

**The life and times of a Danish entrepreneur in early Soviet Russia:
unusual lessons from the past for the post-Soviet market**

Nigel Holden©

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Author's particulars:

Nigel Holden PhD
Professor of Cross-cultural Management
Department of Intercultural Communication and Management
Dalgas Have 15
2000 Frederiksberg
Denmark

Tel: (+45) 38 15 32 02
Fax: (+45) 38 15 38 40
E-mail: njh.ikl@cbs.dk

Abstract

This is a brief account of a completely unknown Danish entrepreneur, Harald Schou-Kjeldsen, who first went to Russia as young trade official attached to the Royal Danish Embassy in Petrograd from 1915-1919 and lived there – there being of course Soviet Russia by now – from 1922 to 1934. In this latter period he ran various import-export businesses; he reputedly met Lenin; renovated the abandoned mansion of the illustrious jeweller to the Russian Tsar, Fabergé; and set up a button factory, employing at its peak some 350 workers. Schou-Kjeldsen's life in the Soviet Union from 1922 to 1934 provides a remarkable picture of how the shift from NEP to Stalinism adversely affected foreign private enterprise and, in his case, stifled it. The account concludes that Schou-Kjeldsen, as a resourceful entrepreneur in an adversarial business environment, has a special claim to be a role-model for foreign business people operating in the not entirely dissimilar conditions of post-Soviet Russia today.

Introduction

This is a brief account of a completely unknown Danish entrepreneur, Harald Schou-Kjeldsen (1895-1963), who first went to Russia as young trade official attached to the Royal Danish Embassy in Petrograd from 1915-1919 and lived there – there being of course Soviet Russia by now – from 1922 to 1934. His life in Russia, which is the subject of a short book I am writing, is of interest for several reasons. It is, first, in a sense a product of the extraordinary relationship which developed between Denmark and Russia as of the latter half of the 19th century until the Russian Revolution of 1917. Second, his activities as an entrepreneur from 1922 to 1934 are sufficiently well documented so that we can trace his activities fairly seamlessly. It is in effect the story of the crushing of a businessman in the first years of the great experiment of socialism. Third, the evidence available suggests that Schou-Kjeldsen's experiences of coping with Russia in the formative years of the socialist existence bear resemblance to analogous experiences in the formative years of post-Soviet Russia as a market economy some seven decades later. In this sense Schou-Kjeldsen is to some degree a role-model to today's foreign entrepreneurs in a Russia which is perjoratively referred to as 'the wild East.'

Material on the life and times of Harald Schou-Kjeldsen is drawn from (a) family records, to which I have access, including albums, diaries, letters and other correspondence, (b) the oral and written testimony of his son, Igor (1919-2001), and daughter, Inger, (b. 1922), and (c) documents in the Danish State Archive, which I consulted in February 2001. I am otherwise in the process of securing further information about my protagonist in the Russian national archives in Moscow. For information on the sources used in this paper, please refer to the bibliography.

Background: The Danish dream

As of the early 1880s Danish entrepreneurs were beginning to show a serious interest in the Russian empire and within a matter of years several Danish had concerns taken up solid positions there. Already the Danish Great Northern Telegraph Company had constructed constructed a telegraph system across Russia, thus linking Europe with the Far East. Danish dairymen (some hired direct by the Russian government) and butter wholesalers set up businesses in Siberia, settling along the Trans-Siberian Railway, which was opened in 1895. Omsk was the centre of operations, but Danish businessmen and agriculturalists were active in some other 40 Siberian towns. In those times Danish enterprise had a remarkable patroness, no lesser person than the Empress of Russia, the Danish princess Dagmar, wife of the Tsar Alexander III and mother of the ill-fated Nicholas II. After the Russian Revolution of 1917 and her repatriation to Denmark in 1919 the former empress would be seen as a severe liability to Danish political and commercial circles bent on doing business with the newly established Soviet state.

At the turn of the century Alexander Foss, a director of F. L. Smidth & Co., which had substantial commercial and manufacturing involvements in Russia, and chairman of the Industrial Society of Denmark, pronounced that Denmark's industrial future lay in Russia. In this he was supported by the Danish Association of Iron Manufacturers. But

no-one caught the excitement better than the Danish author Holger Rosenberg who journeyed to Siberia and subsequently wrote *The new Siberia*, which was published in 1904. He summed up his vision thus:

‘Just as a fresh stream through a neglected garden makes everything flower, the lushest vegetation is already sprouting around the rows of tracks of the Siberian railroad. Old towns that once stagnated are growing again, putting forth new branches and setting fruit, and new towns are sprouting up like asparagus in May. There is movement and speed in this growth, as there was in America’s prairie towns when the Pacific railroad opened up old America.’

‘Siberia is the new America’, was his paeon and call to arms

By 1905, the year of Russia’s fateful defeat in the Russo-Japanese War, it was clear to Danish business circles that Russia represented ‘a colossal market for Danish production and for the disposal of foreign goods via Copenhagen.’ By the outbreak of the First World War in 1914 the population of the Russian Empire was about 170 million. The population of Denmark was a mere two million. According to historian Bent Jensen, the Russian Empire was ‘in a manner of speaking a natural area for colonisation by Denmark and by dynamic, enterprising Danes’. Around this time some 2,250 Danish citizens lived and worked in Russia, involved in key sectors such as telegraphy, shipping, agriculture, timber, munitions, chemicals and construction.

In Denmark itself interest in Russia was unabated even after the outbreak of the First World War. In 1917 the Danish Association of Cattle-breeders formed a permanent committee to promote exports of Danish breeding stock to Russia. On another front Russian studies flourished not only in Copenhagen University but also in the country’s leading commercial colleges, in Copenhagen and Århus, where Russian language courses were said to be ‘very popular.’ From 1915 to 1917 one of the leading newspapers, *Berlingske Tidende*, produced a monthly supplement in Danish and Russian on export opportunities for Danish firms in Russia. In the words of historian Bent Jensen there was ‘an unshakable faith in Russia as the golden future for Danish industry’.

That latter remark must, however, be put into perspective. Denmark was a country which had seen itself dwindle from the 17th century from Baltic empire to modest Scandinavian kingdom in the 19th century. Especially painful was the loss of the provinces of Schleswig and Holstein to Germany in 1864. This burning humiliation was described as nothing less than ‘amputation at the hip.’ By making Russia – vast, unruly, turbulent Russia - its commercial playground Denmark would be restored to long deserved Baltic eminence with port city of Copenhagen as the great hub. *That* was the golden future that Russia offered.

Harald Schou-Kjeldsen in Russia: 1915 to 1919

When Schou-Kjeldsen joined the Royal Danish Embassy in Petrograd in 1915, Denmark’s commercial ambitions in Russia were boundless. If Denmark were quick to point out her neutral status in the war, she was equally quick to take advantage of any

commercial benefit that that neutrality might secure: especially, of course, at the expense of Germany, Russia's adversary and the loathed plunderer of Danish provinces some 50 years earlier. Indeed Danish entrepreneurs were looking forward to 'the war after the war', referring to the battle for the huge Russian market upon cessation of hostilities, from which Germany would be excluded. Materials in the Danish State Archive make several references to Schou-Kjeldsen, but give no clear picture of his official duties. But we do get a glimpse of his *other* activities in a copy of his family newsletter published in his home town of Hobro in Jutland. In the September 1917 issue 7 of this newsletter we read:

'The secretary of the Danish commercial attaché in Petrograd, Harald Schou-Kjeldsen, is currently visiting home and is staying at the Park Hotel. He has held this position since May 1915. Beyond that, for the last two years he has run his own firm dealing in particular machinery and iron mongery and has been doing business with Denmark and Sweden. He has since sold this firm to a joint stock company by name of Vulkan (which used to be a joint stock company known as Skaarup) of Århus, for which company he is taken up the position of sole manager for Russia of the Danish-Russia Cinematograph Company with offices in Petrograd and Moscow. Moreover the 21 year old entrepreneur is employing about 30 people at his offices. The purpose of his visit here ... has been to start an affiliate company called 'Schou-Kjeldsen Petrograd', which is primarily concerned with the import of various varieties of seed from Russia.'

This item raises some points of interest. Schou-Kjeldsen appears to have no problems combining his job a minor diplomat in Russia with the pursuit of his own business activities. In fact historian Bent Jensen, Denmark's expert on Danish-Russian relations, makes it clear that it was considered normally for trade officials to run business on their own account. Schou-Kjeldsen's activities covered three areas: exporting of manufactured items from Denmark and Sweden to Russia (it is not clear what kind of machinery he handled); promotion and sales of cinematic films in Russia, and the importation of some Russian products, notably oil-cakes and timber.

In order to keep these activities in motion, the young man already had, as noted, some 30 people working for him in both Petrograd and Moscow. All this suggests a determined and well-organised person with an eye for commercial opportunities. It is impossible not to draw the conclusion that Schou-Kjeldsen was a tireless worker and that he was an eager and successful networker in a country, where, as Hermod Lannung, the idealistic contemporary of Schou-Kjeldsen, noted, enterprise was continually rebuffed by great inertia and a bureaucratic mentality.

What is of more than passing interest is Schou-Kjeldsen's interest in cinematic film, the new mass entertainment which was sweeping the country like wild-fire. Indeed in Russia's main cities the audiences for films exceeded that for all other forms of public entertainment in Russia's towns put together. In fact the demand was not just for films, but also for film stock and equipment, most of which had to be imported. In the family records Inger has a letter from Schou-Kjeldsen to his wife-to-be Elinor written in 1918 on the headed paper of the Russian-Danish Cinematographic Company. The letter is personal, but the headed paper is also a valuable source in Russian of the activities of the company.

The letter head tells us that the company sold films made in Russia, England, America, Italy, the Netherlands, Norway, Sweden and Denmark. It also supplied ‘all possible cinematographic equipment’, including ‘lamps, lanterns, motors, rheostats and transformers as well as tripods of every possible size.’ It is a very great shame that we have no more details of how successful Schou-Kjeldsen was at this side of the film business. The family of Schou-Kjeldsen has preserved a Russian-language advertisement of August 1917 about the company, which shows the names of seven films being promoted by the Russian-Danish Cinematographic Company. As well as announcing current films such as ‘In the vortex of crime’ or ‘The lady behind the black veil’, the displays the company logo: a Russian bear on all fours and diagonally opposite him is a seated dog; almost certainly a great Dane. It is a rare example of two countries’ most potentially ferocious beasts being depicted in peaceable contact with each other.

When the Bolsheviks seized power in October 1917, Schou-Kjeldsen probably thought, like almost everybody else, that the party of Lenin was too extreme to form a lasting government. Soviet power was expected to be in Bent Jensen’s memorable phrase nothing more than ‘a bizarre intermezzo.’ But within weeks Russia was in turmoil and locked in civil war. There can be no doubt that Schou-Kjeldsen’s business activities became increasingly precarious as the war dragged on, and by the revolutionary summer of 1917 he may well have felt that the coming upheavals – for everybody sensed that something was going to happen – may not augur well for him, at least in the short term. After the Revolution he may have thought that the Communist take-over could be very bad for business indeed. But, if he thought that, he would have been out of touch with mainstream Danish opinion.

For example, in December 1917 there was a long series of articles in the leading Danish newspaper, *Berlingske Tidende*, about Danish business interests in Russia following the Revolution of a few weeks earlier. ‘Have our investments and prospects been undermined?’ it rhetorically asked its readers. No, came their reply. A string of interviews with firms and personnel who were connected with significant business ventures in Russia affirmed that Russia was still seen as ‘a land of the future’ for the Danish economy. In the meantime the Danish government, all too mindful of the scale of Danish business involvements in Russia, adopted – for the time being at least – a strongly neutral stance vis-à-vis the newly installed Soviet authorities so as not to jeopardise Denmark’s immediate prospects. But this position could not be upheld for long. The Danish ambassador was soon to find himself lodging official protests when either the Soviet government or local sources of power issued decrees which were detrimental to Danish economic interests.

So it was that in January 1918 the Danish ambassador was instructed to clarify the Soviet government’s policy regarding the take-over of the assets of private banks by the Russian State Bank: an action which directly affected the Great Northern Telegraph Company and other Danish businesses in Russia. He did not get much joy overall, but eventually the Great Northern did succeed in getting money out of the Russian State Bank. This is in itself an early indicator of the special status as a foreign business enterprise that Great Northern would enjoy throughout the early years of the Soviet

régime. Even so the Danish vision of Russia as the land of the future was still far from being shattered, but it was *shaken*.

After the Revolution, as Russia descended into general turmoil, Schou-Kjeldsen was not immediately repatriated. He remained one of the few personnel at the Danish Embassy in Petrograd. By 1918 the embassies of several countries hostile to the new Soviet regime were closed. But the embassy of Denmark, which was not closed for the time being, took over the interests of a number of Western countries. Schou-Kjeldsen, at the age of 23 found himself the vice-consul of France and also represented the affairs of Belgium. In this capacity he managed to save the lives of 10 French and Belgian citizens in Saratov, who were destined for a firing squad. For his valour, which entailed humouring a gun-toting commissar and capitalist-hating wife, Schou-Kjeldsen was awarded the Knight of the Black Star by the French Government. For this and other exploits an unsigned memorandum in the Danish State Archive notes Schou-Kjeldsen's 'very considerable and meritorious work on behalf of French interests.' It is not known, incidentally, to what extent he was involved with the spiriting out of Russia in 1919 of the former empress Marie Federovna to her native Denmark.

The material preserved in the Danish State Archive suggests that Schou-Kjeldsen was indeed one of the last Danish diplomats to stay on, and he left Russia with a vice-consul called Berg. It appears that both men were told to leave Russia at very short notice. According to Elinor, Schou-Kjeldsen's wife, an official told them: 'If I were you, I would get out of Russia'. A note in the state archive made by Berg reveals that both men managed to cross the border into Finland just fifteen minutes before the Russian frontier guards were instructed to arrest them.

Schou-Kjeldsen would not set foot in Russia again until 1922. In the intervening three years he set up his own import-export business in Copenhagen. We have no record of what these business activities were. But one thing is certain: he was planning to return sooner or later to the Russia of Lenin and the Bolsheviks. By now, of course, the Danish dream was well and truly shattered.

Russia 1922 to 1934: motivations and unusual assignments

It is not entirely clear why Schou-Kjeldsen returned to Russia in 1922. This was still a Russia which lagged behind the West exactly like the Russia of the Tsars. But it was now *Soviet* Russia, which had, thanks to Karl Marx and Lenin, understood the laws of history and was now poised to be the vanguard of new kind of society, in which science supplanted religion, in which the industrial proletariat articulated the needs of 'decent' people, and in which – most importantly – the communist party was the leading architect of social progress and economic development.

But it was also since 1921 the country of NEP, the New Economic Policy, which pragmatically permitted some forms of private enterprise until the economy sufficiently recovered to be ready for the real transition to socialism. Under NEP, which reached its peak in 1925-26, foreign business people with contacts and expertise were generally welcomed in the Soviet Union. But with the initiation of the First Five Year Plan in 1928 and the consolidation of absolute power into the hands of Stalin from about the

same time socialism could no longer be compromised. Consequently Schou-Kjeldsen's life in the Soviet Union from 1922 to 1934 provides a remarkable picture of how the shift from NEP to Stalinism affected foreign private enterprise and, in his case, stifled it.

Like many Danish entrepreneurs in pre-war Russia, Schou-Kjeldsen had lost property, belongings and various forms of investment there. It seems that he wanted in particular to recover a mansion in his possession in Moscow. But there may have been a further motive for the move back to Russia. According to a note written by his wife, Elinor, Schou-Kjeldsen attended a conference in Geneva in June 1922, at which the Leon Trotsky, one of Lenin's closest associates and a fervent believer in world revolution, invited people to consider settling in Soviet Russia. It is safe to assume that Trotsky had uppermost in his mind ideological fellow-travellers who wished to see revolution spread throughout Europe. It may have surprised him that a young Danish businessman saw the world's first communist state *as a marketplace*. There is, however, every reason to speculate that Schou-Kjeldsen was in any case planning to return to Russia. It seems unlikely, however, that Trotsky was a decisive influence.

Upon his return to Russia in 1922, Schou-Kjeldsen and his family – a wife and two babies - settled in a handsome mansion in Kammenyi Ostrov ('Stone Island') in the newly named Leningrad. Once the residence of a vastly rich aristocrat, the mansion had a tennis court and garage that could accommodate six cars. The Soviet authorities supplied two maids and a chauffeur, the latter being a former Tsarist general. All three made routine reports to the innocuously named 'State Political Administration', alias the GPU, the secret police. Somehow Schou-Kjeldsen had managed to import two cows so that the family had fresh milk every day. It is surprising to learn that these cows were kept on an island of the Neva delta and not in the garden of the family mansion. In the 1920s in a country where food was so scarce and disease rife, Schou-Kjeldsen's cows would have needed to be watched permanently against abduction or even slaughter.

Schou-Kjeldsen set about his business with his customary energy. His first big deal brought him in a sense face to face with the chaos that the Civil War had caused. There was a crisis in agriculture. Cattle were starving. He was asked by the communist authorities to supply oil-cakes to Russia, whereupon he contacted a British company, which was able to ship the oil-cakes, and for this it won from the Soviet government a remarkable concession. It was permitted to take unlimited amounts of timber – virtually entire stands of beech and oak - from a huge tract of Russia for a 10 years' period. The deal went ahead and seemingly with few problems.

Then around 1924 he obtained permission to restore, in his wife's Elinor's description, four large houses in Leningrad. When we learn that one of these four houses was the home of the renowned imperial jeweller, Carl Fabergé, we are plainly talking about residences of considerable size and distinction. Schou-Kjeldsen cannot have received permission to touch these properties unless he had close contact with the Soviet authorities and unless those authorities believed him to be trustworthy, even though he was, strictly speaking, a class enemy.

There can be no doubt that Schou-Kjeldsen knew precisely who Fabergé was. According to Inger, her father discovered in the house of Fabergé a globe in which the master-jeweller had hidden a number of valuable objets d'art. With the apparent knowledge and blessing of the Soviet authorities, Schou-Kjeldsen took charge of these objects and managed to get them out of Russia and into Denmark. He was, however, forbidden to remove Fabergé's Steinway piano. Many of the creations acquired by Schou-Kjeldsen were later sold by him in the 1930s, when the family, having returned from Russia, needed money. Other items were sold by Elinor and Inger after Schou-Kjeldsen's death. The family records show that the last two Fabergé items in the family's possession, a pair of lampshades, was sold through Christie's in 1985.

Fabergé was apparently not the only world-famous name to be associated with Schou-Kjeldsen in Soviet Russia in the early 1920s. According to Igor, his father had *two* meetings with Lenin himself in 1922 and 1923, but this seems improbable. Lenin, who died in 1924, was by then a shadow of his former self, slowly dying from brain disease from which he had been suffering from 1922. His illness aside, it is remarkable to think of the founder of the Soviet state bothering with the likes of a young Danish entrepreneur. But the story, no doubt apocryphal, says a lot for Schou-Kjeldsen's reputation – and effectiveness of personal network, come to that - among senior communist officials who obviously made the meetings possible. He must have had exceptional interpersonal skills, charm (which Russians easily fall for), and redoubtable persistence.

Schou-Kjeldsen was always on the look-out for new business opportunities. It will be recalled that before the Russian Revolution of 1917 he had represented the interests of the Danish-Russian Film Company. In the 1920s he again promoted silent films in the 1920s, finding a market for Danish comedy films which were wildly popular across Europe. The stars were Fytårn or just Fy ('the tall one') and Bivogn or just Bi ('the short one'), known in Soviet Russia as Pat and Patachon and featured in 'startling posters overhead' in the major cities. Their slap-stick humour was greatly enjoyed. But around 1926 the watch-dog body Sovkino condemned the films as an unacceptable pastiche of the industrial proletariat. That seemed to spell the end of that business activity.

According to a Russian document from the state archives in Moscow dated 6 November 1926, in March 1923 Schou-Kjeldsen formed a company with a Russian associate, one G. L. Kobylanskii, which traded in 'farinaceous products and colonial goods.' This venture was closed in the autumn of the following year. Then in 1924-25 he became director of the Danish-Russian Import-Export Company, trading under the name Danrustorg, with oil-cakes and timber as the main items. The document then records that 'at the present time' Schou-Kjeldsen is the representative of a French firm 'Ursoforu' (Société française pour le commerce avec la Russie et le pays'). There is no knowledge as to the creditworthiness of this company, the document goes on, but the impression is of a 'new organisation of insignificant size.' Schou-Kjeldsen is reported to have a current account in the foreign department of Gosbank, 'from which it is evident that [he] possesses a certain amount of means.'

These and other import and export activities kept Schou-Kjeldsen busy and he travelled frequently between Soviet Russia, Denmark, Sweden, Finland Germany. He appears to

have made considerable sums of money selling icons and other religious artefacts, which he transported out of Soviet Russia, in train wagons. One wonders indeed whether he was ever regarded a spy by the GPU and its successor body, the NKVD. Had he stayed in Russia longer than 1934, Stalin's prosecutors would have had plenty of information at their disposal, which could be readily fabricated for purposes of arrest, incrimination and condemnation to a firing-squad.

At all events in the mid 1920s the authorities to be sure were only too pleased to rid the 'scientific' motherland of such ideologically undesirable items as religious paraphernalia. Igor described his father at the time as 'swimming in roubles.' But Schou-Kjeldsen's biggest business venture concerned a concession he obtained to manufacture and sell buttons in Russia. With his smart suits and dapper appearance, not to mention his two resplendent Hotchkisses, Schou-Kjeldsen was about to become a monopoly capitalist in the motherland of socialism.

The monopoly capitalist

One of his more remarkable ventures concerned the manufacture of buttons using bloodmeal, the dried blood of slaughtered cattle, as an ingredient. There is a somewhat unusual story to be told here. Apparently in 1925 or 26 he made the acquaintance of a German engineer, a certain Herr Winther who, as it happened, owned a button-making factory in Denmark. In and round Poltava in the Ukraine there were, according to Winther, some 10 slaughter-houses of various sizes. He had noted that the blood of slaughtered animals was discarded, the local people apparently not knowing that this by-product could be dried and used in powder form for industrial purposes such as button-making. So it was that in 1926 Schou-Kjeldsen and Winther started up a business making the buttons which were made in Leningrad using blood from slaughterhouses which had been dried in a drying plant built by the two partners in Poltava. Unfortunately there is nothing on record about the sheer logistics of transporting the dried blood to Leningrad. We can safely assume that by no means every consignment reached its destination.

The two men went into business together trading under the name 'O. Winther and H. Schou-Kjeldsen', obtaining a concession in 1928 from the Soviet authorities to make buttons. Schou-Kjeldsen, given his knowledge of importing and exporting in Russia, was responsible for the commercial side of the operations, including the financing and securing of capital from investors. His partner handled the technical issues. The Soviet authorities granted the Dane and the German a 14 year concession to run the plant in Poltava and a *40 years' concession* to manufacture buttons in Leningrad.

Pilot production was performed in Denmark, after which Schou-Kjeldsen brought over to Leningrad eight skilled workers from Denmark, some with their wives. When at last the entire venture was up and running, Schou-Kjeldsen should have been classed as an ideologically totally unacceptable person, for he was virtually a monopoly capitalism. Material in the Danish State Archive reveals that the relationship between Schou-Kjeldsen and Winther became acrimonious. The culmination was a letter from Winther, dated 21 September 1928 and written in German, to the 'Supreme Council of the National Economy', complaining that Harald Schou-Kjeldsen has not fulfilled his

obligations as a ‘co-concessionary. Unfortunately, the archive does not contain Schou-Kjeldsen’s response to the charges nor is there any evidence that the Supreme Council took any action. But it seems that Winther withdrew from the venture with Schou-Kjeldsen.

In the Danish State Archive there is a remarkable 11 page document in Danish, dated 10 November 1930, which sheds considerable light on the operations of the button-making business. The document, which appears to be a report to the Main Committee for Concessions, is unsigned and bears the legend ‘translation from Russian.’ There are various references to ‘my concession’, and it seems reasonable to suppose that the author of the document was Harald Schou-Kjeldsen. He writes of ‘very great disappointment’ about the development of the business. The first problem concerns the supply of raw materials, namely blood-meal and the albumin obtained from it. Shortages forced him to lay off skilled workers, who at peak time numbered some 350 people, and to use other ingredients which ultimately reduced product quality. The root of the problems was that other state institutions, which could easily override the needs of a foreign concession, also needed blood-meal. Some was needed for the manufacture of veneer; some of it was earmarked as an export commodity. There were problems too with importing foreign machinery for the blood-meal factory. For example, it took ten months for the order to be approved by the central authorities. Then there was a shortage of briquettes for heating.

Later in the document Schou-Kjeldsen takes the bold step of accusing ‘the majority of the responsible leaders in government institutions’ of liquidating private enterprise because ‘they will all obey the directives from Moscow despite the damage to local interests.’ In this respect particularly galling was that the three state organisations with the monopoly for purchasing haberdashery including buttons – Centrosoyuz, Mostorgsnab and Gum (the latter, of course, being Moscow’s leading department store) – had all refused to accept the concession’s new price list, which introduced higher prices for the first time since 1928.

The litany continues with his frustrations about banks which ‘have been transformed into clearing houses which do not engage in handling money.’ His principal creditors took complete advantage of the laxness, failing to pay in accordance with the contract both as to time and to amount. Furthermore the banks provided Schou-Kjeldsen with no service when it came to financial transactions with foreign suppliers of chemicals, machinery and spare parts. Needless to say, the banks were not empowered to transfer foreign currency abroad. To add to his woes, Schou-Kjeldsen’s concession was hit by severe tax demands. At the end of 1929 his income tax on the company was raised from 12% to 20% and in 1930 turnover tax jumped from 6.8% to 26.2%.

Conceding the difficulties of operating as an entrepreneur ‘as per normal and successfully with all the changes afoot in the country’, Schou-Kjeldsen declares that it is possible, despite all these difficulties, for the concession to be ‘a sound and viable entity in the Soviet economy provided that the government takes account of the concession’s special arrangements, surrounded as it is by a socialised working environment, and if the government undertakes the necessary steps to protect the concession’s best interests.’ He lists nine key steps, which would seem reasonable under

friendly business conditions, but which were virtually unimplementable in the Soviet Union of 1930. He must have known it was too much to ask for regularisation of the supply situation, taxation relief, debt redistribution, and concessions concerning use of, and access to, foreign currency.

This is a very intriguing document, showing how as of the late 1920s the noose of socialist centralisation was beginning to throttle Schou-Kjeldsen's concession. The failure of supply of raw materials, the arbitrariness of legislation, the bureaucratic foot-dragging indifference, the disregard for local interests, the apparent penalisation of a foreign business enterprise, the lack of policy co-ordination, the inefficiencies and inertia of state monopolies the reduction of banks to mere clearing-houses – everything which Schou-Kjeldsen experienced would become par for the course for the remaining sixty years of existence of the Soviet Union – *and beyond*.

In the early 1930s the workers 'suddenly sabotaged' the facilities, which had the effect of halving output. As there is no reference to these acts of vandalism in Schou-Kjeldsen's long submission of November 1930 to the Main Committee for Concessions, we may assume that the trouble started after that. At all events these incidents prompted Schou-Kjeldsen to travel to Moscow to speak to some 'senior gentlemen about the meaning of all this.' Presumably these 'senior' gentlemen were that very committee. It transpired that the government would be happy to take over the factory before the appointed date of expiry of the concession. It took two years to negotiate the liquidation contract. But once the terms of compensation had been agreed, the Soviet government paid the amount in full in foreign exchange over an eight years' period. As for the sabotage, it seems impossible not to think that the vandalism had been instigated by the communist authorities.

In 1934 Harald Schou-Kjeldsen and his wife were told to leave the USSR within two weeks or they would compulsorily become Soviet citizens. Not everyone had the luxury of being given the chance to leave Stalin's Soviet Russia. They left: of course. Schou-Kjeldsen resumed a business career in Denmark, but never returned to the Soviet Union. He died in 1963, sadly without leaving behind any kind of memoir of his life there.

Conclusion

The life and times of Harald Schou-Kjeldsen in Russia first from 1915 to 1919 and then from 1922 to 1934 have not been told in English before; nor in Danish, come to that. Schou-Kjeldsen was by any standard a remarkable business adventurer and his story contains many items of note to people interested in that epoch-making period of Russian – indeed world – history. But there is more to him than his extraordinary life. He can indeed be taken as a role model for those dealing with today's Russia, which once *The Financial Times* described as a 'cross-cultural mine-field.'

Schou-Kjeldsen was a businessman of exceptional capability and resourcefulness, operating in a country which was officially and sometimes violently uncompromising in its opposition to everything which he, as an entrepreneur, represented. He knew Russians well, dealing with the powerful as well as arrays of underlings, whom he

learnt variously to brow-beat, humour and cajole. He spoke Russian fluently and everything we know about him suggests that he had the knack of using that marvellously flexible tongue to suit the people and the occasion. One can readily imagine him using Russian shot through with charm, flattery and maybe with slightly ingratiating overtones so that the powerful feel even more powerful. He plainly knew how to get doors opened, key documents signed and countersigned, secure favours, cement personal relationships, and to make himself trusted by his Russian contacts.

He fully understood that Russia before the Revolution and the Russia in Soviet guise after 1917 was best understood as a network of interlocking patron-client relationships: which is still is today, of course. He knew how to present himself as knowledgeable, dependable, and sympathetic to Russian foibles and occasionally prickly sensibilities. He must have had a formidably patient negotiator, a tireless networker, an organiser of the highest order, and – this should not be overlooked – a man of great personal courage.

Select bibliography

The provisional title of my book from which the above paper has been extracted is *Harald Schou Kjeldsen: a Danish business adventurer in Russia 1915-193*. A publisher is currently being sought. At the time of this writing (September 2001), I have made use of the following materials.

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