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**FOREIGN INDUSTRIAL COMPANIES IN THE TEREK REGION**  
**IN 19<sup>TH</sup> –20<sup>TH</sup> CENTURIES**

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**Abstract**

The paper studies the role of foreign capital in the industry of the Terek region in the late 19<sup>th</sup> – early 20<sup>th</sup> centuries. In the mid-90s of the 19<sup>th</sup> century, the inflow of foreign capital to Russia had intensified. Foreigners were attracted by the possibility to obtain more profits than in Western Europe. The termination of fluctuations in the ruble exchange rate in connection with the preparation of the monetary reform played important role. The government policy of S.Yu. Witte, the Minister of Finance, was directly focused on attracting foreign capital to industry. In 1896, with the consent of the government, a mixed Russian-Belgian Mining and Chemical Society “Alagir” was established with the participation of Brussels and Liege banks. Belgian capital amounted to 80 % of all shares. The Grozny oil region was one of the largest oil production centers in the world. In the second half of the 1890s in the Grozny oil industry there were new capitals – the Rothschild Caspian-Black Sea Company, the French Russian Standard, the English joint-stock company Kazbek Syndicate and the North Caucasian Oil Industrial Company, the Anglo-Dutch company Shell, Spies, the Nobel firm, the Belgian firm “Akhverdov”. Before the First World War, 45.1 % of the capital in the Grozny oil industry was English and Dutch, 28.1 % was French and Belgian. The paper reveals the industry-based distribution of foreign capital in the Terek region and the composition of entrepreneurs and firms.

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## **1. Introduction**

The extraction and processing of silver-lead and zinc ores, oil production and refining became a sphere of application, mainly, of capital and foreign capital from the end of the 19<sup>th</sup> century. With the development of the Grozny oil region, large Russian and foreign capital rushed into the Terek region. The oil industry developed as an organic part of the all-Russian and even the world capitalist economy. Government policy towards foreign firms engaged in the oil industry until the mid-1890s was formed almost entirely on the basis of the experience of Baku. The program of industrialization of Russia provided its implementation with the help of protectionism and the attraction of foreign capital. This article shows that foreign capital appeared then in the Terek region and not only in the oil and mining industries. In 1896-1900 over 100 Belgian companies started their activity in Russia; it was a real explosion of Belgian entrepreneurship in Russia.

## **2. Problem Statement**

The Terek region became a major area for inward investment. The largest Russian associations that had interests in Grozny were also international in the scale of their activities. Foreign investments objectively played a positive role in the development of the regional industry. Mainly metropolitan and foreign entrepreneurs were engaged in the extraction and processing of silver-lead and zinc ores, along with oil production and oil refining since the end of the 19<sup>th</sup> century. The capital in the Grozny oil industry was incomparably greater than in the mining, which indicated the importance of the oil industry in the economy of the Terek region. The problem of the research is to analyze the participation of foreign firms in the industry of the Terek region at the end of the late 19<sup>th</sup> – early 20<sup>th</sup> centuries.

## **3. Research Questions**

The subject of the research is foreign firms in the industrial entrepreneurship of the Terek region in the late 19<sup>th</sup> – early 20<sup>th</sup> centuries.

## **4. Purpose of the Study**

The purpose of the research is to analyze the participation of foreign firms in the industry of the Terek region in the late 19<sup>th</sup> – early 20<sup>th</sup> centuries.

## **5. Research Methods**

In modern historical science, a theoretical and methodological base, conceptual and terminological apparatus and scientific tools for the research of the issues related to the study of the genesis and functioning of entrepreneurship as a new social phenomenon of the post-reform reality of the North Caucasus have been developed. It allowed applying modern principles and methods of historical research. The principle of consistency allowed studying the participation of foreign capital in the emergence of new

technologies in the extraction of minerals in the Terek region. The principle of modernization made it possible to identify the historical transformations in the field of industrial development that took place in the Terek region in the second half of the 19<sup>th</sup> – early 20<sup>th</sup> centuries and the dependence on all-Russian and world economic development processes.

## 6. Findings

In the mid-90s of the 19<sup>th</sup> century, the inflow of foreign capital to Russia had intensified. In 1901, the English “Caucasian limited liability Company for the extraction and processing of licorice” appeared. The Anglo-American company “Licorice” was also involved in the processing of licorice root, which produced 450 thousand poods of roots a year. In 1912–1913 the dividend was 10 %, the balance as of June 17, 1913 was 202681 pounds sterling. The company operated in the Khasav-Yurt district and had 40 workers. In 1906, the Partnership of the Grozny Brewery “Vena” was founded with a fixed capital of 200 thousand rubles, divided into 800 shares of 250 rubles (Ziv, 1916).

The production of zinc in Europe was then monopolized by Belgian capital. The highest technology in non-ferrous metallurgy was also Belgium. In 1896-1900 more than 100 Belgian companies started their activity in Russia; it was a real explosion of Belgian entrepreneurship in Russia (Bovykin & Peters, 1997).

In 1896, with the agreement of the government, a mixed Russian-Belgian Mining and Chemical Society “Alagir” was established with the participation of the Brussels and Liege banks. The official founders were Russian subjects: Lieven and Filkovich. In fact, Filkovich transferred his rights to the Alagir Joint Stock Company, to which the Sadon field was transferred. Belgian capital amounted to 80 % of all shares and Russian – 20 % (Dzhanaev, 1957). The shareholders were the representatives of the Romanov dynasty (Grand Dukes Vladimir and Alexander), St. Petersburg bankers “Meyer and Co” and others.

The management board of the Alagir society was in St. Petersburg. It was headed by the managing director Filkovich. At the same time, there was another management board in Liege, headed by the director F. Sepulkre. The Alagir Society continued to export zinc blende from the enormous dumps. In 1896, 22 thousand poods of zinc blende were sent from the Sadon mine to Belgium, England and Holland. In the summer of 1898 Alagir began the construction of the plant (Martirosyan, 1924). The project of the Vladikavkaz plant was developed in Belgium and most of the equipment arrived from there. The mining and chemical society Alagir was financed by the Bank of Liege. The company issued shares for 4.5 million rubles. The main shareholders were the Liege and Brussels banks. They accounted for 80 % of the shares (Jafarov & Gareeva, 1998).

The nominal price of Alagir shares was 100 rubles, but due to uncontrollable advertising, it was possible to raise the rate to 250 rubles. The administration of the company promised to pay a dividend on the shares, amounting to 15 % of their nominal value.

From 1897 to 1900 the shareholders of Alagir received 1,080 thousand rubles in the form of dividends, the treasury received more than 200 thousand rubles, the executive directors and 8 members of the management board received at least 400 thousand rubles as a salary. There was not much money left to expand production. Alagir joined the international cartel for non-ferrous metals; it was assigned a sales

quota of 10 thousand tons of zinc metal per year. Alagir built the Vladikavkaz plant, the Mizur processing plant, a water pipe-church, a school. Alagir also expanded the Sadon mines and began the construction of a hydroelectric station in the Sadon region. All these measures were expensive. The profits from the sale of the products of mines were clearly not enough. In 1901, Filkovich managed to get a loan from the Bank of Liege in the amount of 1.5 million rubles.

Using these funds, the Sadon mine was expanded to some extent, the construction of the Mizur processing plant, the second production facility of the Vladikavkaz plant, a power plant and other workshops were completed. Filkovich was unable to repay 1.5 million rubles to the Bank of Liege. The director of the Bank of Liège refused in his request for a new loan of 500 thousand rubles. The State Bank of Russia and S. Yu. Witte, the Minister of Finance, also did not support him financially. Alagir was on the verge of complete bankruptcy. In 1902, Alagir announced the termination of payments and the transfer of management of the company to a special administration. The refusal of payments Alagir in 1902 was explained by the fact that the society did not measure the costs with the available resources and did not receive the expected loans. In addition, it necessary to take into account that in 1902 there was a crisis peak in Russia.

As a result of these difficulties, the owners of the company changed, Filkovich was forced to leave the business. The share prices dropped and Duquenne, the director of the Bank of Liege, managed to buy 60 % of all shares of the Alagir Company (North Ossetia, 1939). Since August 1903, the enterprises of the Alagir society had officially become known as “Mines and Plants of the Alagir Mining and Chemical Society, operated by the engineer Duquenne”. Duquenne proposed the construction of the Vladikavkaz plant, where silver-lead shops was launched in 1904 and zinc one was launched in 1905. The zinc yield was initially small, but its production meant that the Alagir society fulfilled its obligations to the Russian government. The government had lowered the pood pay for the part of the ore processed in Russia.

A Belgian capitalist and engineer G.I. Scaramanga founded the Society of Vladikavkaz Trams and Electric Lighting. In August 1904, a tram line built by the company began to operate. In addition, the society provided electric energy to the streets of the city, some residential buildings, a number of enterprises, institutions, etc. In 1905 the income of the society was 115 thousand rubles and in 1912 it was 255 thousand rubles. The number of workers ranged from 140 to 160, the share capital reached 600 thousand rubles by 1913.

It is not possible to determine the exact share of foreign capital, since it was a joint stock one. Referring to the lists of shareholders, a researcher S.I. Potolov managed to determine the share of Belgian capital in the society “Akhverdov and Co” (94 %) and Russian (6 %) at the end of 1898. For the company “Akhverdov and Co”, which since the mid-1890s was Belgian, this, apparently, was legitimate, but for the Grozny oil industry as a whole, it was difficult to determine a share of foreign capital.

On September 26, 1894, an oil gusher hit the Akhverdov field, which increased the interest in the Grozny fields abroad. In October 1894 in London, Akhverdov signed a preliminary agreement on the creation of an oil joint-stock company by the beginning of 1895 with the English company London Agency, but by the agreed time in 1895, London Agency could not fulfill its obligations.

Therefore, a new agreement was concluded with Akhverdov, and then, in the spring of 1895, the third agreement was signed which implied the rent of the entire oil field of Akhverdov by the British.

In 1895 the British rebuilt an oil refinery plant in Grozny and developed new wells. In the same year, the London Agency company held negotiations without Akhverdov's notice with the Antwerp bank Credit National Industriel and in the fall of 1895 in Brussels, the Petrol de Grozny joint-stock company was established to exploit the Akhverdov fields. The Belgian society was headed by Joseph Waterkein. The founder was the British. The Belgians bought back 24 thousand shares for 6 million francs (Gaitamirova, 2016).

In June 1899, the Anglo-Russian Maximov Society (ARMS) was established in London with a capital of 400 thousand pounds, divided into 400 thousand shares of 1 pound sterling. At the end of 1899 V.R. Maximov died, his son M.V. Maximov was his successor.

In 1900, the Maksimovs gained control over the “Petersburg Oil Industrial Society”, in 1901 the “First Grozny Oil Industrial Society” fell under their full control. In 1904, the Maksimovs owned 83 % of the shares in the “Anglo-Russian Maximov Society”.

In the second half of the 1890s there were new capitals in the Grozny oil industry. The Rothschild “Caspian-Black Sea Society” in October 1897 started drilling a well in the area of the Neftyanika River. However, not finding oil to a depth of 288 fathoms, the well was abandoned at the end of 1899 (Ananich, 1970).

The company “Russian Standard” was controlled by French capital from 1897. In 1897, the Spies and Stuken Company began drilling, but there was no oil.

In 1902 the English joint-stock company “Kazbek Syndicate” was opened with the board of directors in London. In Grozny, the interests of society were represented by G. R. Spies. 104 thousand shares were issued at 1 pound sterling. In 1902, an English joint-stock company was allowed operating in Russia (“North Caucasian Oil Industrial Company”) (Grushina & Potkina, 1997).

On January 30 in 1902, in the Western region of the Grozny field, far from all other drilling rigs, James McGarvey began drilling the well, receiving funds from the Anglo-Terek Oil Society, but acting on his own behalf. The only well of James McGarvey was drilled for 2.5 years. In July 1904, an oil gusher was discovered from a depth of 365 fathom and 3 poods, giving up to 5 thousand poods of oil per day.

When the gushing stopped, oil bailing continued and in 1906 the production with the help of a compressor continued. For 6 years, about 3 million poods of oil were produced from this well (Matveychuk, 2008). In March 1910 J. McGarvey was killed by robbers and in May 1910 an accident occurred, as a result of which the operation of the well was terminated.

In 1903, the Anglo-Terek Oil Society was allowed operating in Russia, but it was virtually inactive until the First World War.

In 1905, a small company “L.I. Baskakov”, which in 1904 produced only 2,956 poods of oil, was included in Kazbek Syndicate. In 1906 Alkhan-Yurt Society was transferred to the company “M.A. Maresh”, which, in turn, was absorbed by the Spies Society in May of 1907 (Kolosov, 1973).

Oil products were transported from Petrovsk to Astrakhan by the largest Baku firms: Nobel and Rothschild's Mazut. In 1905 Nobel and Mazut entered into an agreement Nobmazut and began to control 50 % of the all-Russian sale of kerosene and 40 % of the sale of fuel oil (Dyakonova, 1999). Oil refining, like oil production, in Grozny increased significantly during the period of the all-Russian industrial advance, which began in 1909. In the same year Nobel bought the Uspekh gasoline plant in Grozny. In

1911, Nobel also bought the Polza oil refinery plant and in 1913 it bought the oil-producing Cheleken-Dagestan Society (Dyakonova, 1980).

Along with the Akhverdov Society, the largest Grozny oil company, the Spies Society remained. In 1910 the Spies Company carried out an additional issue of shares, the nominal value of which was 110 thousand pounds sterling. In 1910, the Spies Company surpassed even Akhverdov Company in terms of production scale: Spies accounted for 30.7 % of production and Akhverdov only for 27.6 %. The Kazbek Syndicate approached the scale of production of Akhverdov and amounted to 19.7 % of all production.

At the end of 1910, Shell acquired the Kazbek Syndicate. The interests of Shell were represented by Ya.V. Vishau, the company was renamed to “Ya. V. Vishau”. As of January 1, 1911, Spies was ahead of Akhverdov in terms of the number of wells in operation: Spies had 52 versus Akhverdov's 49, but Akhverdov Company drilled more new wells at that moment – 23 versus 13 of Spies. In 1911, Akhverdov, having 60 wells in operation at the end of the year (versus 49 for Spies), again took the 1st place in terms of oil production: this company accounted for 29.5 % of production and Spies – 27.1 % (Volobuev, 1955). The company of Ya.V. Vishau, with the help of its 14 operating wells, produced 18.0 % of all Grozny oil.

About a decade later, the largest English (more precisely, Anglo-Dutch) Shell Company appeared in Grozny. The first information about the intentions of the head of Royal Dutch Shell to engage in the Russian oil industry dates back to 1909 (Fursenko, 1991). The company drew attention to the Kazbek Syndicate, which was in fact a German company, the annual meetings of its shareholders were held in Berlin.

In 1912 Shell acquired 90 % of the shares of Mazut, the main Rothschild enterprise in Russia. In Grozny, the Rothschild group previously included Russian Standard. After Rothschild actually left the Russian oil industry, Vishau merged with Russian Standard and the Russian Grozny Standard was formed, the largest Shell company in Russia. Then Shell acquired the North Caucasian Society (in 1912) and Spies Society after that.

Of course, a certain amount of the shares of Spies remained in other hands, outside of British capital. By 1914, 1,077,321 shares (95.7 %) out of 1,125,247 nominal shares of the Spies company were registered in Great Britain, about 18 thousand shares were registered in Germany and Austria-Hungary, 9.5 thousand shares were registered in Russia (Erokhina, 2018). At the beginning of 1912, the 7th oil refinery plant Polza was launched in Grozny. Bellic and Isakovich were building the plant, but soon it was owned by Nobel.

## **7. Conclusion**

Thus, the oil companies of the Grozny region represented almost entirely foreign, Moscow, and St. Petersburg capital and had a great influence on the economic life of the Terek region. In Grozny, two groups of companies with common interests were formed: one group consisted of the society “Russian Standard”, “Ya.V. Vishau ”(earlier Kazbek Syndicate) and Caspian-Black Sea Society, and the second included Anglo-Russian Maximov Society, Maximov's Successors and St. Petersburg Society . This fact

was noted back in 1912. The third largest producer, the Belgian company Akhverdov, acted independently.

In 1908, the companies related to British capital owned 40 percent of the oil-bearing lands and about 40 percent of the wells in Grozny. Before the First World War, 45.1 % of the capital in the Grozny oil industry was English and Dutch, 27.2 % was Russian, 28.1 % was French and Belgian. The inflow of foreign capital contributed to the development of competition, which led to technical improvements in production and lowering prices for products.

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