers and employees.

It is not a matter of an arbitration tribunal chosen by both sides in agreement, but of compulsory arbitration invoked by only one of the parties and thus compulsory for the other.

In essence, compulsory arbitration, imposing upon owners or proprietors obligations which do not result from a contract they have signed, violates the principle of private property. Apart from this, it infringes upon free will, i.e. upon personal freedom, for it creates an institution which has the right to alter a contract freely entered into by two sides, and to determine the new conditions under which they must continue their joint labours.

In introducing the law on compulsory arbitration, the socialists presented an aim which found general favour: if not complete cessation, then, at least, a significant reduction in strikes and lock-outs, events which inflict enormous damage upon the entire economic life of the country.

The achievement of such important practical results could perhaps have justified the harm caused to abstract theory, as long as the bodies involved acted to protect the important public interest and that of the state.

Let us examine the extent to which the introduction of compulsory arbitration in Australia has served its purpose.

The initiative in this matter was taken by the state of New South Wales in 1902. The law enacted by the Federal Parliament in 1906 is simply a repetition of that state's law. It is called the Industrial Arbitration Act.<sup>63</sup>

One of the bases on which it is founded consists of the existence of so-called Industrial Unions<sup>64</sup> or syndicates, made up of the employers on one side and the employees on the other, or of employees alone. It is sufficient to have 50 persons in order to form such a union. It must be formally registered and ratified, and from that moment the arbitration court considers it a legal entity whose rights and obligations are clearly defined by the Act itself.

The Arbitration Court operates continuously and consists of three arbitrators, of whom one is elected by the employees, one by the employers, and the third (the president) is appointed by the Government.

With regard to the employees, complaints made about them or by them are investigated only when the worker belongs to an industrial union and the latter is acting on his behalf in the capacity of a legal entity. As for the employers, any one of them is subject to the jurisdiction of the Arbitration Court even if does not belong to any union.

From the moment a complaint is presented before the Arbitration Court and for the whole duration of the proceedings, strikes and lock-outs are forbidden and are considered a crime. The court possesses extensive rights of investigation, decides matters by a majority of votes, and its resolutions are implemented immediately. The property of the unions may be seized

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63 The *New South Wales Industrial Arbitration Act* was passed in 1901, and the Arbitration Court began to operate in the state in 1902. Hedenstrom's information is not correct with regard to federal legislation. In 1906, federal parliament did not pass a law on industrial arbitration. The 1904 federal *Conciliation and Arbitration Act* remained in force. In 1906, as part of anti-monopoly legislation, the federal Australian Industries Preservation Act was passed.

64 These unions should not be confused with the workers' unions frequently mentioned in this report, which are an entirely different organisation. (Hedenstrom's note.)

in order to cover a penalty imposed by the court; but, should that be insufficient, then every member of the union is also personally responsible for a sum of no more than one hundred roubles.

The initial impression created by these laws is favourable, and the article banning strikes and lock-outs could have had extremely tangible results. But misunderstandings and objections arise from the very beginning.

The Arbitration Court has the right, upon a complaint from one of the sides and in spite of any prior agreement, to set wages in every separate case. The question then arises, what happens if the court decides to change the wages for workers at any one factory? If it decides to raise them, then all workers in a similar industry will demand a pay rise; if it decides to reduce them, the employees will want to profit from this decision.

The Conciliation and Arbitration Act foresaw this situation and permitted the court to extend the application of such rulings to all similar enterprises in a certain area. This is known as the Common Rule. Although this rule makes the work of the Court easier by reducing the number of cases, on the other hand it completely alters the purport of a law which was intended only to settle disputes, i.e. it grants the Arbitration Court functions of a judicial nature. The Common Rule attempts to level working conditions, whereas these conditions vary in each separate enterprise, depending upon the location, the market and the state of the enterprise, and require a degree of flexibility. Owing to the Common Rule, the Arbitration Court unwittingly moved beyond the framework of a judicial institution and became nothing less than an administrator of the country's industry. The composition of the court naturally concentrates all responsibility upon the president, since the workers' delegate is always on their side, while the employers' delegate is on the side of the latter. Thus the proprietors of industrial enterprises receive directions concerning their operation from a government official. Hence the Government is imposing restrictions upon private initiative and personal freedom of operation in an area which can only prosper when in the absence of such restrictions.

In the clause in question, the concealed aim with which the socialist proponents of the act got it through Federal Parliament emerges for the first time; that aim is an assault by the State upon the rewards of private endeavour, i.e. capital. To the socialists, the word 'State' means the people, and 'the people' means themselves.

The Conciliation and Arbitration Act did not establish a preliminary agreement for the solution of disputes, nor did it define the limits of the jurisdiction of this court. For this last reason, the court receives a mass of complaints about the most insignificant matters, which could otherwise have been settled through amicable agreement, and moreover much faster than by any court.

Furthermore, practice has shown that since it is easily accessible to employees, the Arbitration Court, though created with a view to bringing about peaceable relations between employers and employees, has on the contrary increased hostility between them, since complaints are brought by employees regarding the most insignificant disputes, to the obvious irritation of both parties.

One of the most unfortunate and at the same time unjust principles laid down by the Act lies in the Court being granted the right to give preference to workers who belong to industrial unions over those who do not; in other words, the Arbitration Court can decree that employers must hire 'union' labour first, and, moreover, this same court determines under precisely what conditions employers have the right to hire workers who do not belong to unions.

This law is a blatant assault upon the freedom of labour. It is at the same time inhumane: membership of an industrial union entails certain expenses, and not every worker is able to pay. It has happened that the union simply did not wish to accept a certain worker, because it considered him insufficiently able or too capable, or because it thought that the number of unionists available was sufficient for the requirements of the industry in question. For such a worker there is no work, neither for the wage fixed by the Arbitration Court, because the unionists have used the Act to claim all the vacancies, nor for a lesser wage, because the Common Rule forbids paying less than the set rate.

By means of the Conciliation and Arbitration Act, the socialists have created their own kind of workers' aristocracy, not consisting of the best people at all, but rather one with the slogan 'for the unionists everything, for the rest – nothing'.

It is superfluous to state that this aristocracy holds sway in the Labor Party.<sup>65</sup>

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65 It should be noted that, for a broad combination of reasons, the number of workers enrolled in industrial unions is significantly less than the number of those who are not. In Sydney, the most industrial centre of Australia, only one-third of all workers belong to unions. (Hedenstrom's note.)

The industrial unions have acquired such power that they have even affected international law. In Sydney, because of complaints by unions, the Arbitration Court handed down a ruling which was binding upon foreign merchant ships.

In New South Wales in 1903, as well as all the previously existing constraints upon foreign merchant ships, an injunction was placed upon the masters of these ships forbidding them to use their own crews to unload a ship. This ruling was not made because of any complaint by the crews, but on the strength of a declaration by the port workers' union. On 30<sup>th</sup> October 1903, the master of an American sailing ship the *Andromache* was fined 50 pounds sterling (500 roubles) because he had not sought unionist port workers to unload his ship. Moreover, the fine was motivated by the fact that the work was not done by union members, in contravention of the Common Rule.<sup>66</sup>

This ruling reveals all the hypocrisy of this law especially clearly, for it is obvious that neither the master, nor his crew – all being Americans – could belong to a workers' union in Australia!

These facts very closely resemble the activities of the Camorra in Italian ports.

The ruling fairly clearly exposes the strangeness of the Common Rule. Contrary to generally accepted principle, in the case in question, laws are promulgated not by the legislature, but by the arbitrator. The latter receives the complaint and must resolve the dispute; he pronounces his ruling, which at the same time applies to all similar cases, in other words, he creates the law. As stated above, these rulings are handed down categorically and, in practice, by the president alone. Naturally, this converts a special and civil jurisdiction into a general and criminal one: general because these decisions are binding for a great many people unconnected with the case at issue; criminal, because violations of the law thus established (by the arbitrator) entail penal consequences

When foreigners are involved, their rights and interests can only be defended by diplomatic means, but in my previous dispatch 'Concerning Australia's international position'<sup>67</sup> I pointed out that, with regard to Australia, these means do not exist. Intervention by a consul would elicit

66 The vessel was in fact the four-masted American sailing ship the *Andromeda*.

67 See Document 97.

a scornful smile from the local authorities, since according to instructions from the British Colonial Office consuls are not even considered public servants. An application by a consul of a foreign power to the British Foreign Office in London would elicit the response that it is a matter for the Colonial Office, while the Colonial Office would reply that it was entirely within the competence of the government of the autonomous colony.

In New South Wales, the number of strikes has certainly fallen since the Conciliation and Arbitration Act came into force. It is almost certain that in many instances the rulings of the Arbitration Courts have averted strikes. There is no doubt that the aim – favoured by the public – of the law enacted by the socialists was to a certain extent achieved, and the sacrifice of the principles of private property and free labour led to a certain favourable result, which, however, turned out to be only temporary. The extent of the benefits achieved during this time is also in question.

How many strikes were averted by the Arbitration Court? How many disputes could have been settled by amicable agreement? Were the rulings more expedient than an amicable agreement would have been, if one had taken place? What influence did the Common Rule exert upon the development of industry in the country?

All these questions remain open.

It should be noted that from 1893 to 1901 Australia was stricken by seven consecutive years of bad harvests: many cattle perished, and some tens of millions of sheep. All the banks, except the three largest, were forced to suspend payments, and so on. With the first bumper harvest came an extraordinary economic boom; at the same time the price of wool, the main export commodity, rose strongly; several new gold fields were discovered, and the workers demanded an increase in wages, etc. The employers resisted, and, on the basis of these conflicts, the Arbitration Courts were established. Because at that time the workers' claims were to a certain extent reasonable, the arbitration courts almost always favoured them. The employers submitted to them without question. But the industrial unions, encouraged by this initial success, began to make excessive demands. The first judgement made against them took place in Sydney in 1905 and concerned coal miners. The latter refused to submit to an unfavourable settlement of their claim and, despite the law, went on strike. The executive organs, being completely in the hands of the

ruling socialistic Labor Party, could not, or felt too ashamed, to impose punishment too zealously, and could not countenance the imprisonment of several thousand people. Thus, taking advantage of their virtual impunity, the workers ceased obeying the rulings of the arbitration courts and the latter, so to speak, operated in a vacuum.

But this situation was not to the liking of the socialist leaders, who wished to achieve their aims 'on a legal basis'.

Another reason why the Arbitration Courts did not fully match the socialists' expectations was the high level of morality of British judges. Although appointed by the local government and therefore dependent on the ruling political party, they nevertheless did not compromise their consciences and handed down their judgements impartially. Strikes commenced anew, and the socialists began to work in favour of abolishing the Arbitration Courts they themselves had created. The pretext they put forward was that, since the strikes had recommenced, the courts had not met the expectations placed upon them, and therefore the experiment had failed. They were silent, of course, as to the reasons for the failure. The employers and public opinion also viewed the results of arbitration proceedings with disfavour, since in reality they proved to have validity only when the court pronounced in favour of the workers.

In New South Wales, the Arbitration Courts were abolished as from 1<sup>st</sup> July 1908,<sup>68</sup> and at present all the Labor Party press is openly declaring that the best way to settle disputes between employers and employees is by strikes.

The Federal Arbitration Court so far still exists, but its jurisdiction is concerned with matters arising in the various states, and therefore instances of its use are somewhat limited.

In the state of South Australia the Conciliation and Arbitration Act does exist, but is not applied because it can only hear cases in instances when both sides belong to industrial unions, and the employers in this state did not wish to join them.

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68 This is inaccurate. The Arbitration Courts in New South Wales were not abolished, but replaced by Industrial Courts, established in the state in 1908 in accordance with the new *Industrial Disputes Act*.

In Western Australia arbitration courts operate more successfully owing to the homogeneous nature of industry in that state (almost exclusively gold-mining). They have to settle disputes arising in more or less similar conditions.

Public opinion in Australia today considers that the establishment of Arbitration Courts has not been successful, since it did not satisfy any class of the population.

However, it would hardly be correct to say that the failure was complete. There is some benefit, at least, in the fact that, owing to the experiment, several of the socialists' hidden designs were clearly revealed.

The idea of compulsory arbitration, modified and adapted to the economic and political conditions of countries where the relations between labour and capital, between employers and employees, constitute a burning question, as for example in Russia, could perhaps be applied in our country, and the defects which emerged in Australia could be eliminated.

The fundamental question is to establish which basic principles should guide the Arbitration Courts when they deliver their rulings. The disputes they consider, in essence, always involve the question of whether there is a reason or possibility, at a particular moment in some given industrial enterprise, or even in a whole branch of an industry, to improve the welfare of workers or not? But whether this improvement will be achieved by an increase in wages, a reduction in working hours, or a change in working conditions disliked by the workers, all comes down to the question of the enterprise's profitability.

There are only two sets of circumstances in which such disputes occur on a purely economic basis:

I – when the workers demand improvements in their material situation because they consider the existing conditions unsatisfactory (rightly or wrongly),

and II – when the workers demand a specific improvement on the grounds that they consider the profits made by the enterprise in which they work would allow the proprietors to improve their welfare, i.e. deem themselves entitled to enjoy, in one form or another, the proprietor's profits.

Although the Arbitration Courts in Australia have been distinguished by a certain partiality towards the employees in their decisions, they have never acknowledged their right to the profits of an enterprise.

The multitude of bills introduced by the socialists with the aim of state intervention in private enterprise includes an attempt to compel private banks to move a proportion of their assets held in precious metals funds (40%) into interest-free treasury bonds. The pretext the socialists put forward for this was that the precious metals fund, required for monetary circulation, did not earn any interest, so the banks would not lose anything if part of it was placed in government (Australian) securities. This fund represents a total of about 200 million roubles.

Public opinion and the financial world took an extremely negative view of the proposed bill, easily discerning its concealed purpose, systematically pursued by the socialists: to appropriate capital for the State.

Several days ago, the socialist party did succeed, however, in passing a law by which all deposits held in banks and unclaimed for a long period of time will become the property of the State.

Bills and laws such as this have aroused distrust among the prosperous and business classes, as they have in England, which at one time had given unlimited credit to its colony.<sup>69</sup> The well-to-do classes are doing their best to sell off their assets – to the extent that their circumstances permit – and transfer them to England. Some Australians are even leaving their homeland.

I said at the beginning of this dispatch that Australia and New Zealand find themselves in flourishing condition. This fact is beyond doubt, but it would hardly be correct to claim that they reached this condition thanks to the socialists. It would be closer to the truth to say that it has come about in spite of them. The fact is that there is another factor at work in Australia that is much more serious and has more practical effect than socialism, an economic rather than a social one. Being for the most part an agricultural and pastoral country, it is completely dependent upon its harvests. If there is rain, the country flourishes, if there is no rain, there is a drought and the

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69 Evidently, capitalists do not wish to invest their capital in a country that is doing its best to destroy it. (Hedenstrom's note.)

country is destitute, no matter what laws the socialists would confer upon it. But in years of good harvests the socialists claim credit for the country's prosperity, remaining silent about the disastrous times.

It would be a mistake, in my opinion, to exaggerate the successes of the socialist party in Australia, deeming it an all-consuming force. In most recent times, obstacles to its autocratic rule are beginning to emerge. Thus, the governments in the states of New South Wales and Western Australia are beginning again to encourage immigration, which, it is true, applies only to Europeans, and moreover only to farmers. Only two years ago not a single government of any state in the Federation would have ventured to adopt such a measure. The socialistic Labor Party was compelled to yield in this matter with extreme reluctance.

The still predominant influence of the socialists may be explained partly by the initial conditions of colonisation, and partly by the appealing and humanitarian aims under whose banner they strove to achieve their desires. However, as soon as their true aims began to be revealed, public distrust was aroused and it is not clear that the socialists have claimed the final victory in Australia. There is one further reason for this.

If one accepts the idea that socialism may triumph, this can hardly come about without international solidarity. It is precisely this factor that the Australian socialists do not admit. They wish to isolate their country from the whole world, while still making use of all world markets for the sale of their products. One does not need to be far-sighted to foresee the complete collapse of such ideals.

The question of what value and importance Australia might embody in the eyes of civilised countries and some others, and what kind of competition might arise, from which quarters, will be the subject of a subsequent dispatch.<sup>70</sup> [...]

AVPRI 155 (Second Department, I-5) -408-484, ff 168-240. In Russian. Translated by Maria Kravchenko.

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70 See Document 102.

## 100. Hedenstrom to Imperial Russian Embassy, London

Melbourne,  
10 September (28 August) 1908  
No. 30

Confidential

[...] On 16<sup>th</sup>/29<sup>th</sup> August of this year, a North American Squadron, comprising 17 naval vessels under the command of Admiral Sperry, arrived in Melbourne.<sup>71</sup>

It came at the invitation of the Federal Government of Australia, although that invitation was made to the Government of the United States of America through the mediation of the British Colonial Office.

The purport of this event is of broader significance, of course.

The American sailors came, so to speak, to make the acquaintance of a country which they might perhaps have to defend, if it should happen that the British fleet is so deeply engaged as to be unable to detach sufficient naval forces for its distant colony.

Prior to the Russo–Japanese War, public opinion in Australia clung to the belief that, incredible as it may seem, Russia had designs upon Australia, and the fear of an invasion by the Russian navy intensified even more the age-old hatred that the British harbour towards Russians. After the unfortunate war, this fear passed, but the hostility remained. However, a new enemy arose before the anxious eyes of the Australians. This enemy

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71 In December 1907, US President Theodore Roosevelt dispatched a large group of naval vessels on a voyage round the world, under the command of Rear-Admiral Charles Stillman Sperry. The purpose of the voyage was a demonstration of American naval power and its capacity to defend US interests in any of the world's oceans. At the same time, it was intended to demonstrate US power to Japan, whose rising strategic power in the Pacific had begun to cause serious concern to ruling circles in the US after the victory over Russia. Japan's growing naval might could not fail to be of concern to Australians too, especially in the light of Britain's diminishing military presence in the Pacific; Britain was compelled to concentrate its naval forces in European waters owing to the growing confrontation with Germany. Given the new geopolitical situation, the Federal Government took steps to find a new protector – a role that, it seemed, might be filled by the US. In late 1907, without prior agreement with London (again showing a growing trend towards an autonomous Australian foreign policy), Deakin, the Prime Minister, declared that he intended to invite the US navy to visit Australia. The visit to Sydney and Melbourne took place from 20 August to 5 September 1908. Hedenstrom was quite right to see the visit as a combined anti-Japanese demonstration.

is Britain's ally Japan. Not only the possibility of a Japanese military conquest of Australia, but also Japan's intention to seize the first available opportunity to do so, is regarded here as an almost unquestioned fact. Both the public and the Federal Prime Minister Mr Deakin himself state this quite openly.<sup>72</sup>

It is well known that, after the Russo–Japanese War, relations between Japan and the United States also changed. Thus the combined interest of three nations – Britain, the United States and Australia – led to this anti-Japanese demonstration.

One would think that, under such circumstances, this visit should have called forth genuine and most sincere delight on the part of the Australian population. In reality, however, it proved not to be so.

The Government took every step to provide a most splendid welcome for the American fleet, doing everything in its power. The city was decked with flags, with the exception of a few private homes, and there was floodlighting every evening. Official dinners, receptions and balls followed one after the other, but the majority of the population manifested only curiosity, in no way expressing any pleasure. Occasional applause in the streets during a parade of US naval personnel created a somewhat artificial impression and underlined the indifference of the crowd.

Among the upper classes of society, distaste for the Americans was not even concealed, and many expressed complete satisfaction when the squadron sailed from Melbourne.

This may be explained partly by the envy with which Australians regard the great republic, and partly by a certain contempt which the Americans manifest towards Australians.

In any case, in terms of its welcome by the population, the American Naval Squadron's visit to Australia was not a success.<sup>73</sup>

In a speech addressed to Admiral Sperry at an official function, Prime Minister Deakin expressed quite clearly the hope that, should Australia be threatened by some foreign power, the USA, a nation related to Britain,

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72 See Document 95.

73 This statement, like the claim that Australians showed indifference to the American visitors, is not supported by any other known source. On the contrary, all the evidence suggests that the American officers and men received a welcome of unprecedented enthusiasm. In Sydney, 400,000 people turned out to greet them; in Melbourne, 600,000. That represented over a quarter of the total population of Australia.

would defend it against the enemy. The American Admiral was extremely reserved and circumspect in all his official speeches, and only once, at a dinner held in his honour by the Melbourne Club, did he mention two sister nations which should always walk hand in hand. But, although there were 200 people present at this dinner, this was still a private gathering and his speech was not published. The official celebrations included a parade of local troops and American sailors. Although the newspapers wrote that there were 15,000 troops in the parade, this does not correspond to the truth. Strictly American forces comprised one battalion of marines and two artillery batteries. There were 2,000 American sailors marching in an orderly manner. The rest were Australian forces comprising one infantry regiment and two cavalry regiments. Two cavalymen, who were probably intoxicated, fell from their mounts while proceeding at a walking pace. The rest were children: cadets, marching in a most disorderly manner. In all, there were no more than 8,000 men.

On the whole, the parade created a most pathetic impression on everyone and could not compare in any way with those I had seen on the island of Malta.<sup>74</sup>

Everything stated here is absolutely authentic, since I witnessed it personally.

As far as I am aware, the Americans were also unfavourably impressed with their visit to Australia. They were much more interested in seeing this wonderful country than thinking about defending it for the Australians.

According to several knowledgeable people, the American naval vessels were splendid, but the crews unsatisfactory. There were hardly any veteran re-engaged gunnery ratings, and the senior officers were well into their declining years and could not in any way compare with their brilliant, young and well-trained British counterparts.

The American fleet left Melbourne for Manila on 5<sup>th</sup> September of this year according to the New Style calendar. According to newspaper reports, the number of sailors deserting their ships was about 300, but this number cannot be verified, since apparently Admiral Sperry and his staff did not wish matters of this kind to be known. [...]

AVPRI 184 (Embassy in London) -520-1300, ff76-82. In Russian. Translated by Maria Kravchenko.

<sup>74</sup> From 1906 until his posting to Australia as consul general, Hedenstrom was Russian consul in Malta.

101. Hedenstrom to Bentkovsky,  
Director, Second Department,  
Russian Ministry of Foreign Affairs

Melbourne,  
25 (12) September 1908  
No. 32

[...] Among the commodities imported into Australia from the United States of America, American cigarettes occupy an important place. The same may be said of Japan, where the cigarettes sold are almost exclusively American.

Having made the acquaintance in Melbourne of the proprietor of the largest tobacconist, I steered the conversation towards the possibility of importing Russian cigarettes. Mr Altson<sup>75</sup> took a keen interest in the idea and said, among other things, that one reason for the absence of Russian cigarettes on the Australian market is that Russian merchants do not inform foreigners of their wares and, unlike the Americans, do not send any marketing agents to Australia. He expressed a desire to establish contact about this matter with a major Russian trading company.

The attached letter from Altson's company shows that in the first instance they wish to obtain only samples of Russian cigarettes, in order to inspect the quality and investigate opportunities to distribute them here.<sup>76</sup> According to Altson, they must be extremely carefully packed to prevent damage during passage through the tropics: every carton of 100 must be packed in a separate zinc-lined box, and these boxes placed in a large zinc-lined crate, which itself must be placed in a wooden crate.

Perhaps Your Excellency will find an opportunity to arrange for our Russian trading companies which deal with export of cigarettes to be informed that they might wish to establish business relations with Altson of Melbourne, a first-class company, and thus initiate the export of Russian cigarettes to Australia.<sup>77</sup>

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75 Barnett Hyman Altson was a prominent Melbourne tobacconist, the proprietor of a company that supplied high-quality tobacco.

76 Altson's letter is not reproduced here.

77 Hedenstrom's information on the opportunity to export Russian tobacco to Australia was forwarded to the Ministry of Trade and Industry, which in turn passed it to the Council of Representatives of Trade and Industry, the executive body of the most influential organisation of Russian entrepreneurs.

A firm from Perth in Western Australia has approached me with a similar proposal. I attach their letter.<sup>78</sup>

AVPRI 155 (Second Department, I-5) -408-484, ff 340–342. In Russian.

## 102. Hedenstrom to Imperial Russian Embassy, London

Melbourne,  
20 (7) December 1908  
No. 47

[...] I have the honour to submit to the Imperial Embassy herewith a copy of my report on Australia's economic and political situation. [...]

Melbourne,  
14 (1) December 1908  
No. 44

Copy

Part I<sup>79</sup>

In commencing work on the third of my dispatches, with the purpose of elucidating what value and interest Australia may have in the eyes of European and certain other countries,<sup>80</sup> I was obliged to deal with a mass of statistical numerical data. I shall attempt, however, to present them in as limited a number as possible, since the main interest lies not in numbers, but in the answer to the question, what kind of rivalries – and between whom – may be provoked by this new state, information about which is fairly scant.

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78 Rosenblatt Brothers' letter is not reproduced here.

79 The translation is made from the author's copy, sent by Hedenstrom to the Imperial Embassy in London. The original was sent on 1/14 December 1908 to A. K. Bentkovsky, Director of the Second Department of the Foreign Ministry.

80 See Documents 97 and 99.

‘A land without water, without mountains, without rivers, without shade’ – that is how Captain Cook and his comrades spoke about Australia when, on 28<sup>th</sup> April 1770, they first set foot on its soil.<sup>81</sup> They could have added ‘and almost uninhabited’. Nobody knows, even now, how many natives there are living in Australia, a continent equal in area to 4/5 of Europe. Official data cite a figure of 50,000, others believe that there are two or three times more,<sup>82</sup> but no matter how many there are now, in a few years’ time all that will remain of Australian natives will be memories and skeletons in museums, as proof that they once existed.

At present there are 4 million Europeans, almost exclusively English, living in a country which seemed so wretched to those who discovered it, in prosperity that would be the envy of any European country. The population of Australia, however, is growing slowly. This arises not as a consequence of difficulty in feeding a larger number of people, since it has been proved that the fully explored part of Australia alone could easily accommodate over 40 million inhabitants, but because the birth rate is falling, moreover, fairly rapidly. Whereas 40 years ago there were 40 births per year per thousand inhabitants, there are now only 25. It is true that mortality has also decreased somewhat, but at a significantly lesser rate. At present the annual natural increase in population comprises 60,000 persons. If the former rate of births had been maintained, this increase would be not 60,000 but 100,000 per year. One should, however, bear in mind that the rate of births could fall even lower, since research into the reasons for such a decrease has shown that they are not accidental, but are the same as those seen in France and more generally in countries with ultra-socialistic tendencies. On the other hand, one cannot count on a fall in the death rate, since owing to the favourable climatic conditions it is already insignificant (11 per 1,000). On the contrary, rather, one may assume that with the development of the manufacturing industry, the death rate will increase somewhat. Immigration, which at one time completely ceased, or rather the balance of arrivals over departures, amounted to 10,000 persons in 1906.<sup>83</sup>

81 On 28 April 1770, James Cook, aboard the *Endeavour* in Botany Bay, first sighted Australian Aborigines. The British went ashore on 29 April. However, judging by Cook’s journals, the words cited by Hedenstrom do not appear to have been uttered on either 28 or 29 April.

82 Here and below, Hedenstrom cites rounded and therefore sometimes imprecise figures from the official statistical yearbooks of the Commonwealth of Australia.

83 Hedenstrom did not consider it necessary to state that the figure quoted relates only to the male population. In 1906, the female population fell by almost 6,000. Arrivals therefore exceeded departures by approximately 4,000.

On the basis of these data, it may quite reliably be assumed that over a fairly lengthy period of time, the population of Australia will increase annually by no more than 70,000, and, if living conditions remain the same as today, then in twenty years' time its population will not exceed 5½ million people.<sup>84</sup> Consequently, the time when this country might be in a position to occupy any kind of independent standing, by the number of its inhabitants, in the eyes of European countries, can come no earlier than the next century.

This fact is of direct relevance to the question which is the subject of this present dispatch, since it indicates both the limits of Australia's political future and, to a certain degree, the limits of its economic development.

Let us examine what Australia's wealth consists of, and what benefits have been derived from it by those English immigrants whose numbers only a quarter of a century ago barely reached the population of St Petersburg.

This country at present produces all that is necessary for human existence and for industrial prosperity according to the last word in science. Nevertheless, the original dismal impression expressed by its first pioneers was not mistaken. This is because, with the exception of the resources in the ground, everything else in Australia has been imported, developed and created by the colonising genius of the Anglo-Saxon race.

One of the main factors which propelled Australia onto the path of prosperity was the discovery of gold. In 1851, 10 million roubles worth of gold was extracted. By 1853, 140 million roubles worth of it had been mined. In subsequent years significantly less, but after that, commencing from 1903, the amount reached 150 million and, with insignificant fluctuations, continues to remain at this level up to the present time.

Not a single industry in the world is as fickle and exposed to the vagaries of chance as gold-mining. Both with regard to gold dust and veins of ore, Australia is no exception. In the 1850s the state of Victoria occupied first place for gold extraction, but now Western Australia has moved into the lead.

Concerning this industry, assumptions may be made only for the immediate future. But two circumstances speak in favour of the fact that the reserves of gold in Australia are still enormous. The first is that gold has been found in all its states without exception, and the second, that the

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84 In fact, by 1926, the population of Australia exceeded 6,000,000.

area still unexplored represents an immense expanse. The amount of gold mined also depends on the methods of its extraction, which are being improved with every year and, in this respect, the same phenomena as we have in Siberia can be seen here.

Over the past 50 years, 5 billion roubles worth of gold has been exported from Australia, and this sum is increasing annually by 150 million roubles.

Of paramount importance in the Australian economy is sheep-breeding. It commenced at the end of the eighteenth century with the importation of several pairs of the purest Spanish breed. In 1871, in the six Australian states, there were already 40 million sheep, in 1881 – 65 million, and in 1891 – 106 million. Subsequently, as a result of seven consecutive years of terrible drought, one third of all the sheep perished but, with the onset of favourable years which then ensued, this loss was soon made good, and at present the number of sheep is again approaching 80 million head. In good years Australia exports about 700 million pounds in weight of the finest wool for a sum of about 260 million roubles. Half of this wool is bought by Europe, 1/3 by England, while the rest goes to the United States of North America and to Canada. The total value of the sheep is set at 400 million roubles.

From the point of view of this dispatch, one question is of great interest: can sheep-breeding in Australia develop limitlessly, and if not, where does the limit lie?

In answering this question, one should bear in mind that, apart from sheep-breeding, which requires a considerable amount of pastureland, Australia also has agriculture. The latter also requires expanses of land and, moreover, of no lesser quality. It has already been observed that, little by little, the farmers are driving the sheep-breeders into the interior of the continent, where the soil is less and less fertile and finally becomes desert. Under such conditions the area of land available to sheep-breeders is naturally limited, on the one hand by expanding tillage, and on the other by desert.

On this basis, cautious knowledgeable people consider that the maximum possible number of sheep in Australia cannot exceed 160 million head, i.e. approximately twice the present number.<sup>85</sup>

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85 By 1990, the number of sheep in Australia had reached 170,000,000. The number then fell, owing to economic factors, to approximately 120,000,000 by 2000, and 100,000,000 by 2014.

An important place in Australia's economic life is occupied by cattle-raising.

Australian cattle, just like the sheep, suffered badly during the terrible drought. In 1891 cows and bulls numbered 11 million head. In 1903 there remained a little over 7 million, but these losses are gradually being replenished. The value of all the cattle in Australia is stated to be about 500 million roubles.

It is superfluous to say that the number of cattle far exceeds the needs of the local inhabitants, although they consume far more meat than any of the European countries. According to statistical data for the year 1906, every Australian inhabitant consumes about 1 *pood* [36 pounds] of meat per year whereas in Russia the total is about 5 pounds.

Besides meeting the needs of the local population, Australian cattle are also a significant source of income in the form of exported butter, frozen meat, hides, and so on.

Thus in 1906 Australia exported:

25 million roubles worth of butter;  
 11 million roubles worth of frozen mutton;  
 4½ million roubles worth of frozen or tinned beef;  
 15 million roubles worth of sheepskins;  
 6 million roubles worth of cattle hides;  
sundries worth 7 million roubles;  
 to a total value of 68½ million roubles.

To this we must add the export of live cattle, cheese, sterilised milk, and bones, to a total of about one million roubles.

Here it is necessary to mention another animal, the export of whose skins yields approximately 6 million roubles annually. This animal is the rabbit. Although it provides the country with a certain income, the rabbit is in fact a real pest for cattle-raising and especially for sheep-breeding. Multiplying with amazing speed, the rabbits are destroying the pastures, leaving nothing for the sheep and cattle. With government participation, all possible measures, costing enormous amounts of money, are being taken to eradicate them, but the results are not always propitious.

Of some interest is an incident from Australian political life, in connection with the search for a way to exterminate rabbits. The return of favourable weather in 1903 also stimulated their reproduction. The devastation of the pastures was terrible, as it was calculated that five rabbits consume the amount of grass needed for one sheep. The Government appealed to the Pasteur Institute in Paris for assistance in the national disaster and to seek a way to exterminate them. In 1906 a French doctor arrived in Sydney for this purpose.<sup>86</sup> In order to carry out his experiments, a small island near Sydney was placed at his disposal. To everyone's amazement, his mission was met with such hostility that he was soon forced to leave. The reason was soon revealed.

The fact is that, prior to Parliamentary elections, local or federal, the candidates are in the habit of hiring people and sending them out to kill rabbits. These people from the working class are provided with guns, powder and shot and, as well as that, are paid a certain sum of money in the form of daily wages. This is done, however, on condition that these people unflinchingly vote for the candidates who send them out. Thus a special class of workers was formed, comprising several thousand persons who work exclusively as rabbit hunters, particularly before Parliamentary elections.

The Labor Party (the socialists) judged that if the rabbits were exterminated the said worker-hunters would be deprived of their livelihood, and, being the dominant political party, compelled the Government to stop the French doctor's experiments, whose aim was to avert a national disaster.<sup>87</sup> The Government complied, and the doctor departed. A graphic example of the socialists' attitude to state economic interests.

According to the latest data there are about 1½ million horses in Australia, with a value of approximately 150 million roubles. They are exported almost exclusively to British colonies, with the main demand coming

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86 This refers to Dr Jean Danysz (Jan Danysz), a microbiologist of Polish extraction, from the Pasteur Institute in Paris. He was invited to Australia in 1906 and conducted successful trials of his biological methods of rabbit control.

87 Danysz's experiments led to deep dissatisfaction in Labor circles. At a conference of NSW Labor on 5 February 1906, a resolution was tabled demanding an end to attempts at biological control of rabbits. Opponents of the trials argued that biological methods meant unemployment for those employed at shooting rabbits. The resolution was carried. See Michael Hogan (ed.), *Labour Pains: Early Conference and Executive Reports of the Labor Party in New South Wales*, Vol. II. 1906–1911, Sydney, The Federation Press, 2008, pp. 135–136.

from India, where 10,000 to 15,000 are sent every year. The height of trade in Australian horses took place in the years 1901–1902 during the Boer War, for which 26,000 horses were sent.

The export of horses earns about 2½ million roubles annually.

Thus the sum total of exports produced by the pastoral industry, including rabbits, is approximately 337 million roubles, more than twice that earned by gold mining.

Of that total, 75% comes from sheep-breeding.

Another benefit of the pastoral industry for the Australian population lies in the fact that the owners of the gold mines are mainly British and not Australians, so almost all the gold extracted is sent to Britain. Only the wages earned by the workers (about 70,000 persons) and the tax levied by the local government remain in the country. The proceeds of the pastoral industry, which employs the same numbers of people, go entirely to the benefit of Australians.

The work done in the mines, its product and the profits from the sale of the gold might as well not exist for Australia. Furthermore, when the gold mines are worked out, in places where the soil is infertile the temporary animation brought by the opening of the industry dies down and everything returns to its original state. No change at all takes place in those districts, except that the gold has disappeared. One could, it is true, object that Australians are not losing anything by this, but that is the advantage of industries connected with cultivation of the land: the fact that permanence and limitlessness are characteristic of them, in the sense of progress, at least, and consequently they are the surest means of providing for the population.

As everywhere else, agriculture in Australia developed later than grazing. It was particularly insignificant during the gold fever. Throughout the whole Australian continent, no more than 400,000 hectares was under cultivation in 1858. The cultivated area is now about 4½ million hectares. It is an interesting fact that the quantity of cereals obtained rose from 14 million hectolitres in 1901 to 26 million in 1903, while the area of land sown increased by only 9%. This is a clear indication that the result was mainly due to improved methods of cultivation. An example worthy of imitation in Russia.

In a good year (1903), the value of cereals harvested came to approximately 240 million roubles.

Just like cattle-raising, crops produced far exceed the needs of the population. The latter need 10 million hectolitres of cereals per year, whereas over the last 5 years the annual yield averaged 24 million hectolitres. On the whole, the export of agricultural products so far gives about 60 million roubles annually, and Australia at present occupies a position of considerable importance among countries exporting grain.

Apart from grain, the export of other agricultural products is insignificant. Fruit to the value of about 3 million roubles is sent to England from Tasmania.

As stated above, the Australian soil is capable of producing all that is needed. Nevertheless, certain agricultural products such as coffee, sugar, tea and tobacco are imported. This is not because it is impossible to produce these commodities here, but because they can only be grown in Northern Australia, in its tropical areas where, because of the climatic conditions, only coloured people can till the land. However, the Labor socialists have completely blocked their admission to Australia in order to prevent competition. For these reasons, huge expanses of land remain uncultivated, and Australia imports 18 million roubles worth of tea, sugar, coffee and tobacco annually.

As in the case of sheep-breeding, there are certain data of some interest from the point of view of the present dispatch. These indicate the degree to which it might be possible to extend cultivation in Australia. It has been proved that only 43% of Australia's entire territory receives an annual rainfall of 37 centimetres. This is the minimal amount of moisture required for agriculture. Those 4½ million hectares which are now sown comprise 1.5% of that area. The well-watered area, that which receives 75 centimetres of rain a year, amounts to 100 million hectares, which means that it is possible to increase the cultivated area by 25 times.

These calculations, it is true, are of a theoretical nature, but do at least indicate that there is still a great deal of land suitable for farming in Australia.

With regard to mineral wealth, I believe that all the minerals essential for industry are to be found in Australia. But for certain reasons the mining and exploitation of mineral resources is not particularly developed.

Excluding gold, the value of all the other metals mined is 75 million roubles per year, and when gold is included the annual total is 225 million roubles.

Iron, copper, tin and silver are found here and, from that point of view, the future of Australia is completely assured.

One of its principal resources is coal, which to date is mined in large quantities only in New South Wales, although it is found in all the Australian states and in New Zealand. The total amount of coal mined annually comes to 9 million tons, 7 million of it in New South Wales. This amount (9 million tons) exceeds the requirements of the local market by 1½ million tons, so in view of the enormous deposits of coal available, Australia will never need to import it.

I have, perhaps, omitted some branches of Australian industry reckoned in more modest numbers, but Australia produces a total of about 700 million roubles a year from mining and from the land. If one takes into consideration that its population comprises 4 million, of whom only 1½ million are adult males, it becomes clear what a high level of prosperity Australians enjoy. It is important to note that such a significant result is obtained not by expending a large amount of labour, as we see in other countries, but because of the natural resources of the country.

In an official speech in 1906, the Federal Prime Minister, Mr Deakin, put the value of Australia's trade at one billion roubles.<sup>88</sup> Knowledgeable people consider that figure a little exaggerated, but there is no doubt that Australia produces much more than it consumes, and that its exports exceed its imports.

Its principal client is England (the mother country), which takes more than half its output. Second place in this respect is occupied by the British colonies.

As far as imports into Australia are concerned, Britain again stands at the forefront; next come the United States and Germany. Imports into Australia from Britain represent a sum of 220 million roubles. All these goods arrive on British ships.

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88 According to the official Commonwealth statistical yearbooks, foreign trade in 1906 did indeed exceed £100,000,000, reaching £114,000,000. However, in his most important official speech of 1906, delivered at Ballarat on 17 October during the election campaign, Deakin did not cite this figure.

There is hardly any trade between Russia and Australia. Of late, a certain amount of frozen meat has been exported from Sydney to Vladivostok, while from Vladivostok to Melbourne timber, for which there is great demand here, has begun to arrive. There are some Russian goods in Melbourne stores, namely furniture. For trade to develop between Australia and Russia, it is essential that Russian traders come here themselves to study the market conditions on the ground.

Australia's financial situation is in a completely satisfactory condition. In this respect the budget is what attracts most attention.

With the establishment of Federation, a certain part of State responsibilities passed from the governments of the separate states to the Federal Government, which thus obtained access to essential funding. The revenues from customs, post and telegraph were put at its disposal.

Customs revenues provide about 90 million roubles annually, and post and telegraph 25 million, so the Federal Government has a total of 115 million roubles at its disposal. Up to now, however, the Federal budget has not exceeded 45 million roubles. Owing to a disparity between revenues and essential expenditures and the excess of the former over the latter, the constitution obliged the Federal Government to give the surplus obtained from customs revenues to the governments of the separate states, distributing them proportionally. But, on the one hand for the greater stability of budgets of the states, and on the other to give the Federal budget some flexibility, it was ordained that the Federal Government had to return no less than  $\frac{3}{4}$  of the customs revenues to the states, i.e. about 60 million roubles per year. But even under this condition the revenue at the Federal Government's disposal has exceeded its requirements to this day. This situation may soon change, as the Labor Party has firmly decided to pass a law providing pensions both for those who are unable to work and for elderly workers. These pensions are to be from the Federal budget.

The railways, which belong to the governments of the separate states, provide an annual revenue of 120 million roubles. This covers all their operating costs and, in addition, 3% for the capital borrowed for their construction. This latter was borrowed at 4%, so the Government has to pay only 1% extra.

Taken together, the budget of the six Australian states comprises a total of 270 million roubles. Consequently, the entire Australian budget, including the 50 million roubles of the Federal budget, comprises

320 million roubles. To this should be added 150 million roubles worth of municipal expenses, obtained from city taxes. Thus Australian state and city expenses including the railways approach 500 million roubles. Taking into account the number of inhabitants (4,000,000 people) and the fact that no more than 10 million roubles per year are spent on defence requirements, i.e. less than 5% of the whole State budget, the sum of 500 million roubles seems high.

There is no Federal debt as such, but there are debts arising from loans contracted by each of the separate states for themselves. In 1906, the total of all these loans came to about 2 billion, 300 million roubles, for which they pay 85 million roubles interest a year. Thus there is a government debt of about 550 roubles per citizen. True, the portion due to loans for the construction of railways should be excluded from this sum, since these latter almost pay for themselves. These loans amount to one billion, 300 million roubles. Nevertheless, the State debt comes to the imposing sum of one billion roubles.

Four-fifths of Australia's loans are contracted in England, so the stock-exchange value of these securities is set in London. At present the prices stand at par for 3.5% of them.

From the above figures one may conclude that Australia's financial situation is in a satisfactory state, but one should not forget that it spends the insignificant sum of ten million on defence, and the question of Australia's defence is one of vital necessity. It could lead to expenses that would cause a radical change in its budget.

With this I conclude the first part of my dispatch. Its aim was to present, in general outline, materials bearing on the significance and value Australia might have in the eyes of those countries which are constrained to seek unoccupied land for their own surplus population.

These materials will perhaps provide an indication of what hopes those countries could place on this wealthy and, at the same time, almost uninhabited country.

I also intend to have done with the tedious statistics I was of necessity obliged to cite, and which I have attempted not to misuse, as far as possible.

## Part II

Everything I have said in my previous dispatches has had the aim of presenting Australia from an international, social and economic point of view.

It remains to determine what position it occupies at present in the eyes of civilised countries, for, no matter how isolated and remote it is, significant interests are already linking it with both Europe and America.

Judging by the particular tendency that is accepted in Australian legislation, Australians are apparently not especially concerned about their relations with other countries, as if not conscious of the significance these relations have, first and foremost, for them themselves.

Of interest to the Russian Government is the position Australia already occupies amongst countries, and, particularly, the role that it may be called upon to play in the not too distant future, since it inevitably must become an object of competition.

In my dispatch concerning Australia's international status,<sup>89</sup> I indicated the virtual independence that the Australian Federation (Commonwealth) enjoys. From the general principles of its constitution, which I set out, it is apparent how weak are the ties that link it to the mother country. But a study of its economic and financial situation leads to the conviction that Australia is still linked to Britain, by ties that will probably keep it in a state of familial subservience for a long time.

From the point of view of international law, Britain alone, in the eyes of foreign governments, possesses the authority to protect the rights of Australians and ensure that they discharge their obligations. The first task does not cause Britain any difficulties, the second is more delicate.

On the surface, the mutual relations between Australia and Britain seem simply a question of a form of government. For us, however, they are of the greatest interest, since the future direction of British imperialism is based on these relations.

In these relations the question of Australia's defence is paramount. So far Australia has been protected principally by its remoteness. It could also be protected by the British fleet, but only as long as the fleet had no other commitments. As for the Australian squadron of the British fleet, it is

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89 See Document 97.

completely insignificant; its main asset is the cruiser first class *Powerful*, and its entire force is insufficient even to guard Australia's vast seaboard. There can be no question whatsoever of serious defence by this squadron. I am not even speaking of a situation in which it might be called upon at any moment to serve in some other theatre. The Federal Government makes an annual contribution of 2 million roubles to the maintenance of this squadron, and New Zealand contributes 400,000 roubles.

Public opinion in Australia is not particularly sympathetic to this state of affairs, and would prefer to see its own Australian fleet.

It goes without saying that the formation of this fleet would not have the purpose of replacing the British squadron, but rather of supporting it, with the exclusive aim, however, of protecting Australia alone. A programme for the creation of an Australian navy has been planned and consists of building three cruiser-destroyers, 16 torpedo-boat destroyers and 15 torpedo boats,<sup>90</sup> but no one knows when this project will be completed. It has been discussed for three years and circumstances indicate that defence or criticism of it serves merely as a weapon in the hands of some politicians.

The cost of constructing a fleet of the stated size has been estimated at a total of 20 million roubles. In British maritime circles the construction of an Australian fleet is regarded with scepticism. The British Admiralty asserts, with good reason, that the cost of one armoured cruiser at present is almost equal to the estimate for the whole fleet.

If, however, one concedes that Australia will, at some time, have its own fleet, adequate – in its view – for its defence, then one of the ties linking it to the mother country will be broken. The project of building an Australian fleet undoubtedly reflects some uncertainty as to the ability of the British navy to protect its colony.

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90 The Deakin Government did indeed devote much attention to reinforcing the country's defence capability, insisting particularly on increasing the British naval presence in Australian waters. When these efforts came to nothing in 1905, planning began for the creation of an Australian navy, but the scale of the process of building an army and a navy, and the cost estimates, varied with changes in the international situation and the growing threat of world war. For a long time, the British Government actively opposed the establishment of an Australian navy under exclusively Australian Government control, instead proposing various ways to build up the British naval presence in Australian waters. However, increasing Anglo-German rivalry, which required greater British naval power in European waters at the expense of other regions, forced the British Government to modify its position. In 1909, the Australian and British governments agreed on the establishment of an Australian naval force. The first vessels of this force, the destroyers *Yarra* and *Parramatta*, reached Australian waters and entered service at the end of 1910.

The situation with regard to land defence is a little different, since there are no British land forces here. The local force, numbering 24,000 men in all, is under the supreme command of British officers, who are in the service of the Federal Government. In the opinion of the British military authorities, these troops would not present any serious opposition to an enemy, even if the strength of the landing force was no more than that of the total Australian forces.

The troops are under the direct supervision of the Defence Council, which, in turn, is dependent on the ruling political party. The Minister of War, a member of Cabinet, is always a civilian.

A proposal by the British War Office to separate the Australian Army from matters of local politics was declined. Under such conditions its troops cannot constitute a serious fighting force.

Although Australians do possess the physical qualities capable of making them good soldiers, they have neither the taste nor the aptitude for military pursuits. On the basis of the Boer War, in which Australia played some part, public opinion holds the conviction that a few thousand good riflemen would be quite sufficient to repel any attack. The leaders of the Labor Party are convinced of this or, at least, say that they are convinced.

I consider it imperative here to make a small digression into the past.

During the Anglo–Boer War, the enthusiasm with which the self-governing British colonies came to the aid of the mother country by sending several thousand soldiers to the war was famed throughout the world.

Indeed, from the end of 1899 until February 1901, three colonies—Canada, Australia and New Zealand—with a total population of 10 million, sent 30,000 men to the theatre of operations: Australia—16,000, Canada—8,000 and New Zealand—6,000.<sup>91</sup> On the whole this contribution was fairly modest, but the Australians trumpeted both their loyalty and their feats of arms. Without denying their martial deeds, one must take into consideration that, as a result of several years of drought in Australia at this time, there was a terrible economic crisis. Business had come to a halt and there were many unemployed. The pay for volunteers was high:

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91 The figures cited are not fully accurate. From the beginning of 1900, a total of over 20,000 Australians fought in the Boer War: 16,000 men as part of volunteer units sent by the separate Australian colonies, and from 1901 by the Federal Government, and over 5,000 in British and partisan detachments. Canada sent a contingent of 7,400 men and New Zealand 6,500.

an ordinary soldier received 2 roubles, 50 copecks plus travelling expenses per day, a non-commissioned officer 3 roubles, 50 copecks, a captain – 12 roubles per day. It would be correct to say that there would hardly have been such a number of volunteers, had they been obliged to accept the pay of a Russian soldier. Apart from this, they were setting out to an almost certain victory and therefore had every hope of returning home covered in laurels.

I have not cited these considerations in order to call into question the personal services of those Australians who took part in the Boer War (they apparently fought splendidly), but in order to also present the reverse side of the coin.

As I said earlier, the entire annual defence budget amounts to the modest sum of 10 million roubles, of which 8 million are spent on land forces and two million in the form of a subsidy to the British Admiralty for the upkeep of the squadron in Australian waters.

Of the 24,000 men comprising the Australian land forces, only 1,400 are in the regular army (employed by contract); 16,000 men constitute the militia; the rest are volunteers, who differ from the militia only by being unpaid.

The Australian forces comprise only 3% of the whole population capable of bearing arms. The local governments avoid paying attention to this abnormal state of affairs, confining themselves solely to soothing assurances.

In 1905 the Federal Government, probably just for show, appealed to the British War Office for instructions on the creation of an Australian land force. In response to this, a scheme for the organisation of an army was sent, with an estimated cost of 30 million roubles.<sup>92</sup> This document was shelved and is no longer spoken about.

Thus, at present, Australia is almost defenceless.

Connected with Australia's lack of military defence is a question raised at the Colonial Conference in London in 1902, which emerged again after the Anglo-Boer war. At this conference there was talk for the first time

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92 Hedenstrom is apparently referring to the Australian Government's appeal to London in November 1905 to draft a proposal for the organisation of Australia's defences and the fortification of its ports.

about the formation of a permanent colonial force, supplied by all the British colonies in proportion to their population. This corps was to be stationed permanently in England, ready to be sent to any colony where it might be needed. It had already been given the title of the Imperial Reserve Force. In spite of the fact that this project had been proposed by the respected Colonial Secretary at that time, Mr Chamberlain, the representatives of Australia and Canada refused to countenance a corps which would have been entirely at the disposal of the British Government. They feared that a permanent force of that kind could serve not only as protection for a colony against external foes, but also for the suppression of movements in the colonies uncongenial to the central government.

The general question of the colonies' protection needs to be resolved. As long ago as 1903, Chamberlain expressed himself quite clearly, saying that the burden of protecting the Empire was so heavy that England could not bear it alone. It was necessary, he said, that those colonies which had acquired influence and wealth should either renounce the idea of being a constituent part of the Empire, or should proportionally bear their full share of responsibility.

The question of its defence is much more serious for Australia than for Canada. As long as Britain remains at peace with the United States of America, that is, for a long time to come, Canada will always be under the indirect protection of the Monroe Doctrine.<sup>93</sup> In this regard Australia is much more on its own. It has undoubtedly acquired 'influence and wealth', but has been able to achieve this precisely because its defence expenditure until now has been so meagre, and also because Britain has lent it two billion roubles. However, its legislation – at times extremely provocative – is not matched by its military capability, and of course it will have to pay a certain insurance premium in the future – in the form of a much more serious defence budget – against possible external dangers.

However, it has avoided doing this up to now.

The question of the 'responsibility', of which the former Colonial Secretary spoke, was raised again, relatively recently, in the British House of Commons by Harold Cox, a member of the House. He said that the

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93 Monroe Doctrine: a statement of the principles of US foreign policy, enunciated in 1823 by President James Monroe, declaring the Americas a region closed to European colonisation and political intervention and asserting the principle of 'America for the Americans'. In practice, the doctrine laid the ground for wider US influence and territorial expansion in the Americas.

defence of the Empire was costing Britain 66 million pounds sterling a year. For the very same purpose, the colonies were spending only 900,000 pounds sterling.<sup>94</sup> The revenues of the colonies were equal to half of those of Britain, he went on. Their population was one quarter of that of Britain, but they contributed at a rate of only 1.5 per cent, he said, questioning whether such a situation could continue.<sup>95</sup>

This categorical statement drew the immediate reply that the British Government baulks at those obstacles it would encounter if it wished to exert too much pressure upon the colonial governments.

This response is in complete accord with reality. Nevertheless, the question of Australia's defence cannot be put aside, and the subjects to be discussed at the Colonial Conference in 1912 will again include the defence of the colonies.<sup>96</sup>

The mother country's burden in this respect is 'too heavy', so Australia must assume 'its proportional share of responsibility'. But who is to determine this share and the nature of this responsibility?

It is said that this will be achieved through mutual agreement. But political, economic and financial conditions are subject to change. It is not sufficient to come to an agreement, it must also be implemented. What authority and what entities will, if need be, ensure that the obligations are discharged?

When we consider these matters, the international question of British imperialism arises with all seriousness.

It involves not only the question of colonial defence. It assumes a whole series of essential agreements in trade and maritime law, commercial exchange, naturalisation, emigration etc.

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94 This sum is for Australia and New Zealand (at present about one million pounds sterling), since Canada has refused to contribute to the cost of maintaining a British squadron in its waters. (Hedenstrom's note.)

95 Harold Cox was speaking in the House of Commons on 15 February 1907, as recorded in Hansard for that date (*Parliamentary Debates. Fourth Series*, Vol. CLXIX, 2nd session, 28th Parliament, 1907, p. 454). Hedenstrom's paraphrase of a much longer passage is correct in essentials, but Cox is reported as having said that the colonies paid 1.3 per cent, not 1.5 per cent.

96 The Imperial Conference in question actually took place in London in 1911, but the deteriorating international situation and the rapid rise of German naval power made it necessary to discuss matters of imperial defence at a specially convened conference, at the level of ministers and defence experts, in London as early as 1909.

At the Colonial Conference in 1912, at the suggestion of the Federal Government, the question of forming an Imperial Council for colonial matters, to consist of permanent members from the colonies and the Colonial Office, will be discussed. This council would be something like a permanent Colonial conference, only with lesser authority, since the Prime Ministers of the self-governing colonies attend the conferences.

It is difficult to foretell the future of this project, since there is no doubt that, if the Imperial Council is to function with due independence, it will impinge upon the freedom of action of the colonial parliaments and governments, so not all the self-governing colonies will view with favour the formation of such an institution.<sup>97</sup>

On the part of Australia and New Zealand, incidentally, the notion of forming an Imperial Council conceals a desire expressed by them a long time ago: that not a single question with any direct or indirect bearing on them, particularly in matters of foreign policy, be decided without their agreement. This includes, incidentally, any international agreements concluded by the British Government. For Australia and New Zealand the sorest point in these agreements is the admittance of coloured people into their territories.

In London, of course, the colonies' desire to have the right to vote on questions of an international nature is not very favourably viewed. This applies particularly to Australia and New Zealand, where the ruling Labor Party does not recognise any interests but its own, and then only its most immediate interests.

The question of trade relations, both between Britain and its colonies and between the colonies individually, is directly linked to British imperialism.

In 1902 this was given the name 'Preferential trade', which endures to this day.

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97 The proposed Imperial Council, raised for discussion at the Imperial Conference in 1911 by the representatives of New Zealand, was rejected. Herbert Asquith, the British Prime Minister and conference chairman, feared that the dominions would gain excessive influence in matters of foreign policy. The representatives of Canada, Australia and the Union of South Africa, for their part, saw the proposal as an attempt to provide the British Government with a new instrument by which to limit the growing independence of the dominions.

Here the interests encountered are threefold:

- (1) the interests of Britain (the mother country);
- (2) the interests of its colonies and
- (3) the interests of foreign countries or, rather, of their trade.

Two conjectures may be made regarding the direction that will be taken by the conference in this matter. The degree of infringement of foreign trading interests will depend upon the choice made: Britain could grant its colonies certain trade preferences, in exchange for preferences which it will itself receive in the colonies, or these preferences will be granted only by the colonies, without any reciprocity from the mother country.

The choice, in connection with the threefold interests referred to, bearing on innumerable details pertaining to each colony individually and various commercial commodities, constitutes the essence of that complex question which is called 'Preferential trade'.

In both events the interests of foreign trade will suffer.

Let us take Australia alone as an example.

In the event that the difference in customs duties in favour of England is too great, then, even if the duties are not punitive, foreign goods will be unable to compete. If, however, Australian products simultaneously enjoy the same advantage in England, then the damage to foreign trade will be double.

Britain will, of course, gladly accept certain trade preferences from Australia, if it is not obliged to reciprocate. On the other hand, Australia will hardly accept such a procedure over a prolonged period of time. But, as soon as the question of mutual preferences arises, the British Government will have to reckon with both its own free-traders, and with foreign countries, foremost amongst them Germany, followed by the United States of America. It should not be forgotten that Britain's trade with foreign countries is considerably greater than that with all its own colonies taken together, and also the fact that its commercial and industrial might has developed on the basis of free exchange and not protectionism.

As for specifically Australian trade relations, both with its mother country and with foreign countries, this matter will be discussed in 1912. From a legislative point of view, these relations are reflected first of all in the

customs tariffs. These latter, now operative in Australia, constitute a rare and original document. In general, foreign goods attract duty at 45% of value. Although the tariff states that duty is 40%, in actual fact 45% is exacted, because another 10% is added to the valuation made by a customs official on the strength of regulations, which makes it 44%. Furthermore, if the goods did not come from England, a further 40% is levied on the cost of transporting them from the place of dispatch to the port from which they were shipped. Thus, for example, for goods sent to Melbourne from Paris via Marseilles, the duty payable in Melbourne is 40% of the assessed value, plus 40% of the additional 10%, plus 40% of the cost of transport from Paris to Marseilles, which comes to 45%.

The question of customs tariffs in the self-governing British colonies was first raised by the Minister, Chamberlain, at the Colonial Conference of 1902. Pursuing his object of creating an actual, rather than a fictional Great British Empire, he then proposed establishing a common customs tariff for all constituent parts of the empire, including Britain itself, so that within British territory goods could be transported duty-free.

As is well known, this project was unsuccessful. In Britain it was rejected by the free-traders, while the Australians insist that they tried to meet the Minister's patriotic intentions half-way, by setting the customs duty for British goods brought by British ships at 10% less than that on goods carried by other ships. This difference does indeed exist at present, but it was achieved not by lowering the tariff applied to British goods under the given conditions, but by an increase of 10% for foreign goods or British goods shipped on foreign vessels.

The passing of this law in the Federal Parliament prompts some interesting reflections. Britain is linked with foreign countries by trade agreements, on the strength of which British ships are afforded exactly the same rights as local ones. The greatest advantage of such agreements is derived by Britain, since its merchant navy is the biggest. Yet one component part of the British Empire establishes its own procedure, which quite clearly violates these agreements. This act has not received royal assent, but it does exist.

Besides the question of establishing an Imperial Council, Australia and New Zealand intend to officially express the wish that the British Government not conclude a single international agreement without the assent of the parliaments of the two respective colonies, if such agreements directly or

indirectly affect their interests.<sup>98</sup> Should the British grant this wish, the trading interests of foreign countries will find themselves dependent on the legislative caprices of self-governing colonies which do not bear any responsibility, and then, naturally, the question will arise as to whether such irresponsible behaviour, in the eyes of foreign governments, can continue under the powerful protection of the British flag.

Foreign countries, in no way obliged to share the views of Australia and New Zealand, could, under such circumstances, renounce any treaties with Britain regarding trade or industrial matters. In that case, British maritime trade, which occupies first place in all the ports of the globe, will cease to enjoy the benefits granted to it by those same treaties and conventions.

The aspirations of the self-governing British colonies to be fully their own masters ill accord with the theory of imperialism, which, on the contrary, desires closer rapprochement and a great community of interests between all the constituent parts of a single empire.

With regard to all these notions, the Colonial Conference of 1912 will be of significant international interest.

Although not having any diplomatic relations with foreign nations, the Federal States of Australia have, however, established their very own Ministry of External Affairs. Its establishment is associated with the idea of Australia's own, so to speak, local imperialism, which emerges in the belief that neighbouring islands should be under the protection of Australia. This idea came to light fairly clearly in connection with an incident concerning the islands of the New Hebrides.<sup>99</sup>

An agreement between the British and French governments regarding control over these islands was reached at the end of 1906, as a sequel to the agreement on Egypt and Morocco. But as early as 1905, the Federal

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98 At the Imperial Conference in 1911, the Australian Prime Minister Andrew Fisher raised the question only of British consultation with the dominions in the case of international treaties that affected their interests.

99 On 20 October 1906, Britain and France signed an agreement on joint control (a condominium) of the New Hebrides, now Vanuatu. This agreement was part of a settlement of Anglo-French colonial differences remaining after the agreement of 1904, which laid the ground for the Entente. It included French recognition of British interests in Egypt and British recognition of French interests in Morocco. The Anglo-French understanding on the New Hebrides condominium was met with deep displeasure in Australia.

Minister for External Affairs,<sup>100</sup> before being asked about this, informed the British Government that the most desirable solution for the Federal Government would be the complete and unconditional annexation of these islands to the British Empire. This would evidently have been followed by an announcement that the islands had been annexed to the Federation.

Many more Frenchmen than Englishmen live on the islands of the New Hebrides, which lie in the immediate vicinity of New Caledonia, which belongs to France, so French interests there are greater than British interests.

The French Government flatly refused the idea of British annexation, nor did it accept an offer to share them, and an agreement was signed on 20<sup>th</sup> October 1906 on the principle of Condominium. This settlement must be considered a success for British diplomacy. Australia, however, was very displeased by it and the Federal Government, in the person of its Minister for External Affairs, openly voiced its displeasure to the British Government.

Thus the Australian socialists, as the ruling political party, without yet having peopled its own country and, on the contrary, having surrounded it by its own kind of Chinese wall of most exclusive, anti-liberal and provocative legislation, are already dreaming of taking possession of certain islands of the Pacific Ocean, i.e. of colonising activities. In this respect, however, their scope is not particularly wide, since everything around them is already occupied. The United States of America possess the Sandwich Islands,<sup>101</sup> the Philippines and part of Samoa. Germany has settled part of New Guinea,<sup>102</sup> New Britain, the Carolina and Marshall islands. It shares the Mariana Islands and Samoa with America and the Solomons with Britain. All the rest belong to the latter; French possessions in this part of the Pacific Ocean, with the exception of New Caledonia, are insignificant.

Nevertheless, Australia's longings in this sphere are extremely characteristic.

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100 In 1905, the post of Minister of External Affairs was held by two successive prime ministers concurrently with the office of Prime Minister: until 5 July, John Reid; after that date by Alfred Deakin.

101 Sandwich Islands: now the Hawaiian Islands.

102 Germany controlled the northern part of New Guinea from 1884 to 1914.

The information set forth can perhaps provide some idea of Australia's importance at present, and about the significance it might have in the eyes of foreign powers in future.

Concluding my report, and setting out on the slippery path of political conjecture, I present only those opinions which are heard here at present.

The first among those countries which have designs on Australia is Japan. Fear of a Japanese invasion is universal here,<sup>103</sup> and even such authoritative people as the two former federal Prime Ministers Deakin and Watson do not conceal it. Japan's population is increasing annually by several hundred thousand, they say; the Japanese have no money; their navy constitutes an imposing force; because of Germany's naval armament programme, the British navy cannot leave Europe; a war at sea costs much less than one on land; Australia is defenceless; by virtue of its coastline, it presents no strategic obstacles to a landing force; the country is wealthy and could provide not a bare minimum, but plentiful resources for tens of millions of people. Obviously it must arouse the desire to invade it in any power capable of doing so. The only obstacle that the Australians can see at present is the Anglo-Japanese alliance.<sup>104</sup> They therefore believe that the desire to conquer Australia will be one of the reasons this alliance will not be renewed.

The Australians' conviction that the Japanese intend to invade their country has turned their instinctive aversion to the yellow races into unconcealed and implacable hatred.

Another enemy is seen by Australians to be the Chinese, not in a military sense, but as a source of peaceful domination. Here, the fear is of dangerous competition, rather than of military power.

I, however, have had occasion to meet people who are extremely interested in the military achievements of the Chinese and believe that with time China may become a formidable land and sea power, but any fear of a Chinese threat refers to a more distant future.

In Europe the only enemy that Australia sees is Germany.

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103 On the evolution of Australian attitudes to Japan, see Documents 91 and 95.

104 The Anglo-Japanese treaty concluded in 1902 was essentially anti-Russian in intent. Its terms effectively granted Japan freedom to expand in the Far East. The inevitable conflict with Russia suited Britain, which could thus see its principal foreign policy rival, Russia, weakened by the efforts of Japan.

It is well known that the population of Germany is increasing annually by more than 800,000 people. The United States of America, the original destination for German emigrants, are making it more and more difficult for them to gain admission. The German Government is obliged to take most energetic measures to find markets and countries for both the overproduction of its industries and for its surplus population. Over the past four years 600,000 Germans have emigrated to Brazil. This fact has been noticed not only by the Brazilian Government, but also by that of the United States. Connected with this is the construction in England of three of the most powerful battleships of the Dreadnought class for Brazil;<sup>105</sup> moreover, payment for them is guaranteed by the United States Government. In this Australians see the wish of the United States – by virtue of a broad interpretation of the Monroe Doctrine – to enable Brazil to offer some resistance, if necessary, to the German fleet, at least in the first stage.

In its search for unoccupied land, the eyes of the German Government naturally turn to a wonderful, wealthy and uninhabited country, which, moreover, belongs to their European rival. There are already several colonies in the south of Australia populated entirely by Germans.

In the alignment of Germany and Japan, noticed by the Australians, they perceive a twofold threat in the form of a possible seizure of their country through a mutual German–Japanese agreement.

Australian public opinion hardly mentions any role the United States might play in their future. The American fleet's visit to Australia,<sup>106</sup> which resounded throughout the world, has already been forgotten and the impression left by it is that the Americans are indifferent to Australia's future.

Not having any direct interests here, the role of the Russian Government in developments taking shape is entirely favourable. It will probably consist of calm observation of the fact that the eyes of our Western and Far-Eastern neighbours are turning away from our borders in an entirely different direction. [...]

AVPRI 184 (Embassy in London) -520-1300, ff 83–152. Author's copy. In Russian. First published in abridged form in *Sbornik konsul'skikh donezenii*, 1/1909, pp. 80–90. Translated by Maria Kravchenko.

105 In 1907, the Brazilian Government ordered two, not three, dreadnoughts from Britain: the *Minas Gerais* and the *São Paulo*. Some countries, above all Germany, were of the view that Brazil was acting merely as a screen and in fact ordering dreadnoughts for the US navy.

106 See Document 100.

## 103. Hedenstrom to Imperial Russian Embassy, London

Melbourne,  
28 (15) August 1909  
No. 96

[...] I have the honour to submit herewith a copy of my dispatch to the Second Department of the Ministry of Foreign Affairs concerning 'The Mood of Australian Public Opinion in View of Germany's Naval Armaments Programme'. [...]

Melbourne,  
20 (7) August 1909  
No. 94

[...] The mood of alarm noted in British Government and public spheres as a consequence of Germany's intensified naval preparations has naturally been echoed in Australia.<sup>107</sup>

The disclosures in certain serious newspapers concerning German naval armaments have convinced a substantial section of the Australian population that Germany's real naval programme is significantly broader than its apparent programme, that is, the one made public in official government communications.

As soon as these somewhat disturbing reports began coming in from London, perhaps deliberately exaggerated, the New Zealand parliament resolved to donate a first-class ship of the line to the British Admiralty, that is, to donate the amount required for its construction and complete armament.<sup>108</sup> Australia followed suit, but here things did not proceed quite so smoothly.

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107 In March 1908, Germany adopted amendments to its *Naval Act 1900* to make provision for a further increase in naval capacity and speed the construction of new warships. In Britain and her colonies, this gave rise to alarm and led to calls for reciprocal measures to step up the naval power of the British Empire.

108 The proposal to raise funds and present them to the British Government for the construction of a new, modern warship was made in 1909 by the New Zealand Prime Minister Sir Joseph George Ward (Prime Minister 1906–1912 and 1928–1930). The project was successful and the cruiser *New Zealand* was launched in 1911.

At that time the Labor-socialist party formed the Federal Government, represented by Mr Fisher, the Prime Minister.<sup>109</sup>

These circumstances presented an opportunity for the loyalty of the colonies to their mother country to be put to the test, as I mentioned in my dispatch of 5<sup>th</sup>/18<sup>th</sup> June 1908, No. 20.<sup>110</sup>

A proposal tabled in Parliament to allocate the funds required to present the British Admiralty with a first-class ship of the line on the same terms as in New Zealand met with a firm rebuff from the government.

In a lengthy speech on this matter, the Prime Minister Mr Fisher stated that this was not because of any unwillingness to answer the mother country's appeal to patriotism, but rather because assistance in the form of one or even two capital ships would be insubstantial. In his view it would be much more practical if Australia considered establishing its own navy, sufficient to repel any attack on the country. With these arguments the Prime Minister endeavoured to deflect the reproach that his party was lacking in loyal sentiments.

It must be noted that the adult male population of Australia is only 1,500,000. Such a small population is insufficient in number as in material resources to offer any serious independent naval defence.

It is superfluous to say that Mr Fisher and his party are perfectly well aware of this, and that their rejection for the reasons stated of the bill tabled in Parliament on offering the mother country a capital ship is nothing more than camouflage for the absence of those principles which we customarily call patriotism.

The other political parties immediately seized the convenient opportunity to overthrow a government inimical to them, and by combining forces won a vote of no confidence by only nine votes.

Mr Fisher's government resigned, after some resistance, and Mr Deakin is now federal prime minister again. The proposal to support a warship has been accepted by the new government, and at present the only question

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109 Andrew Fisher was Labor Prime Minister from November 1908 to early July 1909, and again from 1911 to 1913.

110 See Document 97. The date given here is incorrect. That dispatch was prepared on 28/15 July 1908.

is whether the British Admiralty wishes to have a battleship or a cruiser of equivalent value.<sup>111</sup> Thus the British navy will be increased by two first-class vessels.

By this decision the ground has been laid for more effective participation by Australia and New Zealand in imperial defence.

In my dispatch of 1<sup>st</sup>/14<sup>th</sup> December 1908, No. 44 (part II),<sup>112</sup> I mentioned that the question of the defence of Australia is central to mutual relations between Britain and Australia, and that this question demands a speedy settlement.

At that time (November 1908) it was assumed that this question would be one of the main items for discussion at the next Colonial Conference in 1912, but owing to the disclosures on German naval armament the Government of the mother country deemed it essential to expedite the resolution of the broad question of imperial defence, and a conference involving Australian and New Zealand delegates is now taking place in London with this special aim. Colonels Foxton and Bridges and Captain Creswell, who commands Australia's naval forces, have been sent as representatives of the Australian Commonwealth. The New Zealand delegate is the Prime Minister Sir Ward.<sup>113</sup> The first Australian delegate, Foxton, though a former defence minister, now retired, is a secondary figure in prestige here, and the other two have been sent as advisers, each in his own field.

We do not know what decisions the conference on imperial defence will arrive at,<sup>114</sup> but, judging by the public mood in Australia, the Government of the mother country will hardly be able to extract as much benefit from its colony as it might seem entitled to expect.

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111 In 1911, the battle cruiser *Australia*, built by funds raised in Australia, was launched. In 1913, she was transferred to the Royal Australian Navy.

112 See Document 102.

113 This refers to the 1909 London conference on defence matters at the level of ministers and military experts. The Australian politicians and defence experts Justin Fox Greenlaw Foxton, Sir William Throsby Bridges and William Rooke Creswell played an active part in preparing the doctrinal and practical foundation of the Australian army and navy. Sir Ward: Sir Joseph George Ward (see note 108 above).

114 At the 1909 defence conference, the British Admiralty acknowledged the right of the dominions to build their own navies. These would be subject to the control of their own governments, but in time of war they would come under the command of the Admiralty. As a result of negotiations with the Australian delegation, the British Government undertook to assist Australia in the training of naval personnel and to provide subsidies to maintain the Australian squadron's combat readiness. (See also Document 102.)

I mentioned above that the Labor Government was compelled to resign having refused to offer the British Admiralty a warship, but that it was defeated by only nine votes. This insignificant majority, achieved only because the other parties united against it, shows how strong the Labor Party is. It opposes any expenditure on principle, most of all those on defence needs. Among the members of other parties are very many who are more favourably inclined to the idea of establishing Australia's own navy than to that of reinforcing the Royal Navy, showing far more inclination to local patriotism than to the imperial variety.

The Labor Party cannot be accused of lacking a certain consistency in its actions. Pursuing one single aim, that of constantly increasing wages at all costs, it bends its efforts to that alone. It is natural, therefore, that it should be averse to all expenditure which does not result directly in increased wages for Australian workers. Among the latter the view is even quite widespread that they do not really care who Australia belongs to as long as their pay keeps going up.

The viewpoint of those who do not belong to the Labor Party and dream of creating an Australian navy is less easy to understand.

The fact is that at present the British Empire's main rival – perhaps its only serious rival – is Germany. In the event of an Anglo-German conflict, all the forces of the two countries will be concentrated in European waters and no others, and the fate of Australia will depend on the outcome of war in Europe, and nowhere else. Consequently, any increase in the size of the Royal Navy in Europe will be of assistance to it. The creation of an Australian navy, which alone will never amount to a serious fighting force, will in no way affect the outcome of a struggle between Germany and Britain. If Germany should conquer and wish to appropriate Australia, which is quite probable, the latter will be ceded by treaty to Germany by right of conquest whether or not it possesses a navy. A substantial portion of Australian public opinion, deceived by the idea of Australia's effective independence and intoxicated by their material well-being, is evidently unwilling to consider this.

If we accept that there are grounds for the widely current view here that Japan also threatens to seize Australia, then again an Australian navy will be unable to offer any serious resistance.

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The First Imperial Press Conference, recently concluded in London, at which fervent patriotic sentiments were expressed,<sup>115</sup> cannot, I believe, give a true picture of the mood of public opinion in Australia. There is no doubt that the representatives of the Australian press in London recently, under the spell of the oratory of such brilliant senior politicians as Lord Rosebery,<sup>116</sup> quite sincerely surrendered to their captivating influence, and it is extremely likely that when they return home – at least at first – they will try to convey their feelings to their fellow-countrymen, but it is more than a little doubtful that they will enjoy the success which the central government expects of them. We should not forget that even such a relatively small gift as the construction of one battleship was at first rejected by the Federal Government, and subsequently passed by only a tiny majority. But in this decision too, local political intrigues had a certain role to play.

It goes without saying that the struggle between the political parties in federal parliament continues. The recently defeated socialists have begun to attack the new administration; as a concession the Government found itself obliged to accept the law on old-age pensions allocated from the federal budget.<sup>117</sup> According to this Act, any British subject aged 65 or more and resident in Australia for twenty years or more with assets of less than £300 (3,000 roubles) has the right to receive a pension of 10 shillings (5 roubles) a week. Calculations, which at this stage can only be approximate, show that old-age pensions on these terms will involve an annual expenditure of roughly 20,000,000 roubles. The socialists, however, remain dissatisfied with the terms of the act, and want all Australian males at 60 and females at 55, including millionaires, to receive a pension of ten shillings a week, regardless of their financial circumstances. We do not know the annual amount the Federal Government would be compelled to spend to achieve that, but it is apparent that such generosity on the part of the Labor socialists will leave little funding for defence needs.

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115 The First Imperial Press Conference was held in London in June 1909.

116 Archibald Philip Primrose, Earl of Rosebery: leader of the British Liberal Party in the 1880s and 1890s, more than once Foreign Secretary, and Prime Minister in 1894–1895.

117 The *Invalid and Old-Age Pension Act* was adopted in Australia in 1908.

Such excessive demands by the Labor Party, coupled with their aforementioned refusal to build a warship for the Royal Navy, give one grounds to suppose that that party will endeavour to introduce laws involving major expenditure in order to have a pretext to say that there is no money for armaments.

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Returning to the delicate but nevertheless important question of the loyalty of Australians to the mother country, I permit myself to express the view that this question can only be answered with any degree of reliability here, in Australia. Whatever any delegates may say at any conferences, of any kind, in London, will not always be an accurate expression of Australian public opinion. We should not forget, first, that the delegates themselves belong to a political party, and are therefore apt to reflect the opinion of that party, and second, that their position vis-a-vis the leading figures of the central government, as before the public of the mother country, is such that it is not possible for them to be completely frank. For example, it would be difficult for them to admit that there are limits to the patriotism of the Australian population with regard to the interests of the British Empire, and that, on the contrary, patriotism may perhaps be understood by Australians in a somewhat different way from that which London might wish. This conclusion is exceedingly difficult to prove with hard facts, but there are clear indications. For example, every time the question has been raised of developing a common plan for the organisation of land forces with the mother country – and the last occasion was very recent – the Federal Government has voiced its categorical desire that Australian troops should be under the complete and absolute control of the Australian Government, in other words, that those troops be given assignments conforming to the intentions of the local government, not the central government.

In the matter of Australia's maritime defence, as I have already noted, a considerable portion of the local population, irrespective of political parties, is far more inclined to the idea of creating a navy solely for the defence of Australia, not that of the Empire.

The idea of creating an independent navy would perhaps be reasonable if a sufficiently strong navy could be built for the defence of Australia. That itself would constitute serious support for imperial interests. But the fact

is that, for the reasons indicated above, that task cannot be realised, so the practical consequence of this line of thinking is that Australia avoids any serious participation in the common cause of imperial defence.

There are, however, other factors which help explain this position.

Thanks to Britain's naval power and the self-government granted to Australia, the Australian people, possessing an immense and rich area of land, have achieved an extraordinary degree of prosperity, which they will not willingly renounce. Such conditions clearly do not provide fertile ground for the development of imperial patriotism, which is always bound up with the need to make sacrifices.

There is one further obstacle to a particular and sincere manifestation of that sentiment.

For a long time the British living in the mother country have taken a supercilious, even somewhat contemptuous view of their fellow-countrymen who live in the colonies, especially to those born in them. They appear to regard them as inferior beings, and the residents of the colonies are well aware of this. As for Australia's moral obligations to the mother country, Australians believe that they have long since paid off their debt to Britain for everything they have received, and that they owe their prosperity to nobody but themselves.

In my dispatch of 1<sup>st</sup>/14<sup>th</sup> December 1908 (No. 44, part II), I gave precise figures for Australia's land and naval forces.<sup>118</sup> These are so negligible that the country's defencelessness is self-evident. Despite this, even the well-intentioned part of the population is not particularly inclined to take the path of preparation for war. Australians hope that Britain will defend its colony against foreigners, and they try to make as few sacrifices for military requirements as possible.

It may be, however, that if the threat to Britain – at present merely a supposition – grows more obvious and immediate, an upsurge of patriotism will come to the fore in the better part of the Australian public, as we recently saw to some degree in the matter of the gift of a battleship to the Royal Navy. But to build up military capability an extended period

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118 See Document 102.

of time is essential. However great the upsurge of patriotism in Australia when Britain faces imminent danger, the Australians will be unprepared and their assistance insubstantial.

On the basis of the above, I permit myself to conclude that in the event of conflict between Britain and a major maritime power, Britain can hardly count on serious military assistance from Australia. The Labor socialists will in all probability respond feebly, and the rest of the population will be unprepared. [...]

AVPRI 184 (Embassy in London) -520-1300, ff 153-176. Author's copy. In Russian.

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