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## Concession Policy in the Crosshairs of Revolutionary Self-Consciousness: Labor and Departmental Conflicts

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**Abstract:** The New Economic Policy solved a number of economic and production problems for early the Soviet Union. At the same time, it caused a series of conflicts associated with the delays of the reconstruction period, as well as with the disappointment of the more political active part of the population as it undermined the slogans of the socialist revolution as too distantly obtainable a prospect. The article examines the relations of a specific group of foreign concessionaires with local authorities, and the population of the territories handed over to them by the Soviet authorities for the exploitation of natural resources by utilizing a large number of diverse sources. The emphasis of the authors is placed on two types of non-industrial concessions – forestry (in Northern provinces) and agriculture, practices which continued, to some extent, the tradition of German colonization of southern Russian lands. The authors reveal common and different behavioral strategies of the concessionaires in their relations with the workers, and with the trade union activists; as well as in the attitude of the population and the local party and Soviet authorities to them. Without dwelling on the “predatory” forms of exploitation of the conceded natural resources, or the state line of gradually winding down the concession program, the authors consider another reason for the liquidation of concessions – protest by workers as their self-consciousness was awakened by the “return” of elements of Western capitalism by local party functionaries.

**Keywords:** NEP, Druzag, Manych, Rusangloles, Severoles, Soviet concession program, labor conflicts

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## Концессионная политика под прицелом революционного самосознания: трудовые и ведомственные конфликты

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**Аннотация:** Исследуется период новой экономической политики, когда советским руководством был снят ряд хозяйственных и производственных проблем, что, в свою очередь, вызвало череду трудовых конфликтов, связанных с затягиванием восстановительного периода, а также с разочарованием



активной части населения в лозунгах социалистической революции как чрезмерно отдаленной перспективы. На большом количестве разноплановых источников раскрываются взаимоотношения иностранных концессионеров с местной властью и населением территорий, переданных им советским руководством для эксплуатации природных ресурсов. Акцент сделан на двух видах концессий – лесных (в северных губерниях) и сельскохозяйственных, продолжавших в определенной степени традицию немецкой колонизации южных русских земель. Выявлено общее и различное в поведенческих стратегиях концессионеров в отношениях с рабочими, профсоюзным активом, а также с местным населением, представителями партийной и советской власти на местах. Не останавливаясь на «хищнических» формах эксплуатации переданных в концессию природных ресурсов, авторы, помимо государственной линии на постепенное сворачивание концессионной программы, рассматривают и другую причину ликвидации концессий – протест разбуженного «возвращением» элементов западного капитализма рабочего самосознания, поддерживаемый, в первую очередь, местными партийными функционерами.

**Ключевые слова:** НЭП, Друзаг, Маныч, Русанглосес, Северолес, советская концессионная программа, трудовые конфликты

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## Introduction

Historical experiences, including regional ones, as well as the conditions of “survival” under economic sanctions, and the lessons of how to attract large-scale foreign capital to the key branches of the domestic economy, still retain both scientific and practical relevance today. Through its concession program, Soviet Russia faced the task of attracting otherwise unavailable hard currency investments and advanced technologies. At the time, the Bolsheviks claimed that this would help obtain the technologies and machines necessary for the Soviet state, as well as, it would take advantage of the need for Russian raw materials, and to eventually bring discord through encouraging economic competition inside the West as it opposed the Soviet Republic.

By 1927, in the USSR, there were about 60 operating enterprises with foreign participation. Although they had an insignificant share of concessions, the issues these enterprises faced reflected the organizational and economic difficulties and socio-political conflicts characteristic of the New Economic Policy (NEP) era and the initial stage of socio-political transformations of the period. These industries became an arena of conflicts between all participants in the events – from responsible people's commissariats and foreign concessionaires to ordinary citizens. Through the study of the existing multiple-valued assessments of the concession policy, a deeper investigation can not only contribute to our understanding the nature of early Soviet society, but the emerging lines of split and future internal political confrontations.

The breadth of the problem can be judged by more recent historiographical works.<sup>1</sup> In modern Russian historiography, the issue of the concession policy of the Soviet state that occupies a significant place. In addition to the main activities of foreign companies, their relationship with labor collectives and trade unions has been long been considered

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<sup>1</sup> M.Yu. Mukhin, “Sto let izuchenii nepa. Vremia podvodit' itogi? [One hundred years of studying the NEP. Time to sum up?],” *Russian History*, no. 5, (2020): 3–14, <https://doi.org/10.31857/S086956870012177-5>; M.A. Fel'dman, “Sovremennaia istoriografiia nepa; stoletii ne khvatilo [Modern historiography of the NEP; a century was not enough],” *New and Contemporary History*, no. 4 (2022): 27–41, <https://doi.org/10.31857/S013038640020234-5>; O.G. Kletskina, “Novaia ekonomicheskaiia politika: nekotorye aspekty sovremennykh nauchnykh issledovaniy [New economic policy: some aspects of modern scientific research],” *Bulletin of Udmurt University: History and Philology*, no. 31 (2021): 764–776, <https://doi.org/10.35634/2412-9534-2021-31-4-764-776>

important to the field.<sup>2</sup> The conflicts that arose were the result of the disproportionate demands of workers, trade unions and authorities from the concessionaires. At the same time, it should be noted the leading role of Soviet institutions in their resolution. It should also be noted that such a complexity of the configuration of the social class rift that emerged at enterprises with foreign participation was confirmed through the conclusions of experts in the field of the concession practice in the 1920s.<sup>3</sup> In addition to labor disputes, concessions with foreign participation caused friction and discussions between Soviet institutions that assessed the value of the program in different ways. This layer of economic interaction fit in the general circle of disagreements and misunderstandings generated by the presence of foreign capital in the USSR and a new approach to the study of this problem that should not lose its relevance. The authors intend to find out the configuration of relations between the structures involved in the implementation of the USSR concession program, by using the example of concession enterprises focused on utilizing resource and raw materials. Such concessions have a certain peculiarity in comparison with production concessions, where the main participants in the process were workers and new foreign capitalists were under the close supervision of Soviet and Communist Party bodies. A more complex system of relations between concessionaires on the outskirts of the huge state involved much larger masses of the population – members of procurement artels, seasonal workers. Such concessions often provided employment for entire territories, and therefore becoming, in contemporary terms, “city-forming.”

The sources used in this work reflect all levels and all relevant sectors of the country's national economy. Documents from state institutions (the Main Concession Committee at the Council of People's Commissars of the USSR), the Concession Committee at the Council of People's Commissars of the RSFSR (Kontseskom), the Concession Commission at the People's Commissariat for Agriculture of the RSFSR, etc.) contains information on numerous incidents that arose around enterprises run by foreigners. An additional, but significant source was the minutes and transcripts of Soviet trade unions, and party conferences; reports of control commissions and letters to the Central Committee of the All-Union Communist Party of Bolsheviks, the All-Union Central Council of Trade Unions; correspondence between the management of concession enterprises and monitoring bodies, internal office work of concession organizations, as well as investigative cases and court decisions on complaints of workers or employers. The memoirs of Soviet officials and specialists,<sup>4</sup> foreign employees of concession enterprises,<sup>5</sup> published abroad, contain many nuances illustrating the psychological atmosphere caused by the “return of capitalism.”

At the stage of the recovery of the economy destroyed by the civil war, the USSR was, above all, interested in forestry, agricultural and industrial enterprises.<sup>6</sup> Foreign entrepreneurs were attracted by resource and raw material concessions. In addition to min-

<sup>2</sup> T.V. Yudina, *Sovetskie rabochie i sluzhashchie na kontsessionnykh predpriatiiakh SSSR v gody NEPa* [Soviet workers and employees at the concession enterprises of the USSR during the years of the NEP] (Volgograd: VGU Publ., 2009); M. Levin, and I. Sheveleva, “Inostrannye kontsessii v 1920-kh godakh v SSSR: ‘pochemu rasstalis’? [Foreign concessions in the 1920s in the USSR: ‘why did they part’?]” *Economic issues*, no. 1 (2016): 1–20, <https://doi.org/10.32609/0042-8736-2016-1-138-158>

<sup>3</sup> Rossiiskii gosudarstvennyi arkhiv ekonomiki [Russian State Archive of Economics] (henceforth – RGAE), f. 3405, op. A-425, d. 3, l. 263-a-o.

<sup>4</sup> S.I. Liberman, *Building Lenin's Russia* (Chicago: University of Chicago Press, 1945); B.A. Vil'kitskii, *Kogda, kak i komu ia sluzhil pod bol'shevikami. Vospominaniia belogvardeiskogo kontr-admirala* [When, how and to whom I served under the Bolsheviks. Memoirs of the White Guard Rear Admiral.] (Moscow; Berlin: [N.s.], 2016).

<sup>5</sup> E. Abrahamsen, “Iz Seregova v Onegu. Vospominaniia o norvezhskom lesnom biznese v Rossii” [From Seryegov to Onega. Memories of Norwegian timber business in Russia] (Arkhangelsk: SAFU Publ., 2016).

<sup>6</sup> RGAE, f. 478, op. 2, d. 921, l. 141.

ing concessions, these were forestry (in the North) and agricultural (mainly in the South of Russia) ones. There were six forestry concessions. The number of agricultural enterprises remained about the same, with a tendency to decrease due to their reorganization into state farms. This article presents the relations concerning the English, Dutch and Norwegian forestry concessions in the European North of Russia, as well as the German agricultural concessions in the North Caucasus region – “Druzag” (near the city of Armavir) and “Manych” (Salsky district). In the latter one the “Friedrich Krupp” steel concern invested money.

The authors conducted research on the classification of concession practice contradictions based on the composition of the participants and the motivation for their actions due to their economic and political nature.

### **Labor Disputes of Employees and the Administration of Concession Enterprises**

The first type of disputes may involve the actions of employees that directly worked at foreign concessions. They usually arose where the owners most consistently introduced capitalist methods of exploitation by relying on the guarantee of the independence of the internal economic life which was provided by the standard concession agreement. Workers were indignant at the lack of – observance of labor laws in the country after a victorious socialist revolution, and the refusal of the main slogans of Soviet power in some territory.

While trying to explain to the population the necessity of introducing foreign concessions, the government may have overdone its justification. The dialectical intent of the concession program was explained as follows:

Developing production in their own interests... [foreign capitalists] play into the hands of the Soviet state strengthening our economic power.<sup>7</sup>

Foreign tenants were subject to high state and local taxes, which were supposed to be used to improve the life and provision of the population. It was confirmed that at the concession enterprises all social guarantees would be maintained and that the Soviet government would not allow rise in unemployment, since the importation of labor from abroad including “highly qualified scientific, technical and clerical personnel” would be limited.<sup>8</sup> The concession agreements stipulated higher salaries than at Soviet enterprises of the same type.

At the first stage of their activities, concessionaires as employers gained high popularity. Timber mills which had not been functioning began to work again; the loans received were channeled to the non-agricultural Arkhangelsk province in the form of food, tools, clothing and footwear, and other consumer goods, which made even suspicious peasants put up with the appearance of capitalists, and to make things worse, foreign capitalists. In the North Caucasus region, there was an influx of people from other provinces wishing to get a job at foreign enterprises. However, after a while, there arose questions to the concessionaires; there were excessive demands on them at all levels, first of all, regarding working and living conditions, and later on regarding salaries.

The concessionaires were dissatisfied with the need to observe the Soviet labor laws. Explaining the failures in export operations, managing director of “Rusnorvegoles” F. Prutz referred to the extremely high costs of social insurance, workers' clubs, factory committees, cultural education, as well as other “non-production expenses on housing

<sup>7</sup> Gosudarstvennyi arkhiv Arkhangel'skoi oblasti [State Archive of the Arkhangelsk Region] (henceforth – GA AO), f. 230, op. 1, d. 28, l. 130.

<sup>8</sup> *Ibid.*, l. 72, 130–133.

construction,” which made the products non-competitive in the world market. Of the £100,000 “non-production expenses,” £40,000 was spent on insurance, £10,000 on workers' clubs, trade unions and working committees. The concessionaire commented on these figures as follows:

This amount is out of all proportion to the actual value of workers' insurance in any other country, and I doubt that even a small part of this amount was actually paid to the workers <...> It would be fairer to suggest that the workers create them from their own contributions, as in most countries of the world...<sup>9</sup>

An example of permanent internal conflicts was the concession “Druzag.” The Soviet laws ordered that an employer should create favorable living and working conditions for employees. However, at this enterprise this requirement was only met reluctantly because of the high cost and shortage of materials, as well as the desire to save on labor costs. A list of real estate in the USSR, owned by “Druzag” in 1933 indicates that there were such opportunities.<sup>10</sup>

The dismissive attitude of the directorate of “Druzag” to the needs of workers became the cause of a strike in July 1925, a strike that soon found resonance. It was caused by violations of the collective agreement, namely: late salary payment, decrease in bread allowance, delays in equipping residential barracks and rough treatment by the administration.<sup>11</sup> From year to year the situation at the concession enterprise became increasingly tense; it aggravated every six months during the campaigns for the renewal of the collective agreement. The concessionaire constantly complained about the excessive requirements of the arrangement. Eventually, it was Moscow that took part in resolving the situation. The interdepartmental commission whose representatives visited the enterprise in July 1929 established the cause of the conflict. It considered the starting point to be the constant unprofitability of production to be caused by non-compliance with the requirements of agricultural technologies. The administration was trying to cover its losses by saving on the workers. The latter protested as best they could, and the directorate, as noted, strove to select the meekest people, got rid of the rebellious ones, and even violated the collective agreement.<sup>12</sup>

Resorting to such measures, the directorate was sure of its inviolability even in case of non-compliance with Soviet legislation. The fact is that “Druzag” was under the auspices of the German government supports this. This factor was taken into account, not by the workers of “Druzag” but by the Main Concession Committee, among them were not only German subjects, but also Soviet Germans, since the concession enterprise was located on the territories of former German colonies in the interior of the USSR. Their attitude towards their fellow-countrymen was even more demanding, especially among the Soviet workers of the Vannovsky district. They supported the claims of the workers' collective and the factory committee of the concession, and in 1930 they authorized the institution of criminal proceedings against the manager and his deputy, and only the intercession of the German Foreign Ministry alleviated tension around the concession. The main concession committees intervened in the situation; they instructed the local authorities to diminish the pressure being placed on the enterprise.<sup>13</sup>

<sup>9</sup> GAAO, f. 71, op. 1, d. 196-a, l. 160 ob. – 166.

<sup>10</sup> Gosudarstvennyy arkhiv RF [State Archive of the Russian Federation] (henceforth – GARF), f. P-8350, op. 1, d. 1629, l. 249; *Ibid.*, op. 4, d. 73, l. 69, 160.

<sup>11</sup> Tsentr dokumentatsii noveishei istorii Rostovskoi oblasti [Center for Documentation of Contemporary History of the Rostov Region] (henceforth – TsDNIRO), f. P-7, op. 1, d. 216, l. 146.

<sup>12</sup> GARF, f. P-8350, op. 1, d. 1629, l. 24.

<sup>13</sup> *Ibid.*, l. 104, 105, 108–109, 115, 118, 119–120, 122.

The usual salary level at concession enterprises was generally higher than at similar state-owned companies. At forestry concessions, salaries were 15% higher, this was due to the competition for labor at all stages of production: woodcutters and raftsmen, foremen at factory works. In the sparsely populated forest region of the Arkhangelsk province, there was always a shortage of workers, and keen struggle for labor. Cost of production were included in the price of products that were sold in both domestic and foreign markets. In addition, payroll expenses were tied to the capital that the concessionaire was to invest in production in the USSR, thus reducing investments in foreign currency. The Soviet side considered this as unfair competition, a matter which became an issue of contention in various commissions.<sup>14</sup>

At “Manych” the salary of employees was up to 25% higher than at the state farm, and at “Druzag” – 10–15% higher.<sup>15</sup> Initially, this was achieved by switching to a piece-work form of payment. The Krupp administration paid tractor drivers 3 rubles for a plowed *dessiatina* (land plot). As the inspector noted in 1924, high salaries were related to higher labor productivity due to the use of F. Taylor’s labor organization and accounting system, which excluded the possibility of absenteeism or loss of working hours.<sup>16</sup> A higher salary was a good incentive, and although the working day could last 12–14 hours, there were no objections from workers.

But later on, salary was regulated by a tariff scale; salary per grade was determined by the collective agreement. Campaigns for the conclusion of new agreements often led to further aggravation of the situation at enterprises. The main irritant was the very need to negotiate with foreign capitalists on Soviet territory. In September 1925, the most highly paid group of workers, tractor drivers, demanded that their salaries be calculated not according to the 8<sup>th</sup> classification, as it had been determined on the basis of instructions from the People’s Commissariat for Labor, but according to the 10th classification. In the event of a refusal, the workers threatened to quit the field work. Their actual earnings were high – more than 100 rubles, since they were paid 50% surcharge for a ten-hour working day.<sup>17</sup> Some of the mechanics were pushed by demobilized Red Army soldiers. One can see the class overtones in their demarche.

The feeling of previous victories having now been trampled concessions was fueled by the hedonistic image of a wealthy foreigner. The leadership of the concessions often demonstrated lordly habits. German concessionaires in the North Caucasus kept a stable of thoroughbred riding horses, had a collection of hunting rifles, and invited friends from abroad to hunt. Unpleasant memories were due to the practice of honoring rank and magnification, which was introduced at concessions. Thus, O.P. Klette, chief manager of “Manych,” was called “Mr. Colonel.”<sup>18</sup> Director of “Druzag” Ditlov ordered that the workers bow on meeting him. Later he explained this by the rules of decency in cultured countries.<sup>19</sup> The enterprises always had “black” and “white” canteens and laundries, which was another reason for discontent.<sup>20</sup> Therefore, spontaneous festivities arranged by the employees of “Druzag” were not a surprise, when in September 1933 a message was received about the liquidation of the concession. The workers stopped work not only in the field, but also in the sheep barns, leaving the cattle unattended, and walked around the estate with posters and drumming over their departure.<sup>21</sup>

<sup>14</sup> RGAE, f. 7758, op. 1, d. 73, l. 104, 105.

<sup>15</sup> GARF, f. P-8350, op. 1, d. 1765, l. 29–30; *Ibid.*, d. 1766, l. 102–103.

<sup>16</sup> *Ibid.*, d. 1765, l. 29–30; *Ibid.*, d. 1766, l. 102–103.

<sup>17</sup> GARF, f. P-8350, op. 1, d. 1763, l. 5, 7.

<sup>18</sup> *Ibid.*, d. 1777, l. 85.

<sup>19</sup> *Ibid.*, d. 1629, l. 84.

<sup>20</sup> *Ibid.*, d. 1765, l. 30–31.

<sup>21</sup> *Ibid.*, op. 4, d. 73, l. 31–36, 64, 65.

## Working Committees and Protection of Soviet Workers' Rights

“Party, state, trade union work at concession enterprises requires special attention,” the instructor of the Central Committee of the All-Union Communist Party of Bolsheviks who examined the Arkhangelsk Party organization noted in his report.<sup>22</sup> His words reflected fears of losing influence and turning concession enterprises into an attractive example of successful non-socialist management. If working conditions were abnormal, the Soviet citizens were subjected to increased exploitation. If the employees were content, then it was “not politic, and had a demoralizing effect” on neighboring enterprises.<sup>23</sup> Earning high salaries, employees of the concession enterprises became allies of the administration, and the influence of party and public organizations rapidly faded. Party officials noted, with dismay, that a kind of union was being formed between a significant part of the employees and the administration. The removal or trial of a representative of the administration led not only to protests by the owners (who through their lawyers argued that an employee of a private enterprise should not be brought to justice as a public servant, for example, “for malfeasance”), but also of petitions and regular intercession of employees.

In juxtaposition, grass-roots trade union and party organizations were created to counteract this. Their leaders considered themselves as participants in a new type of class struggle, soon earning the dislike of the administration. At Arkhangelsk timber-mills leased to foreign concessionaires, the provincial party members noted a “special strategy of the heads of enterprises” was being formed: the director of the joint stock company “Rusgollandes” commented:

will never make any concessions to a party member of the factory committee, but <...> he makes concessions to a non-party member.<sup>24</sup>

One of the reasons for the disputes between the administration and the factory committees (working committees) was overtime. At the concession enterprises across a seasonal cycle, the trade unions established an eight-hour working day, which prevented employees from completing their work as expected. This was done in part to raise the rates for overtime hours. In other cases, grassroots trade unions fought for a complete ban of overtime, despite the fact that labor laws were favorably disposed, since it was easily enough to coordinate it with the local workers' inspectorate.

Such a position by the working committee inflicted enormous damage on forestry and agricultural concessions. An alternative way to circumvent the eight-hour working day was the *artel* hiring. A concessionaire dealt with gang foreman; he did not need to make social payments required by law and spent money on tools and implements, since the *artel* had its own implements. In addition, seasonal and *artel* workers from among individual peasants involved, in contrast to permanent workers, were not so familiar with labor legislation and appropriate payments for their labor. They were not under the jurisdiction of the working committee, and did not participate in internal disputes.<sup>25</sup> However, the “link between workers and peasants” that emerged during the revolutionary years informed the peasants about their rights granted by the revolution. The “semi-proletarian elements of the countryside” – either those who worked at agricultural concessions in

<sup>22</sup> Rossiiskii gosudarstvennyi arkhiv sotsial'no-politicheskoi istorii [Russian State Archive of Socio-Political History] (henceforth – RGASPI), f. 17, op. 16, d. 7, l. 53.

<sup>23</sup> TsDNIRO, f. P-97, op. 1, d. 34, l. 1.

<sup>24</sup> RGASPI, f. 17, op. 16, d. 7, l. 4, 6.

<sup>25</sup> GARF, f. P-8350, op. 1, d. 1675, l. 44 ob.; Gosudarstvennyi arkhiv Rostovskoy oblasti [State Archive of the Rostov Region] (henceforth – GARO), f. P-3570, op. 1, d. 303, l. 5; TsDNIRO, f. P-76, op. 1, d. 1129, l. 89–90; d. 34, l. 1 ob.

the South of Russia, or who did logging in the North – began to demand that the terms of collective agreements, labor laws be extended to them as well. The authorities considered such “unionization of peasants” as a manifestation of counter-revolution,<sup>26</sup> and in this regard, they often supported concessionaires.

Campaigns to renew the collective agreement with the administration were entirely under the supervision of the working committees. Wishing to retain the support of workers, they made obviously excessive demands in negotiations.<sup>27</sup> Concessionaires often complained to the superior body, the Main Concession Committee, calling the activities of trade union bodies at all levels “sabotage, terrorist, rapacious.”<sup>28</sup> That was the situation at “Druzag.” The situation at the Krupp concession was different. After the first clash with the working committee in 1923 over rates of field work and working hours, the concessionaire provided funds for organizing a library and constructing fields for playing football and croquet. The working committee agreed to a ten-hour working day in summer and eight-hour working day in winter with overtime wages with the permission of the labor inspector and payment at higher rates. The normalization of relations was also explained by the fact that the chairman of the working committee and the labor protection instructor had received from the concessionaire higher salaries than skilled workers.<sup>29</sup>

Some disputes arose in the absence of strong reasons for workers' protests. In some cases, the cause was personal grievances, but more often these were the results attempts to gain to a semblance of authority by raising salaries, securing the right to hire and dismiss workers in working committees, and raising the consciousness of employees. On the instruction of the working committee chairman S.E. Zaitsev, at “Manych” the work was stopped on the anniversary of V.I. Lenin’s death (January 21, 1925), although it was declared a working day in the rest of the country. He exempted from work those who were performing social work. He also claimed the arbitrariness of the administration to be an insult to the Soviet regime, and raised the question of being dismissed. Soon, at the suggestion of the Central Committee of the branch union Vserabozemles, Zaitsev was dismissed.<sup>30</sup>

In 1930, chairman of the working committee “Druzag” Stoerosov stopped field work during all the numerous revolutionary holidays. Trying to prevent the disruption of the work schedule, the administration proposed a double tariff, but the working committee supported by the workers refused.<sup>31</sup>

If a dispute arose within a concession enterprise - between the directorate and the chairman of the trade union unit, then higher level authorities intervened in order to weaken the confrontation by placating enraged workers. If there was harmony in the relationship of the local trade union leader and the administration, this caused great concern of the superior bodies. Concerns were raised by “handouts” and “accustoming union officials to drinking,”<sup>32</sup> but this was more common at profitable industrial and forestry concessions.

### **Foreign Concessions under the Control of Soviet Institutions**

In the 1920s, positions in Soviet institutions were taken up by former participants from the Civil War and non-party specialists. In general, all of them took a favorable view of the concession program. Citing one of the party activists, under those conditions,

<sup>26</sup> RGASPI, f. 17, op. 21, d. 174, l. 16–17.

<sup>27</sup> GA RF, f. P-8350, op. 1, d. 1771, l. 90, 126.

<sup>28</sup> Ibid., d. 1629, l. 23–24.

<sup>29</sup> Ibid., d. 1777, l. 83.

<sup>30</sup> Ibid., d. 1766, l. 109, 169–170; d. 1768, l. 245.

<sup>31</sup> Ibid., d. 1629, l. 171.

<sup>32</sup> RGASPI, f. 17, op. 16, d. 7, l. 46, 52.



it was only with the help of foreign capital that industry could be quickly restored and the proletariat cadre could be gathered together, and therefore “there was unlikely (to be) at least one communist who was against” the concession policy of the state.<sup>33</sup> But one could understand that this policy posed the risk of a possible transformation of Russia into a raw material colony of the West and there was a split in the working class on the conditions caused by mixed economy. V.I. Lenin emphasized that the success of the program depended on arranging business “moderately and cautiously.”<sup>34</sup> The general positive reaction of the Soviet institutions was determined by receiving orders from superior bodies. In fact, there was neither rightist nor leftist opposition regarding this matter.

Party officials and business executives closely followed the activities of the concession enterprises as part of their official duties. It was the People's Commissariat for Agriculture, provincial and regional land administrations that bore the brunt of this supervision.

It was expected that unemployment would decrease, the budget would be replenished with taxes, and the consumer market would revive. Not getting what had been promised, the population began to complain, and the local authorities tried to blame the concessions and concessionaires for everything, which resulted in a massive uproar. Noting the reasons for the failures, the Commission of the Politburo of the All-Union Communist Party of Bolsheviks on concession policy (July 18, 1925) criticized, among other things, “the distrustful, captious, sometimes hostile attitude of local authorities towards concession enterprises.”<sup>35</sup> The chairman of the board of the trust “Severoles” (under the auspices of which the so-called “mixed” forestry concessions were created), old Bolshevik K.Kh. Danishevsky drew attention to the fact that after the period of war communism, which was relatively comfortable for the local authorities, “we have grown out of the habit of business-like economic activity.”<sup>36</sup> “Severoles” Managing Director S.I. Lieberman wrote that local authorities were interested in subsidies from the center rather than in organizing competitive enterprises.<sup>37</sup> The consequence of nationalization was the loss of a sense of duty in fulfilling any obligations assumed by the state. Thus, when concession forestry plots in the Arkhangelsk province were transferred, and “Rusangloles” received an obligation to return food loans issued to the volost executive committees they in return received an advance payment. However, soon under the decree, the debts to the peasants were written off, and the concession suffered significant losses, because no one was going to work to pay off those debts.<sup>38</sup>

The crisis within the concession sector gradually deepened. There was a specialized body – the Permanent Government Inspectorate for Monitoring Concession Enterprises, which had regional divisions and the head structure as a monitoring department in the Main Concession Committee. In these committees there appeared friction between the inspectorate and the concessionaires, due to the fact that the inspections revealed deviations from concession agreements, violations of the law, and failure to comply with departmental instructions that partially applied to concessions. In this way, concessionaires had sought to solve their financial and other problems with the state funds.

<sup>33</sup> M. Minaev, “O nashikh kontsessionnykh peregovorakh [About our concession negotiations].” *Vneshniaia torgovlia: ezhenedel'nik NKVT* [Foreign trade: NKVT weekly], no. 20 (1922): 1–2.

<sup>34</sup> V.I., Lenin, “About tax in kind, about freedom of trade and concessions,” in *Polnoe sobranie sochintnii* [Complete set of works], vol. 43 (Moscow: Izdanie politicheskoi literatury Publ., 1970), 224.

<sup>35</sup> GARF, f. P-8350, op. 3, d. 310, l. 254–258.

<sup>36</sup> K.Kh. Danishevskii “Severoles,” *Severoles. Ezhemesiachnyi zhurnal gos. ob'edineniia lesnoi promyshlennosti Severo-Belomorskogo kraia* [Severoles. Monthly magazine gos. associations of the timber industry of the North-Belomorsky Territory], no. 1 (1922): 2–4.

<sup>37</sup> S.I. Liberman, *Building Lenin's Russia*.

<sup>38</sup> GA AO, f. P-71, op. 1, d. 710, l. 33.

One of the consistent critics of the methods of foreign concessionaires' work was Tyurnikov, chairman of the Permanent Government Inspectorate for Monitoring Agricultural Concessions in the North Caucasus Territory and concurrently head of the Sevskavkrai Land Administration. In August 1928, he discovered that the Krupp concession was preparing to export seed grain abroad, which was contrary to the provisions of the agreement. His conclusion was the result of the crops testing, which he assertively carried out during the season, and regularly established the highest varietal purity of almost all crops collected. The concessionaire refused this procedure, although under the terms of the agreement he was obliged to carry it out annually, and, having formally received bread of food quality, and he requested an export license from the People's Commissariat for Agriculture. The concessionaire's considerations were understandable, because seed grain was valued higher than food grain. Tyurnikov stirred Moscow people's commissariats, but the Main Concession Committee issued a license anyway, arguing that the grain conditions had been established not officially. In 1929, after inspecting the "Druzag" concession, Tyurnikov gave a negative assessment of the results of its activities, calling them insignificant, and its political role as negative, because "bereaved" and former White Guards had found shelter in the enterprise.<sup>39</sup>

The rhetoric of the head of the regional administration is indicative of the attitude of the late 1920s. At the beginning of the era of concessions, there was a tolerant attitude towards the former White Guards. In 1924, the general of the Don Army, who returned from emigration, in the opinion of the regional trade union, was appropriate for the position of watchman, as he was no longer a "White Guard," and since

revolutionary workers <...> do not take revenge on the defeated, fooled and repentant.<sup>40</sup>

The concessionaires were in need of specialists and skilled workers, therefore many employees had dubious past. Polar explorer B.A. Vilkitsky invited by the Soviet authorities to Arkhangelsk to organize the Kara expeditions confirmed in his memoirs that there was a lack of competent people everywhere and he had to meet with former White Guard officers and officials who, after the ordeals, were given various positions, saying: "We live in spite of the Bolsheviks and improve life in all spheres."<sup>41</sup> There was a similar situation at forestry concessions: former owners and managers of forestry enterprises who had not emigrated for some reason got jobs not only at concession enterprises, but also in state economic bodies as valuable specialists, who, above all, had skills to work for export and knew the global timber market.<sup>42</sup>

Over time, there arose suspicion that the administration of the concession enterprises had given shelter to counter-revolutionaries. "Druzag" was blamed for hiring former landowners from the Circassian families of the Namitokovs and Oguzovs. Former owner of the enterprise, A.I. Pishvanov, had worked at "Manych," and then was fired by the Soviet director and deprived of his electoral rights.<sup>43</sup> His relative G.T. Pishvanov, as a sheep breeder, who also worked for "Druzag," but in 1930, together with other experienced cattle breeders, was dismissed as a bereaved person.<sup>44</sup>

<sup>39</sup> RGAE, f. 478, op. 2, d. 1283, l. 160–160 ob.

<sup>40</sup> Ibid., d. 1777, l. 49.

<sup>41</sup> B.A. Vil'kitskii, *Kogda, kak i komu*, 50.

<sup>42</sup> T.I. Troshina, "Vneshnetorgovye eksperimenty v Arkhangel'skoi gubernii (1916–1921 gg.): istoricheskii opyt vyzhivaniia v usloviiakh sanktsii [Foreign trade experiments in the Arkhangelsk Province (1916–1921): Historical experience of survival under sanctions]," *Arctic and North*, no. 40 (2020): 122–141, <https://doi.org/10.37482/2221-2698.2020.40.122>

<sup>43</sup> GARO, f. P-3570, op. 1, d. 303, l. 5.

<sup>44</sup> GARF, f. P-8350, op. 1, d. 1629, l. 187.

But the most frequent reason for tense negotiations with the concessionaires was their financial obligations arising from the text of the contracts. The insignificance of royalty (essentially, land rent) being transferred to the state treasury was the result of concessions, through contracts on the part of the Main Concession Committee or direct refusals of the concession enterprises, not paying their due. Discounts were requested in connection with crop failure, as well as non-compliance with the schedule of field work due to the delay in the supply of equipment, along complaints about the slowness of Soviet institutions, etc. The northern forestry concessions blackmailed the authorities with the closure of production, and a lockout for 20,000 workers, demanding various tax benefits and cuts in social expenses in return.<sup>45</sup>

Such incidents did not help create an atmosphere of cooperation. When in 1925–1926 in the forestry industry, where there arose problems, in particular, due to the changed world market conditions, the responsible institutions and local authorities did not meet the needs of the capitalists, who asked them not to impose fines due to their non-payment of taxes. They began push delays and cut salaries. Retaliatory strikes created the danger of disruption of all procurement work. Problems piled up, eventually pushing the concessionaires to leave Russia with at a loss. There was also various fraudulent schemes, a separate issue.

Conflicts with regional institutions and sectoral departments were largely caused by the fact that the concession enterprises often violated the expected course of their work, as they demanded compliance with the benefits provided to them under the contract and, in many other cases, while claiming preferential treatment. This position of foreigners was not understood even by non-party specialists, and even more so by those who participated in the Civil War. A number of reports and memos prepared by middle managers indicate that they perceived all identified violations of Soviet interests as a personal challenge.

### **Flexible Line of the Main Concession Committee during the New Economic Policy Period**

Officials of Soviet republican institutions pointed to the “long-suffering of the Main Concession Committee” and, in their opinion, excessive compliancy of the main state institution responsible for the implementation of the USSR concession program.<sup>46</sup> Indeed, the Main Concession Committee was the most prepared to compromise with foreign merchants. Its leaders and employees considered themselves performing an important political mission, and the purpose of which was not only to restore the country's economy, but also to create a new system of international relations in order to prevent a new war, for which in the 1920s, the USSR was not ready. Appeasing the concessionaires with compromise caused a misunderstanding between decisions of the Main Concession Committee and local departments in the republics, especially since indulgence by concessionaires provoked new social pressure.

Constant discussions arose from the insufficient elaboration of drafts and texts of contracts, the culprits of which were both concession commissions at trade missions abroad and foreign companies that did not calculate all the risks. Having transferred their experience of work in pre-revolutionary Russia to the new socio-economic realities of the period, the concessionaires faced a hostile attitude from of some Soviet departments (customs administration, tax services, etc.), especially from ones where previously they counted on the previously traditional indulgence.

As a rule, the resource concession projects were poorly adapted to the locality. Agricultural enterprises were organized in the southern steppe zone without a sufficient sur-

<sup>45</sup> GAAO, f. 352, op. 7, d. 21, l. 54–70.

<sup>46</sup> GARF, f. P-8350, op. 1., d. 1629, l. 45.

vey of the farming zone. Before applying for a concession, representatives of firms met with Germans who lived and had experience in managing in places where they were offered plots, and had expressed confidence in success.<sup>47</sup> However, from the very beginning they were unpleasantly surprised at the instability of the climate and the cost of field work, which increased 15 times compared to the pre-war costs.<sup>48</sup> It was also assumed that the mechanization of production would be carried out by the import of German equipment, however, this equipment did not prove itself in the virgin lands, and it quickly broke down, while its operation was extremely expensive.<sup>49</sup> Then the concessionaires switched to a free interpretation of the clauses of the agreement and a direct evasion of their implementation. For example, the 9-field crop rotation, fixed in the agreement with “Manych,” was rejected as not suitable for the dry steppe, although, according to the conclusion of agronomists, it could compensate for the difficulties of the climate. In addition, the concessionaires refused to provide financial statements in accordance with the rules approved in the USSR, and to draw up an organizational and production plan for the development of the enterprise. Their argument was that these requirements were interference in the internal economic life and violated trade secrets.

All these disagreements were admittedly the result of haste in signing agreements. Both sides harbored the hope that the expected profit would cover the damage from the unfavorable contract terms that were revealed later and that in the future it would be possible to agree on the positions. However, a long period of unprofitability in a number of resource and raw materials concessions exacerbated a mutual misunderstanding with Soviet institutions. Applications for the revision of contracts, demands for the referral of disputes to an arbitration court, and threats to liquidate concessions were a permanent subject of correspondence with the people's commissariats and departments. In conditions of uncertainty, it was easier to follow the rules of economic management that were beneficial to the concessionaire and simply to skimp on the payment of royalty to the USSR budget. The concessionaire often asked for a delay due to a bad year, or refused to pay the sums specified in the contract, referring to negotiations on renewing the agreement. After the renewal of the agreement, the concessionaire refused to pay what he had not paid earlier, arguing that the old debts were not payable.<sup>50</sup> The officials of the concession committees faced the question of how to legally formalize the fact of underpayment.<sup>51</sup> As a result, in 1923–1927 “Manych” paid less than 20 thousand rubles, while it was supposed to pay about 60 thousand rubles. The management of forestry concessions carried out payment obligations, but their interests aimed at reviewing various payments were defended by the trust co-founder (“Severoles”).<sup>52</sup>

The Main Concession Committee of the USSR more often agreed to accept the arguments of foreigners, whereas the People's Commissariat for Agriculture and the Concession Committee of the RSFSR had a dissenting opinion.<sup>53</sup> The fact that the Main Concession Committee met the needs of concessionaires more often than the republican institutions was due to the specifics of the tasks of the departments.<sup>54</sup> The Main Concession Committee was responsible for expanding the concession policy, for which it was necessary to main-

<sup>47</sup> GARF, f. P-8350, op. 1., d. 1779, l. 118.

<sup>48</sup> Ibid., l. 110, 119.

<sup>49</sup> Ibid., d. 1774, l. 66–69.

<sup>50</sup> Ibid., d. 1773, l. 91.

<sup>51</sup> Ibid., d. 1765, l. 81; d. 1767, l. 50–51, 55, 147; d. 1769, l. 66; d. 1771, l. 200, 201; d. 1772, l. 35–35 ob., 37, 201.

<sup>52</sup> GAAO, f. P-71, op. 1, d. 1825, l. 109, 115 ob. – 117.

<sup>53</sup> GARF, f. P-8350, op. 1, d. 1770, l. 35–35 ob., 37, 40.

<sup>54</sup> See, for example: GARF, f. P-8350, op. 1, d. 1769, l. 66.

tain confidential contacts with foreign companies. People's Commissariats and administrations had to take into account the interests of the entire industry entrusted to them, where foreign concessions were only one of its sectors.

### Conclusions

The material presented in the article regarding incidents around foreign concessions shows that they should hardly be considered as the cause of numerous industrial disputes that were widely observed during the NEP years in Soviet Russia. Despite the similar demands (increasing salaries, canceling layoffs, improving working and living conditions), the disputes with foreign entrepreneur often turned a clash of interests into a confrontation with the world of Western capital. Here we see a conflict between two ways of reconstructing the country: capitalist (NEP), which was supported, above all, by business executives, and socialist – and under these conditions – it closely tied with the fulfillment of all social obligations to workers; it was primarily supported by those working directly with the population and by local authorities and party bodies which faced with the sentiments of the “lower classes.”

The fact that the concession program had such obstacles meant it could not promise success. Over time, the situation only worsened, because the course it was on did not yield and could not yield the expected results. To a certain extent, the Bolsheviks proceeded due to the fact that their adherence to progressive production technologies and the desire for efficient management rooted in essence in mature capitalist production. Nevertheless, it was making a profit, that turned out to be the main incentive for the work of Western companies in the USSR.

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