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Russian Exporters to Iran vs Transcaucasian Transit of European Goods in the Early 1880s

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Abstract: The problem of European goods transit from the Black Sea ports of Russia through Transcaucasia to the northern markets of Persia in the 19th century is considered. The author analyzes the history of its functioning, pays special attention to the process of Russian bureaucracy's discussion of the issue of the expediency of preserving the Transcaucasian transit which was finally closed in 1883. The historiographic analysis reveals that the problem of the role of Russian entrepreneurs in the abolition of duty-free transportation of European goods through Transcaucasia to Iran has not yet been covered properly. The author discloses the position of entrepreneurs on the issue under consideration through the analysis of materials stored in the fund of the Moscow Exchange Committee of the Central State Archives of Moscow; there are considered the arguments in favor of abolishing the transit expressed by the entrepreneurs associated with export to Iran in the early 1880s; there are revealed the Russian entrepreneurs' appeals to the government. The author comes to the conclusion that in the circles of the highest bureaucracy there was no unified position on this issue, which was due to the differences in the assessment of the role of commercial cargo from Europe to Iran for the development of the Russian economy. Whereas some officials, as well as representatives of the commercial and industrial circles, considered the preservation of transit to be an obstacle to the sale of their own products, for another part of the state bureaucracy it was a fiscal source of replenishment of the treasury. As a result, the pressure on the part of the commercial and industrial circles involved in the export trade with Iran led to the abolition of duty-free transit for European goods.

Keywords: Russo-Persian trade, late imperial Russia, international market, Russian merchants, economic history, foreign trade

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Российские экспортеры в Иран vs закавказский транзит европейских товаров в начале 1880-х гг.

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Аннотация: Освещается проблема транзита европейских товаров из черноморских портов России через Закавказье на северные рынки Ирана в XIX в. Автор анализирует историю его функционирования, уделяет специальное внимание процессу обсуждения российской бюрократией вопроса о целесообразности сохранения закавказского транзита, окончательно закрывшего в 1883 г. Историкографический анализ позволил выяснить, что проблема роли российских



предпринимателей в отмене беспошлинного провоза европейских товаров через Закавказье в Иран еще не получила специального освещения. Выявляется позиция предпринимателей по существовавшему вопросу через анализ материалов, отложившихся в фонде Московского биржевого комитета Центрального государственного архива города Москвы; рассматриваются доводы в пользу ликвидации транзита тех предпринимателей, которые в начале 1880-х гг. были связаны с иранским экспортом; выявлены обращения предпринимателей к царскому правительству. Автор приходит к выводу об отсутствии в кругах высшей бюрократии единой позиции по данному вопросу, что было обусловлено различиями в оценке роли коммерческих грузов, следовавших из Европы в Иран, для развития российской экономики. Если одна группа чиновников, как и представители торгово-промышленных кругов, видела в сохранении транзита препятствие для сбыта отечественной продукции, то для другой части государственной бюрократии это был фискальный источник пополнения казны. В результате давление со стороны торгово-промышленных кругов, участвовавших в экспортной торговле с Ираном, привело к отмене беспошлинного транзита для европейских товаров.

Ключевые слова: российско-персидская торговля, позднимперская Россия, международный рынок, российское купечество, экономическая история, внешняя торговля

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Introduction

Russia and Iran have long-standing trade and economic relations. Since the beginning of this century, there has been a noticeable rapprochement between the two states, whose governments have expressed their firm intention to develop trade and investment ties in the context of the strict sanctions regime towards the two states. This includes, among other things, the continuation of the project to create the “North-South” international transport corridor, which provides for the transportation of goods from India to Iran and further through the railway network of Azerbaijan in various directions, including Russia. The new route should, therefore, turn Russia into a major transit state, through which goods will be transported from East Asia to European countries; it will give Russia an opportunity not only to increase its own cargo turnover, but also to gain a significant profit from transit.¹

The implementation of the current project actualizes the appeal to the history of the functioning of European transit to Iran through the Transcaucasian territory of the Russian Empire in the 19th century, the functioning of which began in 1821, was repeatedly broken off and was finally terminated in 1883.

To date, in domestic historiography there has been formed a solid historiographic base on the problem under consideration, including works on the history of the creation of the Transcaucasian transit, commodity turnover between Iran and Russia in the conditions of duty-free transportation of European goods along the Russian roads of Transcaucasia. The researchers concluded that the existing situation had a detrimental effect on Russian exports to Iran; they revealed the dominance of indicators of the import of European goods over Russian ones to the north-western provinces of the neighboring state.²

¹ “Mezhdunarodnyy transportnyy koridor «Sever – Yug»,” *Ministerstvo inostrannykh del Rossiyskoy Federatsii*, accessed June 23, 2020, https://www.mid.ru/foreign_policy/economic_diplomacy/ism_communication/-/asset_publisher/fajfwCb4PqDA/content/id/2510952

² N.G. Kukanova, *Ocherki po istorii russko-iranskikh torgovykh otnoshenii v VII – pervoi polovine XIX veka (po materialam russkikh arkhivov)* (Saransk: Mordovskoe knizhnoe izdatel'stvo Publ., 1977); Kh.A. Ataev, *Torgovo-ekonomicheskie svyazi Irana s Rossiei v XVIII–XIX vv.* (Moscow: Nauka. Glavnaia

In domestic historiography the final abolition of the Transcaucasian duty-free transit of European goods received a unanimously positive evaluation. At the same time, there is a noticeable disproportion in covering the contribution of individual social groups to the achievement of this solution. O.A. Nikonov,³ A.V. Pyzhikov⁴ indicate in their research the decisive role of Russian officials in closing the route between the Black Sea and Caspian ports of Russia for European competitors. At the same time V.L. Stepanov notes the role of M.N. Katkov, editor-publisher of the magazine “*Russkii Vestnik*” and the newspaper “*Moskovskie Vedomosti*,” whose opinion was considered “both in the circles of the top bureaucracy and at the imperial court.” In the 1880s Katkov, as is known, was a supporter of the idea of creating “national” economy fenced off from the West by high customs barriers; therefore, he actively promoted in his newspaper the issue of the need to eliminate the Transcaucasian duty-free transit.⁵

The issue of Russian entrepreneurs’ participation in solving the transit issue has been studied to a much lesser extent. There are a number of works in which this aspect is only mentioned.⁶ In more detail it is presented in the article by T.L. Morozova, who drew attention to the heterogeneity of the views of the domestic bourgeoisie. The author was able to identify the conflict of interest between representatives of two industrial centers – Moscow and St. Petersburg. The former, representing the interests of the textile and light industry, advocated its abolition. The latter, representing the interests of financiers, heavy industry and the nobility of the capital closely associated with the export of bread and raw materials, advocated the preservation of the Transcaucasian duty-free transit for European goods.⁷

Thus, in Russian historiography, the issue of Transcaucasian transit received multi-faceted coverage. Meanwhile, the role of Russian entrepreneurs in solving the problem remains insufficiently explored. The aforementioned authors made little mention of Russian exporters’ participation in the discussion of the transit issue. At the same time, their system of arguments and judgments is not considered.

This article aims to fill this gap by introducing into scientific use previously unpublished materials stored mainly in the “*Persian Table*” fund (f. 144) of the Archive of the Foreign Policy of the Russian Empire and in the “*Moscow Exchange Committee*” fund (f. 143) of the Central State Archive of Moscow.

redaktsiia vostochnoi literatury Publ., 1991); L.M. Kulagina, “*Torgovo-Ekonomicheskie sviazi Rossii i Irana (XIX – nachalo XX vv.)*,” in *Iran. Istoriia, ekonomika, kul'tura. Pamyati S.M. Alieva* (Moscow: IV RAN Publ., 2009), 120–121.

³ O.A. Nikonov, *Politika Rossiiskoi Imperii na Srednem Vostoke vo vtoroi polovine XIX v.* (Moscow: Prometei Publ., 2015), 39, 41.

⁴ A.V. Pyzhikov, *Grani russkogo raskola: tainaia rol' starobriadchestva ot 17 veka do 17 goda* (Moscow: Conceptual Publ., 2018).

⁵ V.L. Stepanov, “*M.N. Katkov o problemakh tamozhennoy politiki v Rossii: fritrederstvo ili protektsionizm? (1860–1880-ye gg.)*,” *Voprosy teoreticheskoy ekonomiki*, no. 3 (2020): 116–129.

⁶ N.N. Bobynin, *Persii, ee ekonomicheskoe polozhenie i vneshniaia torgovlia 1901–1923*. (Tiflis: Tipografiia Voennogo Komissariata Publ., 1923), 253–254; U.A. Shuster, “*Ekonomicheskaiia bor'ba Moskvy s Lodz'iu (iz istorii russko-pol'skikh ekonomicheskikh otnoshenii v 80-kh godakh proshlogo veka)*,” *Istoricheskie zapiski*, no. 5 (1939): 188–245; L.V. Kupriyanova, “*Morozovy i Obschestvo dlia sodestviia russkoi promyshlennosti i torgovle*.” *Morozovskie chteniia*. 1996 g., accessed October 28, 2021, <https://www.bogorodsk-noginsk.ru/arhiv/chteniya96/index.html>.

⁷ T.L. Morozova, “*On the history of the abolition of the Transcaucasian transit*,” *History of the USSR*, no. 3 (1977): 135.

Transit of European goods through Transcaucasia in the first half of the 19th century

Some time after the annexation to Russia of the territories on the western side of the Caspian Sea from the Aras to the Kura, the Russian government set the task of attracting domestic and foreign capital for the economic revival of this region. In 1821, there was issued the government decree, according to which all entrepreneurs who had established trading houses in Transcaucasia for wholesale trade were granted the rights of first-guild merchants for ten years from July 1, 1822 without paying guild and personal taxes.⁸ In addition, according to the special decree of October 8, 1821, a five percent preferential tariff was introduced for European goods imported into the Transcaucasia, and their duty-free transit to Iran was allowed.⁹

Indeed, the measures taken led to the expected inflow of capital into Transcaucasia. Whereas in 1807–22 the collection of duties at the Tiflis customs was 274.2 thousand rubles in silver, in 1822–32 it increased to 740 thousand rubles.¹⁰ Local merchants also received profit, being involved in international trade.

Meanwhile, there began to appear negative consequences of the ongoing transit policy. According to A.S. Griboyedov, an unlimited influx of European goods did not at all contribute to the growth of local production, and the Tiflis bazaar full of imported products had few local goods.¹¹ The situation was no better in the Iranian market flooded with European products.

The information about the negative impact of the free European transit through Transcaucasia prompted the government to introduce restrictive measures. In 1832, there was adopted a prohibitive customs charter which led to the closure of the Black Sea ports for foreign cargo and a sharp increase in the tariff for them. This measure was supposed to stop the transit of European goods seriously complicating their penetration into Iran. However, in fact, the flow did not stop due to the development by European commissioners of a new route bypassing Russian territory through Turkey – from Trabzon and Khoy to Tabriz. The expectations with regard to the dominance of Russian goods on the north-western borders of Iran, thus, were not met. On the contrary, in 1832–34, Russian exports decreased by more than 1 million rubles. As for European exports, their flow to Iran, on the contrary, increased from 20 million rubles in 1833 to 52 million rubles in 1836.¹² Moreover, the so-called Erzurum route had a number of advantages over the Transcaucasian one. Here, a larger number of vehicles were used; there were more pastures along the route, which ensured the cheapness of transporting luggage in comparison with the route from Poti to Julfa through Tiflis.¹³

The concern about the stoppage of trade traffic through Transcaucasia prompted Prince M.S. Vorontsov, the Caucasian viceroy, to make a motion on the need to establish duty-free transit of European goods. This initiative was approved and implemented in the form of the “Highest Decree on Duty-free Transit through the Transcaucasian Region” on December 14, 1846. According to it, starting from 1848, the transition of Euro-

⁸ G.P. Nebol'sin, *Statisticheskie zapiski o vneshnei torgovle Rossii* (St. Petersburg: [S.n.], 1835), 164.

⁹ Kukanova, N.G. *Ocherki po istorii*, 119.

¹⁰ *Ibid.*, 121.

¹¹ *Ibid.*, 122.

¹² *Ibid.*, 126.

¹³ Arkhiv vneshney politiki Rossiyskoy imperii (henceforth – AVPRI), f. 144, op. 488, d. 388, l. 77 revers.

pean goods was carried out from Redoubt Kali through Tiflis to Iran's Julfa and Tabriz. In the early 1860s, two more new routes were added: the first one – from Poti (which replaced Redoubt Kali in 1858) and Sukhum to Kutais, Akhaltsikhe, Akhalkanaki, Alexandropol, Erevan, Nakhchivan and the Julfa crossing (through the Aras); the second one – from Poti and Sukhum to Kutais, Tiflis, Elizavetpol, Shamakhi, Baku. From 1864, it was allowed to transfer transit goods from Baku by sea, provided that they were loaded exclusively on Russian ships and delivered to those Persian ports that had Russian consulates.¹⁴

Discussion of the issue of Transcaucasian transit in the government in the 1870s – early 1880s

In the 1870s the transportation of European goods was facilitated due to the launch of the Poti-Tiflis railway in 1872. The result of creating such comfortable conditions for European transit, in the absence of measures to facilitate the supply of Russian products from the interior regions of the country, was a significant increase in the volume of European goods entering Iran through Transcaucasia. Specific data by year are given in Table.

Overview of foreign goods entering Iran in 1870–76, rubles

Year	Russian goods transported to Persia	Foreign goods transported to Persia through transit
1870	1 662 370	1 826 594
1871	1 429 968	1 348 462
1872	1 693 379	1 977 866
1873	1 819 516	2 643 164
1874	1 845 762	3 692 053
1875	1 873 530	3 486 247
1876	1 676 563	3 898 456

Quoted from: N.A. Shavrov, *Russkii put' v Zakavkaz'e* (St. Petersburg: tip. A.S. Suvorina Publ., 1883), 13.

Table shows the dynamics in the transit of European goods to Iran in 1870–76, while Russian indicators remained practically at the same level. In total, within seven years, domestic goods were transported to Iran through the Transcaucasian border for an amount equal to a little more than 12 million rubles, whereas the cost of European goods amounted to 18.9 million rubles.

Representatives of the Ministry of Foreign Affairs drew attention to the perniciousness of the duty-free European transit for Russian exports to Iran.¹⁵ However, in the opinion of the Transcaucasian officials, the activation of the transportation of European goods with the opening of the Poti-Tiflis railway was beneficial for the Transcaucasian region, since transit yielded a considerable profit for the local treasury, bringing in more than 200 thousand rubles per year.¹⁶ As a result, the issue of the need to abolish duty-free transit in the first half of the 1870s remained open.

The second half of the 19th century was a time of rapid development of domestic oil production and the beginning of oil exports abroad. To facilitate its export from

¹⁴ E.A. Tikhotskii, *Zakavkazskii tranzit i nasha s nim konkurentsia po torgovle s Persiei v 1862–81 gg.* (Kiev: S.V. Kul'zhenko Publ., 1883), 9.

¹⁵ O.A. Nikonov, *Politika Rossiiskoi Imperii*, 39.

¹⁶ S.E. Palashkovskii, *Zakavkazskii tranzit v Persiiu* (St. Petersburg: tip. t-va Obshchestv. Pol'za Publ., 1876), 7.

the territory of the Absheron Peninsula to the Black Sea coast and further transportation to world markets, a project was launched to build the Tiflis-Baku railway line, which was supposed to be the continuation of the Poti-Tiflis section of the Transcaucasian railway. The concession for its construction, which began in 1878, was received by S.E. Palashkovsky and A.A. Bunge, the entrepreneurs close to the tsarist bureaucracy.¹⁷

The construction work on the Tiflis-Baku section of the Transcaucasian Railway ended in 1883. The beginning of the railway line construction intensified the discussion in the government circles about the justification for the duty-free European transit through Russian territory. The discussion in the Foreign Ministry revealed a split of opinions on this issue. A considerable part of the officials of the diplomatic corps advocated the preservation of the duty-free transit. Thus, in 1878, J. Krebel, the consul general in Tabriz, wrote in his report to the Russian envoy in Tehran that he considered it wrong to subject transit trade to any restrictive measures, even if “assuming” that it “is the cause of the decline of our trade in Persia.” From his point of view, it was efficient not only to allow, but to facilitate and encourage by all means the transit of foreign goods through Transcaucasia in order to divert foreign cargo from the Trabzon-Erzurum route. The diplomat even urged to make the Transcaucasian route more comfortable in operation, and for this, to connect the Batumi port with Tiflis and Tehran by a rail line. Together with the Persian government, it was proposed to build a road from Julfa to Tehran, to simplify the customs clearance of goods and establish a solid transport company with agencies all the way from Batumi to Tabriz. J. Krebel believed that in the future, when the flow of goods developed, it would be possible to replace the highway between Tiflis and Tabriz with a railway continuing it to Tehran and even further, to the south-east, to the northern borders of India. According to him, this would ensure the attraction of European goods, since the new railway would be more convenient than the British-designed Euphrates Line, aimed at connecting the Mediterranean Sea with the Persian Gulf. He believed that such a road could also be of strategic importance in the event of a tense situation to the west or east of this path.¹⁸

Other Russian diplomats headed by I.A. Zinoviev, the Russian Minister Plenipotentiary in Tehran held the opposite view pointing out that the duty-free transit in the conditions of the Tiflis-Baku railway line under construction would further facilitate the penetration of European goods not only into the northern Iranian provinces, but also into the Transcaucasian region, through such a path as Tiflis – Baku – Krasnovodsk – Ashgabat.¹⁹

Discussion of the issue of transit among entrepreneurs

The oilmen looked forward to the traffic launch along the single highway Poti – Baku. At the same time, it caused serious concern among other Russian entrepreneurs – whose export trade was related to Iran. On the agenda there was the issue of the possible extension of practicing duty-free transit of European goods to the new section of the Transcaucasian railway. Even S.E. Palashkovsky, proving in his work “Trans-

¹⁷ S.E. Palashkovsky was the son of a former district chief in Baku. A.A. Bunge was a nephew of the Minister of Finance. The completion of the construction of the railway line was already associated with the Baku House of Rothschilds in connection with the financial problems, which the first founders had faced. See more about it: M.V. Slavkina, *Rossiiskaia dobycha* (Moscow: Rodina MEDIA Publ., 2014), 51–52.

¹⁸ AVPRI, f. 144, op. 488, d. 388, l. 89–92.

¹⁹ O.A. Nikonov, *Politika Rossiiskoi Imperii*, 112.

caucasian Transit to Persia” the profitability of building a new railway line for oilmen and the state, admitted in 1876 that if duty-free European transit was opened along the Transcaucasian railway to Baku, it was the goods of the domestic cotton industry that would receive an unfavorable price environment. The concessionaire calculated that from that moment onward, the foreign manufactory which cost about 60 rubles per pood in Iran could have fallen in price by 20 kopecks, i.e. by approximately 0.3%. Even for coarse fabrics the arshin of which cost about 15 kopecks, this reduction in price would amount to 20 kopecks.²⁰

In this regard, representatives of the textile industry began to express quite justified concern. One of the main centers of merchant discontent with regard to the prospect of expanding the duty-free transit of European goods to the new railway section – Tiflis – Baku – was the Moscow Exchange Committee (hereinafter – MEC). On October 6, 1882, there was received an application from Russian entrepreneurs, headed by V.E. Morozov, a textile industrialist, hereditary honorary citizen. It reported on the concern of Russian business circles with the issue of the duty-free transit of foreign goods through the Transcaucasian region and contained a request to N.A. Naidenov, the chairman of the MEC to contact Minister of Finance N.Kh. Bunge, so that the meeting of the elected representatives of the Moscow Merchant Society could get the right to petition for the protection of their interests in trade with the Transcaucasian region and Iran.²¹

On October 28, 1882, the MEC received a letter from P.V. Osipov, the chairman of the Nizhny Novgorod Fair Exchange Committee which reported on the request from a number of firms and individual entrepreneurs who traded with Iran and the Caucasus to “comprehensively consider” the issue of the duty-free transit of foreign goods through Transcaucasia.²²

In November 1882, the MEC received another petition signed by V.E. Morozov and other entrepreneurs that pointed out great concern among Russian business circles about the fate of Russian industry in view of the duty-free European transit. In particular, the letter read:

At present, the industrial and commercial world of both Moscow and other central provinces considers the issue of the transit through the Transcaucasian region with concern; they are embarrassed by explanations about the direction of the issue discussion.²³

The petition also contained a request to allow electing a “special delegation” to apply to the emperor for protecting the interests of Russian industry and trade by closing the foreign goods transit through the Transcaucasian region to Iran.²⁴

The idea of abolishing the duty-free transit of European goods was also expressed by representatives of other manufacturing industries. In particular, the MEC received an application from M.S. Kuznetsov, a manufacturer of porcelain and faience products, hereditary honorary citizen, in which he expressed solidarity with other entrepreneurs in the wish to induce the government to close the Transcaucasian transit. He expressed it as follows:

²⁰ S.E. Palashkovskii, *Zakavkazskii tranzit v Persiiu*, 32.

²¹ Tsentral'nyy gosudarstvennyy arkhiv g. Moskvy (henceforth – TsGA g. Moskvy), f. 143, op. 1, d. 98, l. 4.

²² *Ibid.*, 5.

²³ *Ibid.*, 113.

²⁴ *Ibid.*

I consider it my duty to express my opinion on the issue of interest to all manufacturers, and I add my voice to that opinion of the Moscow Exchange Committee, like the majority of Russian merchants who are in favor of closing the Transcaucasian transit.²⁵

Further M.S. Kuznetsov set out his arguments concerning the dangers of the duty-free transportation of European goods from the position of a manufacturer of porcelain and faience products.

He noted that goods were sent from the factories to Astrakhan, and then from the Nizhny Novgorod fair to Iran only during the navigation period. Great Britain had the advantage that it could send its goods all year round. In addition, in the event of an influx of Western goods, there could inevitably be a danger that the Iranians would no longer need to go to Astrakhan and Nizhny Novgorod for Russian products. M.S. Kuznetsov believed that in this case even if merchants arrived at the fair, they would only sell their goods and bring proceeds to their homeland without purchasing Russian products. They would give the money to the British as payment for the products of British manufacturers.²⁶

M.S. Kuznetsov stated that the fate of more than one hundred thousand factory people depended on the resolution of the transit issue, since when the Iranian market was filled with European goods, Russian analogues would inevitably be driven out. In this case, given the decrease in demand in the foreign market, domestic producers would have to reduce the production of the corresponding wares. This, in turn, would cause the dismissal of workers, which “would entail extreme need and inevitable begging.”²⁷

The anti-transit sentiments were supported, in particular, by the entrepreneurs of the Yegorievsk district of the Ryazan province; they turned to the MEC with a request

to join their petition to the Supreme Government on the complete prohibition of the duty-free transit of foreign goods along the newly opened Transcaucasian railway.²⁸

The latter expressed their conviction that its resolution would provide British competitors not only with cheap transportation by rail, but also by a short route across the Caspian Sea from Baku to the Iranian coast. In addition, they pointed out that the transportation from Great Britain to Poti was cheaper for the British than the delivery of domestic goods by inland river routes due to the high freight rates of Russian carriers. At the same time, the routes along the Volga through Astrakhan to Iran were closed for six months. According to Yegorievsk entrepreneurs, all these aggravating circumstances could drive Russian goods out of all Iranian markets that lay along the shore of the Caspian Sea.²⁹

The position of sugar producers was expressed by honorary citizen of Moscow N.P. Sergeev in his application to the MEC; he pointed out the need to protect the interests of the Russian export sugar trade with duties on foreign analogues. Instead, from the point of view of the entrepreneur, the Transcaucasian railway gave “foreign goods an easy opportunity to penetrate both into the north-western and eastern coasts of the Caspian Sea” and create competition for Russian sugar there.³⁰

²⁵ TsGA g. Moskv, f. 143, op. 1, d. 98, l. 126.

²⁶ Ibid., 127.

²⁷ Ibid., 127 revers.

²⁸ Ibid., 21.

²⁹ Ibid.

³⁰ Ibid., l. 136.

On the basis of the appeals received from Russian entrepreneurs, the meeting of elected representatives of the Moscow Exchange Society held a discussion on the issue of the impact of the Transcaucasian transit on the situation of Russian industry and trade. On November 5, 1882, there was published the “Resolution of the Meeting of the Elected Representatives of the Moscow Exchange Society” on the problem under consideration. It recognized as fair all the arguments of Russian entrepreneurs in favor of a ban on the duty-free transportation of foreign goods along the Poti-Baku railway. In addition to the previously mentioned arguments, the “Resolution” contained other evidence of its disadvantage for Russian foreign trade. In particular, this refers to the fact of smuggling to Russia through the Caspian Sea due to the lack of control over the route of ships in the sea area. With the opening of the railway to Baku, while allowing duty-free transit, there were created even more favorable conditions for smuggling.³¹

Special attention was paid to the alternative route of foreign goods to Iran from Turkey. In the expert judgement of the MEC, it was shown that for foreign merchants the Turkish route was not profitable financially, and the Transcaucasian route would still retain its attractiveness even if the duty-free transit was abolished. As a proof there were given calculations. According to them, the fee for the transportation of goods from Great Britain to Tabriz was 3 rubles per pood, and to Rasht – 4 rubles 60 kopecks. At the same time, in the case of delivery of a similar product from Great Britain through Poti to Tiflis and through Julfa to Tabriz, the fee was reduced to 2 rubles per pood. If the cargo was transported through Poti by rail to Baku and by sea to Rasht, the fee was only 1 ruble 62 kopecks per pood. Consequently, for British exporters the transportation to Tabriz through Julfa would be more than 1 ruble per pood cheaper, and to Rasht through Baku – almost 3 rubles. Moreover, using the Transcaucasian railway was also advantageous due to delivery speed: it took 20 days to transport goods from Great Britain to Rasht, whereas pack animal transportation of goods through Trabzon took three-four months³².

In addition, in the “Resolution of the Meeting of the Elected Representatives of the Moscow Exchange Society,” attention was drawn to the easier penetration of European goods through Baku and the Caspian Sea, if the duty-free transit was allowed, not only into the north-eastern part of Iran – the most remote territory for foreign merchants, but also into the Central Asian regions of Russia. In this regard, the document contained a warning about the negative impact of the transit on economic results and about “the inconsistency of the consequences of transit with the political views of Russia.”³³

The meeting of elected officials came to the unanimous conclusion that the transit of foreign goods through Transcaucasia

seems to be absolutely harmful for the interests of Russia and therefore its immediate destruction is extremely necessary.³⁴

On the basis of the decision taken, on November 30, 1882, chairman of the MEC N.A. Naydenov sent to Minister of Finance N.Kh. Bunge the petition for the meeting of the MEC representatives with the emperor on the issue of the Transcaucasian transit func-

³¹ AVPRI, f. 144, op. 488, d. 386, l. 121.

³² TsGA goroda Moskvy, f. 143, op. 1, d. 98, l. 24 revers.

³³ Ibid., 26; AVPRI, f. 144, op. 488, d. 386, l. 123 revers.

³⁴ TsGA g. Moskvy, f. 143, op. 1, d. 98, l. 26.

tioning³⁵. However, this initiative gained no support. On December 8, 1882, an answer was received that the request of Moscow merchants to accept their delegation “got no Merciful permission.”³⁶

The issue of the transit remained open. Meanwhile, its discussion received wide coverage in the press with the support of M.N. Katkov. He defended the position of that part of the high bureaucracy that advocated strengthening the protectionist course in defiance of the policy of Minister of Finance N.Kh. Bunge who did not approve of the extremes of customs protection in order to avoid possible economic shocks.³⁷

Russian exporters to Iran received additional support from the Society for Promotion of Russian industry and trade which at the end of 1882 devoted several meetings to discussing this issue. In January 1883, the general meeting of the Society decided to petition the government to close the duty-free transit of European goods through Transcaucasia.³⁸

The MEC reverted to the transit issue in the spring of 1883. By that time, there had been filed an application signed by 79 Moscow industrialists with a request to make the petition to the government regarding the Transcaucasian transit again. The entrepreneurs who had signed it referred to the hiring of workers “from Easter to October 1” – it was important for them to know the outcome of resolving the issue in order to decide on the number of workers to be hired. The application pointed out the spread of rumors about a significant increase in the supply of foreign goods for transit to Poti and Batumi. They wrote that “the rumor had a negative effect on the trade in the products of Russian factories” and causing a significant decrease in the output of goods it might force entrepreneurs to start cutting jobs.

Particular attention was paid to the adverse changes that could result from the duty-free transit in the Tiflis-Baku section for Russian trade in the north-eastern region of Iran. In particular, the appeal received by the MEC from experts in the metal industry indicated that prior to the absence of a new section freight transit for European metals to Baku had been relatively expensive. However, the railroad transportation was supposed to open for them the markets of the entire coast of the Caspian Sea and give them an advantage over Russian goods ensuring a year-round supply. In turn, the location of domestic plants determined the delivery of Russian metals to the eastern and southern Caspian coasts through Astrakhan, rather than through Baku. The port of this city remained closed for six months. To solve the problem, it was proposed to increase the freight rate for European metal by Poti-Baku railway before the development of southern Russian iron factories

when the latter, after satisfying local consumption, would be able to provide the Caucasus and Transcaucasia with their products.³⁹

Finally, on March 23, 1883, the MEC received a telegram that the consideration of the Transcaucasian transit case was scheduled for March 31 in the State Council. It also said that the Minister of Finance instructed the MEC to send three experts from various industries.⁴⁰ In accordance with this request, the MEC decided to send A.I. Baranov

³⁵ TsGA g. Moskvyy, f. 143, op. 1, d. 98, l. 118.

³⁶ *Ibid.*, 121.

³⁷ V.L. Stepanov, “M.N. Katkov o problemakh tamozhennoy politiki,” 123.

³⁸ L.V. Kupriyanova, “Morozovy i Obshestvo.”

³⁹ TsGA g. Moskvyy, f. 143, op. 1, d. 98, l. 101 revers – 102.

⁴⁰ *Ibid.*, 169.

representing the cotton industry, I.M. Matveev – the woolen industry, and M.F. Mark – the sugar industry.⁴¹

On the appointed day, the State Council discussed the issue of allowing transit along the newly opened Transcaucasian railway. Minister of Finance N.Kh. Bunge suggested closing the duty-free transit for European goods to the Caspian Sea and preserving it to Julfa. However, former Minister of Finance A.A. Abaza opposed the adoption of any compromise decisions; he was supported by Chairman of the Committee of Ministers M.Kh. Reiter. According to State Secretary A.A. Polovtsev, all ministers agreed with them.⁴²

On June 3, 1883, the law on the transit abolition was approved.⁴³ Although, according to the Russian entrepreneurs, it did not lead to an immediate positive change in the ratio of European and domestic goods in Iran, in the long run it gave its results becoming another step to consolidate Russia's monopoly position in the northern provinces of Iran.

Conclusions

The study showed that the Russian entrepreneurs, associated with the Iranian market, were well aware of the mechanisms for supplying domestic and European goods to it. They calculated all the costs that trade could bear if the duty-free transit was maintained on the functioning railway lines and its extension to the new Tiflis-Baku line. The issues of the protection of Russian trade interests in the Middle East were in the focus of attention of government circles, which at the same time were interested in securing financial revenues to the state treasury through the influx of foreign capital into the Transcaucasian region. The Russian entrepreneurs were able to prove that there would be no serious financial losses for the Russian budget in the event of the abolition of the duty-free transit for foreign goods; at the same time they revealed the benefits that this measure could bring to the development of Russian-Iranian trade relations.

Although the official appeals to the government were made on behalf of the Moscow Exchange Society, entrepreneurs from various regions including the Volga and South-western regions took part in their development. The commercial and industrial circles associated with the Iranian market perceived the European transit through Transcaucasia solely as a negative factor that harmed trade in Iran, and, consequently, hindered the dynamic development of domestic industry.

The Russian bureaucracy did not have an unambiguously negative attitude towards the issue of the transit of European goods through the Transcaucasian region. Russian exporters were able to develop a unified position on the issue of the transit, and the consolidation and competence they showed played a decisive role in the discussion of the issue of abolishing the free Transcaucasian transit for foreign goods.

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⁴¹ TsGA g. Moskvy, f. 143, op. 1, d. 98, l. 171.

⁴² A.A. Polovtsev, *Dnevnik Gosudarstvennogo sekretaria*, vol. 1 (Moscow: Tsentrpoligraf Publ., 2005), 80.

⁴³ *Polnyy svod zakonov Rossiyskoy imperii*, collection 3, vol. 3, no. 1581 (St. Petersburg: Gosudarstvennaia tipografiia Publ., 1886).

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