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## CONCESSION POLICY IN THE TRANS-SFSR (1921-1930)

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### ABSTRACT

Today, Georgia strives to take a worthy place in the world, develop its economy, establish close business ties with some important countries and attract investments. In view of this, we consider it relevant to identify and analyze the archival materials relating to the experiences of our region in the field of business relations with other countries in the 20s of the twentieth century. The object of the study is the concession policy of Bolsheviks and how worked the concession institutions from a historical perspective. The purpose of this study to present the concession agreements as a mechanism for partnership between social, state and private elements, that ensured sustainable economic development of the TSFSR as a whole and of Georgia in particular. It is also important to research the emergence, development and abolition of concessions, as well as to bring to light the activities of central and local governments bodies. Economic review of concessions will make it possible to take into account the experience gained in the historical past when developing, adapting and introducing the modern forms of economic relations. The study of these experiences will inevitably be conducive to concessional ties with other countries at the current stage of economic development.

### Problem Identification.

Studying the economic retrospective of concessions makes it possible to take into account previous experience when developing, adapting and implementing modern forms of economic cooperation. Studying this experience will facilitate the implementation of the concession cooperation plan at the current stage of economic development.

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## **Introduction.**

One of the most important development stages in the history of the Soviet state is the period called “New Economic Policy”, abbreviated as NEP. The core of this new political course was the concession policy. Although more than 100 years have passed since its existence, it remains the subject of controversy and this historical phenomenon is still intensely discussed. Among the many aspects of NEP, the most important question is its usefulness, namely whether the concession policy was conducive to the progress and development of the Soviet state, or whether it was a regressive phenomenon because the party leadership was forced to retreat temporarily from communist ideology. Documentary material on this topic can be found in numerous archival funds. These are the funds of such state institutions as the Central Committees of TSFSR and the Soviet Socialist Republic of Georgia, the Council of People's Commissars, the Economic Council, Supreme Council of National Economy, the People's Commissariats of Finance, Foreign Trade, Foreign and Internal Affairs, the Concession Committee, the People's Bank, the Political Administration, the Workers - and Peasant Inspectorate, the Communist Party Control Commission, the State Planning Committee etc.

In the above-mentioned funds, stored in the Central Archives of Modern History of Georgia, it is possible to find the reviews of the foreign press, various price bulletins regarding goods manufactured in Georgia and the Caucasus. There is also information on such issues as the then situation on world markets, circulation of foreign currencies and securities in Georgia, currency exchange rates in the twenties and thirties of the 20th century, licensing policy towards entrepreneurs and traders, regulation of the export of precious metals, currency and other goods abroad. The documents also tell us about the activities of the Tbilisi Trade Exchange and the Exchange Committee, cooperation of state economic structures with key political power structures and institutions, activities of foreign entrepreneurs and traders in the country, cooperation of Georgian banks and financial institutions with banks of Switzerland, Italy, Germany and other countries. From the archive documents we can also learn about the opening of an Ottoman bank in Tbilisi and Batumi (Turkey), as well as about the activities of some American insurance companies in the Transcaucasia, about registration of companies, joint stock companies, enterprises and firms from such countries as the Netherlands, France, Germany, Austria, Greece, Turkey and others.

Based on the archive material we researched, concessions are studied at different stages of their application. The policy of the recently formed Soviet state in the area of restoring the ruined national economy will also be the focus of our interest. Special attention is paid to the provisions in Soviet legislation regulating concessional relations. These are determined by a number of different factors, many of which reflect the complexity of the transition period in the development of private law, international law, private international law and land law. The formation of the state apparatus under conditions of evolving and declining market conditions due to the objectively necessary complexity of their legal regulation is also the focus of our interest.

## **Literature review.**

Let's take a closer look at the specifics of studying of this historical topic. In the 1920s and 1930s, concession policy became the focus of practitioners. These were primarily the party, state and trade union leaders who worked in various state structures. In parallel with the elaboration of the issues related to the new concession policy and generally during the transition to the new economic policy (NEP), more and more articles and brochures on this topic begin to be published in the Soviet republics. One of the main goals of these publications was the ideological propaganda. Party and state officials wanted to convince the population of the state, which was built on the basis of public ownership, of the urgent need to attract foreign capital to the country. The leaders of the party, both V. Lenin and I. Stalin, wrote a number of articles and letters about concessions. Subsequently, along with the development of concessions, the nature of research also changes. This time its authors pay more attention to the professional experience they have accumulated and try to analyze it. All of this can be read in the brochures and monographs whose authors were extremely active in this historical process. These include, among others, the following authors: A. Arski, I. Bernshtein, N. Bogdanov, W. Butkovski, B. Landau, M. Lazis, W. Mashkevic, N. Dergacheva, M. Pavlov, I. Pereterski, W. Sverdlov, L. Tal and others.

At the end of the 1930s, the Bolshevik Party declared the country a “completely self-sufficient economic entity”. Because of strict censorship, the subject of concessions and the questions associated with state capitalism were virtually completely ignored in literature until the end of the 1950s. In the

years 1960-1980 several works appeared about the theory and the practice of state capitalism. These more or less examined the Soviet Union's economic, trade and political relations with Western countries. It is also noteworthy that some research published during this period focuses on some specific concessions. However, the authors did not treat these topics in a complex manner and comprehensively, but only from a regional or sectoral aspects.

Among the articles on the subject of concessions, we can highlight those written by such authors as V. Granin, D. Jibladze, S. Erzhov, B. Karagaev and some others. Among foreign authors, Anthony Sutton holds a leading position in this regard. His comprehensive two-volume work entitled "Western Technologies and Soviet Economic Development" deals with the participation of foreign capital in the modernization of the Soviet economy in the years 1917-1945. In his research, Sutton used the documents stored in the archives of the USA (for example, in the archives of the US State Department). He also studied the articles that passed strict Soviet censorship and were published in the Soviet and foreign press in the 1920-30s. According to Sutton's calculations, in 1928 alone the volume of capital invested in the economy of the Soviet Union reached 100 million rubles, with the concessionary institutions functioning at that time in 43 industrial sectors of the Soviet Union (the total number of such sectors was 44). (Stanford, 1968) <sup>1</sup>.

In contrast to earlier studies, monographs, articles and publications published in the 1990s and the first decade of the 21st century are much less influenced by communist ideology. Contemporary authors often use documents that have recently been declassified. One of the first authors to make intensive use of such declassified archive materials at the end of the 1980s was A. Dongarov, who in 1990 published a monograph entitled "Foreign Capital in Russia and the Soviet Union". It should be noted that the political and economic processes in the Transcaucasian Federation remain the least studied ones.

Such areas, such as the government departments responsible for concession policy, their organizational structure, rights and obligations have been little studied. The legislation of the Transcaucasian Federation in such areas as finance, customs, taxes, control policies and repressive actions of power structures, as well as the role of the latter in the abolition of concessions also remains unexplored.

Analytical discussion of such issues as the role of the center (meaning the Russian Federation until 1923, and after that the Soviet government) in relation to the ongoing processes on the territory of Georgia, the interdependence of the republics of the Transcaucasian Federation with the center, management of concession processes by double and triple subordination, ignoring local interests by the Russian and Union governments, etc. These are the topics that are no less relevant than any other for studying the history of our region.

Soviet historiography, which is very influenced by ideology, pays little attention to the above-mentioned questions. It is noteworthy that until the collapse of the Soviet Union, all documents relating to concession policy were kept in the archives under the heading "secret" or "top secret". This factor partly explains why such questions as the circulation of foreign capital, concessions and investments, credit and trade relations are insufficiently studied. Documentary information was not fully identified and investigated and a complete information base was not created.

### **Methodology.**

The methodological basis of the study is the principles of historicism, consistency and complexity generally accepted in historical and economic research. The principle of historicism made it possible to study concession relations that existed in the 20th and 30th years of the 20th century at different stages of the national history of our country. In other words, we can say that the application of this principle made it possible to consider concession relations in constant development and modification over three decades. The principle of consistency manifested itself in the assessment of the simultaneous influence of various subjective, objective, economic and ideological factors on the concession process, on its formation, development and collapse. The realization of complexity was achieved through the use of the entire range of documentary sources. Particular attention was paid to the declassified documents of the National Archives.

### **Discussions and results.**

In Latin, the word “concession” means permission or concession. Thus, through a contract, the state alienated some of its rights in favor of others. In the Marxist-Leninist conception, concession is considered as a form of state capitalism.

From the first months of the establishment of the Soviet power, the question of concessions was raised, which was considered by Bolsheviks profoundly in both political and economic aspects. Communist Party leaders understood well that the Soviet state, chronically lacking its own financial resources needed foreign investment. Therefore, the rise of the country's industry and agriculture was unthinkable without financial, technical and intellectual assistance from capitalist countries. The political significance that the leader of the Bolshevik Party, V. Lenin, attached to the concessions can be found in his speech, which he delivered in November 1920 at the meeting of the Moscow party cells. “We must use contrasts and contradictions between two imperialist systems of capitalist states, pitting them against each other.” .... “We must be able to use contradictions between imperialists.” <sup>2</sup>

The first demand for attracting foreign capital to the country was officially raised in the spring of 1918. The Bolsheviks wanted to overcome the post-war crisis by making some concessions. They also sought to resolve the international tensions caused by nationalization of the property and capital of citizens of other countries living in the Russian Empire. They also wanted to use these measures to pay off the state's foreign debts. Therefore, the first concession offers and contracts had a so-called restorative character. At the same time, work was being done on the relevant legislation. Legislation intended to regulate this process and administrative style was constantly changing. The establishment of concessions in the economy of the Soviet state proved to be a difficult and multifaceted process.

There were heated debates both within society and within the Bolshevik Party. The introduction of the concession policy was received differently. The country's liberal circles saw this as the Bolsheviks' recognition of the fact that the Soviet state was incapable of rapid development and “a leap into communism” without foreign aid. They viewed the government's new economic policies and the concessions they made as a return of society to legal and righteous development. It was believed that the political liberalization of society is the natural result of economic liberalization, which will also entail the restoration of democratic forms in governing the country.

The attitude of Bolsheviks supporters to this question was much more complicated. Many of them viewed the New Economic Policy (NEP) and the concession policy as a betrayal of the ideals of the October Revolution. Pessimism and disappointment gripped a certain part of the party ranks. Many left the party. Nevertheless, the leader of the party and his closest followers believed that the success of the concession policy should be determined by two important factors. These were as follows: The Bolsheviks, as the ruling party, continue to maintain political power and all strategic areas in the national economy are concentrated in government structures. Despite the hopes of liberal circles, the Bolshevik Party considered it necessary to make the existing political system in the country even stricter and more authoritarian and to resort to ever greater repression when exercising power. Otherwise, they thought, the concession policy would return the country to the bourgeois system. From this it can be clearly concluded that the situation created by the introduction of concessions had a strong impact not only on the economy but also on the country's politics. In order to avoid fragmentation in the party, the party leaders, led by Lenin made some decisions. In March 1921, the transition to the “new economic policy” (NEP) was announced at the 10th Congress of the Communist Party.

This should ensure the legal regulation of property relations. The proletariat has continued to retain its political power in the country, but the economic structure has changed significantly. The resolutions represented a turning point in both economic and political terms. Among the resolutions adopted by the party congress, it is worth highlighting the resolution “On Party Unity”, which prohibited the existence of various factions and political groups within the ranks of the party.

The adoption of this resolution put an end to the numerous and extremely popular debates within the party at that time. Having achieved “unity” within their ranks, the Bolsheviks turned against their political opponents. First, in 1922, they settled accounts with the Party of Socialist-Revolutionaries (SR), after which, in June 1923, a secret instruction named “On Measures to Combat Mensheviks” was drawn up by the Central Committee of the party. This was the beginning of a ruthless campaign against former “comrades”. In a very short time, the political opposition ceased to exist and a one-party political system was established in the country. Thus, in addition to liberalizing the country's economy, the Bolsheviks hardened the political system even more.



The economic and social situation in the country also worsened due to the internal and external political situation that emerged after the World War I. It is known that the Bolsheviks refused to pay the national debts of the Tsarist regime and the Provisional Government of Russia to other countries. This brought serious consequences, such as economic blockade of the country, support for the armed anti-Soviet opposition and total isolation of the Soviet government. The Bolshevik Party, as the leading political force of the sovereign country, tried, with the help of official foreign policy, to defend its rights and establish itself in the international community, as well as to overcome the economic and political blockade.

But the post-war crisis also affected the world's other major powers. As for the West, it needed cheap markets for raw materials and minerals. This created the prerequisites for the establishment of economic relations between two ideological opposing worlds, namely between proletarian and capitalist states. On November 23, 1920, the Council of People's Commissars of the Russian Federation adopted a resolution "On the general provisions of the economic and legal conditions of concessions". (The Legislation Collection:1920)<sup>3</sup>.

In this situation, the state relied on the position of the leading party regarding contradictions between imperialists and the exploitation of these to achieve its own goals. The correctness of this assessment of the Bolshevik leader was confirmed by the Western states themselves. To illustrate this, it is enough to cite the contents of the letter received by the Council of People's Commissars from the representative of the United States of America Wanderling. The letter states: "We are very strong now, in 1920. In 1923 our fleet will be even stronger. But Japan is against us and wants to prevent our development. Therefore, we are forced to fight against this country. But such a fight is completely impossible today without oil. If you decide to give or rent the Kamchatka Peninsula to us, I guarantee you that the enthusiasm of the American people will increase enormously and you will be recognized by our state." (Bernshtein: 1930)<sup>4</sup>.

In 1922 an international conference was convened. Before the start of the Genoa Conference, the Bolshevik Party and the leadership of the Soviet state confirmed their intentions to respect the property rights of others when conducting and implementing the concession policy. According to several researchers, in the early 1920s the Bolsheviks took a conciliatory position.

In particular, at the conferences held in The Hague and Genoa in April and June 1922, the Soviet delegation declared that the property confiscated and nationalized as a result of the revolution could, under certain conditions, be returned to the old owners as concessions. (Commissariat of Foreign Affairs of the Soviet Union: 1922).<sup>5</sup>.

With an official note dated March 10, 1922, the People's Commissariat for Foreign Affairs informed the Western states that a special law would be adopted in the Soviet Union providing foreign concessionaires with all the necessary legal guarantees.

Later, a list of properties for future concessions was presented to potential investors in The Hague. There were 15 former oil companies and 13 new ones, as well as 39 mining and metal processing companies, 39 forestry and processing companies and several others. In case of interest from representatives of foreign delegations, the Soviet delegation promised them to expand the list presented by them. In response, former investors demanded that the nationalized property be returned to them, without any compensation. In 1922, the Main Concession Committee prepared and subsequently approved at a meeting of the Council of People's Commissars of the Russian Federation (RSFSR), lists of concessions and joint-stock companies, which were finally adopted by the Council of Labor and Defense. Thus, as of December 2, 1922, more than 500 proposals were received: from Germany - 39%, from America - 13%, from England - 11% and from France 9%.

Initially, the Bolshevik leadership emphasized that in implementing the concession policy, preference would be given to persons who owned industrial enterprises before the revolution. This was the factor that brought about the activity on foreign firms. At the Hague Conference of 1922, the Soviet delegation officially announced this and set priorities regarding concession objects. The priorities were given to mining companies, factories and industrial companies. However, the foreign delegations rejected this offer and demanded the reimbursement of debts that arose before the revolution in exchange for their commitment to the concession policy. At the Genoa Conference, the Soviet delegation once again announced its proposals and explained its position regarding the return of confiscated and nationalized property to them.

A list of 185 concession objects and contractual terms was presented. The conference, which took place in Genoa, ended in failure, though it managed to lay a foundation for future cooperation. The international conferences mentioned above led to a partial lifting of the economic blockade. In 1925, about 40 international agreements were concluded, which contributed significantly to the creation of concessions. Also noteworthy is the fact that the USA only officially recognized the Soviet state in 1933. Nevertheless, in the 1920s such American tycoons as Armand Hammer, Henry Ford, John Rockefeller, William Harriman and others managed to acquire some significant concessions. John Rockefeller began his business activity in the Soviet country by building of an oil processing plant in Batumi. Everyone knows about W. Harriman's commercial activities in Chiatura. The American scientist Sigel analyzed the history of Harriman's concessions in detail in his article "Technologies and Trade in 1917-1929". With the partial lifting of the economic blockade, the question of developing the legal framework and forming a state body to implement the concession policy appeared on the agenda. These processes also affected the Transcaucasia.

In the 1920s, concession relations on the territory of the Transcaucasia were regulated primarily by Russian, but later Soviet, legislation. The basic legal regulations for carrying out concession activities were developed before the establishment of the new economic policy (NEP). On November 23, 1920, the Council of People's Commissars adopted a decree called "The general economic and legal conditions for concessions". With this act, the Government of the Russian Federation established the principles of the Lenin's concession policy, which also temporarily protected foreign investors and their property from nationalization, confiscation and requisition. In addition, some laws were passed regulating relations with owners, which was conducive to attracting foreign capital to the country.

On April 15, 1921, an interagency meeting of representatives of the Supreme Council of the National Economy, the People's Commissariat for Foreign Trade and the People's Commissariat for Foreign Affairs took place. After hearing the report of the Chairman of the Supreme Council of National Economy, Comrade Kartoziya, the meeting decided to recognize as foreign companies the following ones: 1) Commercial and industrial enterprises on the territory of Georgia as divisions of foreign cooperatives, companies, societies, consortia, syndicates and "individual owners" with their agents, trading exclusively in foreign goods and carrying out their activities "at the common expense and with the full capitalist risk." According to the decision made, to consider applications and documentation relating to the recognition, registration and rights of foreign companies, the Functional Board was created consisting of representatives from Ministry of Foreign Trade (Vneshtorg), Supreme Council of the National Economy (VSNKh) and People's Commissariat of Foreign Affairs (one from each) (Fonds 303:4)<sup>6</sup>. The Interdepartmental Commission held seven meetings, and then this body temporarily suspended its work.

On December 3, 1921, the Revolutionary Committee of the Georgian SSR again undertook to examine the procedural regulations for the registration of foreign companies on the territory of the Georgian SSR. According to the decision, a special commission for the purpose of registration was restored. It consisted of representatives of the People's Commissariat for Foreign Affairs, the Supreme Economic Council, the Cheka and the Commissariat for Foreign Trade. Therefore, in August of the same year (1921), the Presidium of the Supreme Economic Council commissioned its legal advice division to draw up guidelines for the registration of industrial companies. This document states as follows: "All industrial enterprises located on the territory of the Georgian SSR must be registered by the Supreme Economic Council." (Fonds 303:25)<sup>7</sup>. During the period 1922-1923, the commission created by the Revolutionary Committee registered 64 trading and 15 manufacturing foreign firms.

At the beginning of the formation of state bodies, it became clear that concentrating all registration and control matters in the Supreme Economic Council was not only a difficult but also an impossible task.

The rights of foreigners conducting trade and industry in Georgia until 1923 were established by Decree No. 64 of the Revolutionary Committee of Georgia in 1921. On the basis of this decree, foreign-owned commercial enterprises were created with the aim of developing trade relations between Georgia and foreign states. These enterprises enjoyed special rights and protection only if the People's Commissariat for Foreign Affairs, the Foreign Trade Office (for trading companies) and the Supreme Council of National Economy (WSNH) took part in the registration of them. If they were foreigners, the warehouses, offices, houses and living quarters of the owners and their agents and representatives, as well as their land and goods, were free from seizure and compaction.

With regard to the rights of concessionaires, it should also be noted that in 1922 the Civil Code was adopted. From the point of view of protecting private property rights, this document complied with pre-revolutionary legislation. This is what the situation looked like until November 16, 1923.

The government did everything possible to minimize individual contacts with foreign missions and trading companies on site. This ban applied to regional and central government agencies as well as private individuals. Thus, in its appeal "To all government institutions" of September 20, 1921, the Revolutionary Committee of the Georgian SSR states that "resolution No. 23 of the Revolutionary Committee of the Georgian SSR is being systematically violated, according to which all institutions and individuals are obliged to communicate with foreign missions, Industrial or commercial organizations only through the People's Commissariat of Foreign Affairs." All other actions were strictly prohibited and those who violated this decree would henceforth be warned of criminal liability. (Fonds 303:4)<sup>8</sup>.

From this we can conclude that in the first years of the new economic policy, the Bolshevik state created favorable conditions for the functioning of concessions.

The first state body, the Main Concession Committee - existed under the State Planning Committee of the Russian Federation (RSFSR). All issues of concession management were considered within the framework of the General State Plan and were part of this document. The result was an unclear and unformed policy in the field of foreign trade, which lasted until the second half of 1922.

At the beginning of 1922, the main directions of concession policy were developed, which became the cornerstone of the state's international policy. Economic relations between different states and sectors of the public economy are beginning to actively develop. The number of concessions offers is increasing and mixed joint-stock companies are emerging. Therefore, it is understandable that instead of the State Concessions Committee under the State Planning Committee, by the decision of the Council of People's Commissars of April 4, 1922, a new Main Committee for Concessions and Affairs of Joint Stock Companies was established under the Council of Labor and Defense of the Russian Federation (the RSFSR).

This state body was interdepartmental in its composition. On the other hand, the existence of this body within the Council for Labor and Defense underlined its special character, not only from an economic point of view, but also from a political and constitutional point of view. From an interdepartmental body, it became the superior departmental structure in the Council of People's Commissars.

Due to the ideological foundations of Bolshevism, any connection with foreign capital, even a provisional one, was an exception in the current legislation that regulated the Soviet economy. Each individual concession agreement was a political and legal act that had to be assessed based on state interests.

According to the regulations, the Main Committee concentrated its efforts on managing a unified concession process throughout the territory of the USSR. The main goal of such centralization was to subordinate the concession policy pursued in the republics of the Soviet Union first of all to the interests of Russian capital. In confirmation of this view, on April 12, 1923, the All-Russian Central Executive Committee and the Council of People's Commissars of the RSFSR have adopted the resolution "On the commercial operations of foreign firms in the RSFSR", according to which foreign firms operating throughout the territory of the USSR only were allowed to act in accordance with the provisions of the Main Concession Committee of the Russian Federation (RSFSR) and on the basis of the conclusions of the People's Commissariat of Foreign Trade of the RSFSR. In a short time, with the strengthening of the USSR and the formation of the Transcaucasian Federation, the decree of April 12, 1923 was automatically extended to the entire Transcaucasia.

According to the decision of the Plenum of the Council of People's Commissars of the Transcaucasian SSR on November 16, 1923, Comrade People's Commissar for Foreign Trade Ivanyan was instructed to study the documentation of foreign industrial, commercial and transport enterprises and firms operating in the Transcaucasia and to prepare relevant business proposals. The results of the work, together with the conclusions, were sent to the Main Concession Committee of Russia to make final decisions.

Most members of the government of Georgia and Abkhazia made no secret of their dissatisfaction. They did not want to get used to the financial and economic conditions imposed by the RSFSR, the purpose of which was to replenish the central budget by ignoring local interests and damaging the natural resources of the Transcaucasian republics. If the situation does not change, they



thought, not only will Transcaucasia completely use up its own resources necessary to support domestic industry, but the region will also face the problem of overproduction caused by the lack of markets. In this case, the republic will be forced to become a cheap raw material appendage of foreign states and it would find itself even more under the financial and political influence of Russia.

The situation was different in the area of foreign trade. The central body of the government of the Transcaucasian Federation, which was responsible for foreign trade, was called the People's Commissariat of Foreign Trade ("Zakvneshtorg"). It worked out the legal norms necessary for the development of foreign trade and monitored the implementation of all legislation in this area. In addition, it managed customs and licensing policy, participated in the conclusion of international trade agreements, established relationships with state and cooperative organizations and determined the form of its own participation in foreign trade transactions. It also led actions to finance foreign trade, to develop organizational forms for the efficient attraction of foreign capital and to led the work on the concession of commercial and industrial enterprises in the Transcaucasia. In addition, the Transcaucasian People's Commissariat of Foreign Trade received the exclusive right to general management of customs policy.

In March 1922, in order to strengthen the ties between the Republics of Georgia, Azerbaijan and Armenia in the field of foreign trade and to promote trade and export transactions in the Transcaucasia, as well as for the efficient execution of all kinds of trade orders by government institutions and companies, as well by cooperatives and individuals, the special trade department was established within the People's Commissariat for Foreign Trade.

The practice of the People's Commissariat for Foreign Trade after the establishment of new departments showed that parallelism and competition arose in many places. Each institution tried to establish direct contact with the owners of goods imported into Transcaucasia, bypassing the operations department. Some facts also came to light about the sending of their representatives abroad. Such actions led to monopoly and sabotage. This indicated that working methods needed to be changed and adapted to the existing situation.

Until the end of 1922, the Council for National Economy of the Transcaucasian Federation did not have its own, independent foreign representation. So, at a meeting of the Presidium of the Supreme Economic Council on October 16, 1922, the question of granting the Transcaucasian Federation the right to its own representation was raised. Despite the fact that this right was granted at this meeting to a number of individual trusts and administrative offices, as well as the industrial offices and economic councils of Ukraine, Turkestan, Urals, Siberia, North-West and South-East of the Soviet Union, the request of the Transcaucasian Federation was rejected.

The refusal was justified by a completely formal reason, namely the absence of one of the officials (Dolgov) at the meeting. The mechanism for opening representative offices of the South Caucasus republics was very lengthy. Despite the fact that a number of Economic Councils of individual republics and large departments began organizing their Representative Offices, the Central Executive Committee of the USSR did not approve the Decree on the right to open foreign missions. All this significantly hindered the implementation of the concession policy in the USSR, but especially in Transcaucasia.

The foreign policy situation of the state had a huge impact on concession policy. The fears of the Soviet party bosses that this capital could be turned into weapons against Soviet power also hindered the attraction of big capital to the country. It was difficult to imagine that, given the difficult situation in post-war Europe, the owners of large capital, with rare exceptions, would decide to use their funds, even in the presence of firm guarantees, to consolidate proletarian state capitalism and strengthen the financial and economic situation in the Soviet Union.

In early November 1922, the Presidium of the Soviet Union received important information from Moscow that the Italian government had decided to take aggressive measures against the USSR and confiscate the goods belonging to the Soviet republics. On November 4, a secret meeting of the State Council of the Transcaucasian Federation was convened. A resolution was passed, according to which all offices and company premises of Lloyd-Trestino had to be closed in all republics of the Transcaucasian Federation. The other punitive measures against Italy were as follows: closure of the office of the Italian-Caucasian Bank; ban on export of all goods to Italy; cargo belonging to Italian nationals was not allowed to leave the country; freighting of all Italian ships was stopped and they could no longer use the Black Sea ports.

The result of an unclear and incomplete foreign policy, which was pursued until the second half of 1922, was the third attempt by the government of the Soviet Union to form a supreme administrative body in the field of state concession policy.

The order of the Commissioner of the People's Commissariat for Foreign Trade in the Transcaucasia was published in the newspaper "Zaria Vostoka" dated November 20, 1923 (issue number - 267). According to it, all foreign companies located on the territory of the Transcaucasian Federation should register within a month by submitting all the necessary documents. The companies that do not register and do not receive permission to carry out commercial activity from the representative office of the People's Commissariat for Foreign Trade in Transcaucasia should be dissolved immediately. The economic department of the Commissioner of the People's Commissariat for Foreign Trade of the USSR, whose office was in Tbilisi, at 5 Loris-Melikovskaya Street, was responsible for collecting applications. By order of Moscow, registration was postponed until January 15, 1924. A total of 37 companies submitted their applications - 21 commercial, 4 transport and 12 industrial companies.

According to the minutes of the meeting of the Collegium of the Transcaucasian Department of Foreign Trade, only 8 out of 37 trading companies received a positive conclusion. These were as follows: "Richard and Ko" (Germany), "Atlas-Diesel" (Sweden), "Chiche" (Italy), AG "Hermes" (Germany), The Caucasian AG for Trade and Industry (Germany), the "Brothers Franke" cooperative (Germany), the "Continental AG for banking and commercial affairs" (Germany)) and one transport company ("Lloyd-Triestino" (Italy)). The issue regarding registration of industrial companies has been submitted to the Supreme Economic Council of the Transcaucasian Federation for further consideration.

Only in May 1924, a meeting of the Supreme Economic Council of the Transcaucasian Federation was held, at which the final decision was taken: all departments, offices and representative offices of foreign companies that were established outside the Soviet Union and legally received their licenses to carry out commercial activities in accordance with the legislation of their own countries, but have not submitted their applications in accordance with the regulations of the Commissioner of the People's Commissar for Foreign Trade of the USSR in Transcaucasia dated November 20 and 28, 1923, should immediately be dissolved until the end of 1924.

The structure of the bodies responsible for concession matters received a centralized organization and was headed by the Main Concession Committee.

According to the decision of the Council of People's Commissars of the USSR of August 21, 1923, the Main Concession Committee was established under the Council of People's Commissars. Its area of responsibility consisted of the following tasks: the management of all matters relating to the attraction and admission of foreign capital to industry, trade and other economic activities throughout the territory of the USSR; the management of negotiations and conclusion of contracts and agreements of all kinds regarding concessions and other issues that allow certain exceptions from general legislation.

According to Article 5 of the said resolution, the Concession Commissions are subordinate to the Council of People's Commissars of the Union Republics and act exclusively on the basis of guidelines, instructions and orders of the Main Concession Committee. The personnel composition of these commissions was determined by the relevant Council of People's Commissars in agreement with the Main Concession Committee of the USSR.

The Concession Commission under the Council of People's Commissars of the Transcaucasian Federation was created for some unknown reason and in a structural deviation, under the name "The Concession Committee" under the Supreme Economic Council of the Transcaucasian Federation". Only a year later, this organizational discrepancy was eliminated by the decision of the Plenum of the Council of People's Commissars of the Transcaucasian Federation of September 19, 1924, which finally legally formalized the Transcaucasian Concession Commission as a special body. Thus, it was now a commission that functioned within the Council of People's Commissars of the Transcaucasian Federation.

On April 9, 1926, the Main Concession Committee of the USSR approved the draft law on concession commissions at Councils of People's Commissars of the Union Republics.

The Concession Commissions were obliged to send immediately the copies of their documents to the Main Concession Committee, as well all minutes of their meetings, periodic reports on concessions and negotiations, reports received by them and proposals developed locally, with the attachment of all relevant materials. (Fonds 619:118)<sup>9</sup>.

Until the end of 1924, the organizational structure of the Transcaucasian Concession Commission consisted of a chairman, a presidium and a chancellery. The latter consisted of a secretary and a legal advisor. But after the conclusion of a contract with Harriman (June 12, 1925), a special apparatus was formed at the Transcaucasian Concession Commission - the office of the concession commissioner. This body, which supervised the activities of the concessionaire, was also obliged to monitor the global situation in the manganese industry, which was stipulated in Article 71 of the concession agreement.<sup>10</sup> Comrade Vashadze was confirmed as the manager of the Chiatura concession.

In such republics of the Transcaucasian Federation as the Georgian and Azerbaijan SSR, special concession bodies were established, which were called - the Concession Committee of the Azerbaijan SSR and the Concession Commission of the Georgian SSR. In contrast, in the Armenian SSR the relevant functions were transferred to the state planning committee.

Of course, the existing situation caused resentment in individual republics. The Transcaucasian Concession Commission turned to the Main Concession Committee with a request for clarification on this issue. In response to the statement of December 11, 1924, made by the deputy and chairman of the main concession committee, Comrade Preobrazhensky, the Transcaucasian Concession Commission received a directive letter with the following content: "From ... the regulations of the Main Concession Committee functioning under the Council of People's Commissars of the USSR it is clear that the Concession Commission, which is directly connected to the Main Concession Committee, can be formed only by the Council of People's Commissars of the Transcaucasian Federation, since only the Transcaucasian Federation is a constituent republic of the USSR. As for the concession commissions at the Council of People's Commissars of Georgia and Azerbaijan, which you talk about in your report No. 45/s of December 1, 1924, these should be considered purely as preparatory commissions, which are allowed to work within the framework of individual orders that they receive from the concession commission functioning under the Council of People's Commissars of the Transcaucasian Federation.

These commissions could not carry out any independent activities and they did not have the right to negotiate with concession applicants. If direct relations between these commissions and applicants for concessions were required, then, in accordance with Article 10 of the Regulation on the Main Concession Committee (a structure functioning within the Council of People's Commissars of the USSR), the special permission had to be obtained from the Main Concession Committee.<sup>11</sup>

The Concession Commission under the Council of People's Commissars of the Transcaucasian Federation was very dissatisfied with the response from the center, as can be seen from the letter sent by Comrade Eliava (Chairman of the Concession Commission of the Council of People's Commissars of the Transcaucasian Federation) to the Council of People's Commissars of the Transcaucasian Republics. "It was obvious that this formal approach to this issue could not be a final solution to the problem. Therefore, the Concession Commission was of the opinion that in the individual republics of the Transcaucasian Federation there should be real institutions which, upon request from the Concession Commission of the Transcaucasian Federation or from the Council of People's Commissars of individual republics, could develop and study certain issues related to the concession possibilities in each individual republic."<sup>12</sup> Despite such instruction, comrade Eliava assured the governments of Georgia, Armenia and Azerbaijan that not a single concession proposal affecting the interests of these republics will be accepted without prior agreement with them.

On May 14, 1924, at the ordinary meeting of the Council of People's Commissars of the Transcaucasian Federation, the composition of the Concession Committee of the Transcaucasian Federation was approved. Eliava was appointed as the chairman of the committee and Ivanyan became his deputy. Zhzhikhishvili, Modebadze, Svanidze, Gadzhinsky, Buniat-Zade, Ordubadsky, Kasyan, Balyan, Lakoba, Khimshiashvili, Bogdatyev, Karakozov and Akhundov were confirmed as full members. In addition, the order for considering the cases was established.

In the first three months, the concession committee held ten meetings at which both organizational issues and concession proposals were considered.

Until September 19, 1924, being in the stage of organizational registration, the Concession Commission of the Transcaucasian Federation, only in case of need, maintained sporadic contacts with the State Concession Committee of the USSR. But despite excessive centralization and unrestricted control by Moscow, the Transcaucasian Concession Committee managed to successfully organize its work by the end of 1924. However, this attitude towards republican interests on the part of central structures caused significant damage to the region's economy.

Due to such centralization, there is no doubt that the concession policy was, first and foremost, completely subordinated to the interests of Russian capital. A striking example of this situation can be the issue of laying a railway across the mountain pass of the Caucasus. Already in 1914-1915, a commission was set up in the then Department of Railway Affairs, which was tasked with examining the possibility of laying a new railway line Kozlov-Svyatoi Krest-Vladikavkaz-Tbilisi.

The commission gave a positive conclusion. Later, in 1919-1920, a decision was made by an interagency commission chaired by engineer G. Z. Andronikov to lay an electric railway pass road between Tbilisi, Vladikavkaz and Beslan. (Fonds 619:1)<sup>13</sup>.

This question was raised again in 1923. The commission established by this Committee, chaired by the Deputy People's Commissar for Communications I.N. Borisov made the following decision regarding the laying of some new routes: "Taking into account the fact that the route planned in the submitted project for connecting the Black and Caspian Seas does not correspond to the common goal, which is to connect the center of Russia with Persia and Transcaucasia, we must recognize that its construction is currently inexpedient." (Fonds 619:1)<sup>14</sup>.

As a rule, the Concession Committee had to coordinate the development and consideration of concession proposals with the Union Republics. However, at that time it was not possible to have full-fledged business communication between them.

By January 1, 1925, the Concession Commission of the Transcaucasian Federation conducted a number of very important negotiations. It would therefore make sense to go into some of them in more detail.

Regarding forest concessions, proposals were received through the Main Concessions Committee. The applicants were Von Grote Mismal and the German company "Willi Meinecke". In addition to the Germans, among whom the former timber trader on the Black Sea coast Oscar Kerner stands out, representatives of English industrial circles (Bacos Traders) also showed an interest in it.

There was fierce competition between the applicants for the Chiatura manganese. The main competitors were American, German and British industrial circles. Foreign political influence further exacerbated the situation. Thus, in its foreign press bulletin No. 48 of October 30, 1924, the information department of the Main Concession Committee published an article from the "Frankfurter Zeitung" with the following content:

"Caucasian Mining Association" in Hamburg and "The Mine Society of Gelsenkirchen" took certain steps in Georgia against the granting of a manganese concession to Harriman. The English companies, which also had an interest in Georgian manganese, also expressed their protest in the same way. The German companies fear in particular that their exclusion from Chiatura will cause the Ruhr area's industry, which is dependent on Chiatura manganese, to suffer greatly and that the Harriman concession is another attempt to subject German industry to American control." According to the United Press, representatives of Germany and England protested in Moscow against the granting of a concession to Harriman. There is no doubt that the issues related to concessions became increasingly important in foreign policy, and not only towards the USSR. (Fonds 619:52)<sup>15</sup>.

Non-traditional industrial sectors were of particular interest. These include the cultivation of plants in the Transcaucasia that are used in tanning, with further industrial production of tanning extract. Here also comes the development of the canning industry and the establishment of a factory for processing fish scales. As subjects of consideration were also the proposals from German companies regarding concessions for cleaning cities and recycling industrial and agricultural waste, for the extraction of placer gold, the exploitation of deposits of infusorial earth, the development of deposits of roofing slate, etc.

In the first three months of work, the Commission also considered other issues. In parallel with this, researches were carried out regarding various concession opportunities of Transcaucasia.

The instability of foreign policy processes continued to have a negative impact on the region's economy. So, in the second half of 1924, negotiations took place in Moscow on the conclusion of a Soviet-German treaty, the results of which should have had an impact on the concession policy. Even before the end of the negotiation process, in November 1924, by a decree of April 12, 1923, the Main Concessions Committee registered and extended the right for a number of German companies to continue to operate on the territory of the Transcaucasian Federation within a very short period of time (until January 1 1925). Of course, the hope was to achieve a quick contract conclusion. But the negotiation process dragged on and the companies, some of which had already been operating in the



Transcaucasia for some time, were dissolved on the urgent orders of the USSR People's Commissariat for Foreign Trade. The list of dissolved companies included the Caucasian Commodity Exchange, Caucasian Society for Production and Sales of Wine, German-Black Sea Society Sellhorst and Schröder, Partnership W.F. Trester and Co., Export-Import Company Richard and Co., Eastern Trading Company Piel and Felling, Caucasian Trade and Industry Joint Stock Company, Continental Banking and Trading Company Pujen and Co. and Trading House of the Franke Brothers.

The local authorities tried to delay the liquidation process as much as possible. However, on November 24, 1925, a secret order was received in the name of the Commissioner of the People's Commissariat for Foreign Trade at the Council of People's Commissars of the Transcaucasian Federation: "In view of the fact that you do not consider it possible to proceed with the liquidation of the foreign companies at your own discretion and also in view of the fact that the legislation does not contain any instructions regarding the liquidation of such companies, we consider it necessary for you to access the following procedure, which seems to be the most painless one. This looks like this: You summon the company's representative to your location and point out to him that it is inadmissible to continue the activity if the registration deadline has expired on January 1st. You should require him to remove all signs and other signs indicating the company's existence. You are then given a week to do all of this. These representatives should then provide appropriate evidence confirming that they had been properly informed of all of this." (Fonds 619:145)<sup>16</sup>

In the mid-20s, issues of personnel qualifications and improvement of the state apparatus became relevant throughout the country. However, in the Concession Committee functioning at the Council of People's Commissars of the Transcaucasian Federation, this work was carried out unsystematically and only intermittently and, of course, could not produce anticipated results.

One of the important problems was the granting of credit to concessions. The government recognized that concession companies should serve as conduits for foreign capital in the economy of the USSR. Based on this, it seemed fundamentally inappropriate for Soviet banks to grant loans to concession companies for their activities. A loan to the concessionary company was permitted only by decision of the boards of the State Bank and Vneshtorbank, the latter having previously agreed the matter with the People's Commissariat of Finance of the USSR.

At the beginning of 1926, the Transcaucasian Concession Commission held 22 meetings at which 122 individual points regarding concession proposals and organizational issues were considered. In the second half of the 1920s, the Soviet government decided that concessions must be included in the unified state plan for the development of the country's national economy, prepared by the Planning Committee of the Soviet Union.

Meanwhile, Transcaucasia had extremely favorable and promising conditions for industrial development, primarily due to the abundance of water resources and relevant natural materials, the use of which could bring about an excellent economic development of this region. In view of this, attracting foreign capital for the region should have become a top priority.

It must be admitted that the members of the commission understood well that in order to maintain the leading role of the state in the electrification policy of the Transcaucasia, the best option would be to build energy facilities at the state's expense. This is also evidenced by the following phrase: .... their concession is permissible if the state does not spend money from its budget on them, which will lead to the acceleration of this plan and reduce budget costs." (Fonds 634:307)<sup>17</sup>.

Based on the preliminary study of regions, the commission singled out the following rivers: Inguri, Kodori and Bzyb in Abkhazia, Rioni and Tskhenis Tskali in western Georgia, Toparavan and Khrami in eastern Georgia, Kamenka, Songa and Araks in Armenia, Terter and Araks in Azerbaijan.

However, the development of a five-year plan for the development of concession objects in Transcaucasia encountered a number of difficulties of organizational, methodological and financial nature.

The first outline of such a plan was drawn up in 1928. This was a list of all companies and undertakings in all areas of the national economy that were not included in the operational plan for the coming years.

However, the preparation of a plan for concession objects using this method can hardly claim to be scientific, planned and practical. In order to attract foreign capital for the construction of industrial facilities of strategic importance, the Council of People's Commissars adopted a resolution in May 1926



according to which legal entities that were actively involved in the industrialization process of the USSR should be equated to state organizations, i.e., Soviet trusts. And this also meant certain tax allowances.

In the field of concession policy management, the activities of the authorities of the USSR, Russia, the Transcaucasian Federation and republics belonging to the Transcaucasian Federation did not represent a single coordinated mechanism, which negatively affected the results. The activities of various central and local structures were characterized by parallelism and competition. Foreign citizens and their activities were under constant surveillance and control by law enforcement authorities. The intelligence services saw concessionaires only as individuals who had successfully completed espionage and reconnaissance missions. The repressive machinery of the Soviet state was put into motion.

In 1928-29, only three concession companies operated on the territory of the Transcaucasian Federation: the kerosene refinery plant "Standard Oil Company of New York" in Batumi, the German construction company "Altebau AG" and the "Indo-European Telegraph Company" (INDO). Basically, by this time the historical phase of concession policy on the territory of the Transcaucasian Federation begins to come to an end.

The last legislative act that established the basis for the legal regulation of concession activities in the USSR was the state-approved document entitled "Basic Provisions for Attracting Foreign Capital to the National Economy of the USSR", as well as the guideline "List of Concession Objects", which was adopted by the State Planning Committee of the USSR on July 24, 1928. The state institutions of Transcaucasian republics and invited scientists actively participated in the development of the second document. However, these documents were essentially aimed at abolishing the existing concessions (the political course towards industrialization, an economy with central administration or also known as a planned economy, the ideological confrontation).

The further attraction of foreign capital to the country was hindered by such factors as the incompleteness of concession laws, violation of the rights of foreigners, discrimination in such areas as taxes and customs duties, high taxation, existence of various "local taxes", political persecution of foreign nationals, reprisals, bureaucracy, parallelism in the activities of the government bodies, limited material resources, lack of local qualified specialists, etc.

The leader of the Bolsheviks, Lenin, was the ideologist, leader and ardent supporter of the idea of concessions. The foreign press even referred to these objects as "Lenin's concessions" in their publications. But the anti-concession sentiments that arose as early as the spring of 1922 grew stronger over time and reached their climax after the death of the head of state and the leader of the Bolshevik Party.

From the beginning, Stalin did not agree with the opinion of those party leaders who saw concessions as the only salvation for the state economy. After coming to power, he announced the end of the new economic policy course. Concession companies and foreign entrepreneurs began to leave the country. Some concessions were terminated immediately after the contract expired, some without waiting for the deadlines specified in the contract.

For example, the gold mining company "Lena Goldfields" was accused of espionage. The American entrepreneur Harriman had to stop mining manganese in his mines in the Caucasus. The number of concessions throughout the USSR began to decline rapidly. To accelerate the process of liquidation and expropriation of foreign capital, a variety of methods were used: physical violence, psychological pressure, non-compliance with contractual conditions, imposition of prohibitive taxes, political persecution, endless lawsuits with trade unions, incitement of workers in large enterprises to strikes, and some others.

In 1930, the accumulated problems in the implementation of concessions led to a decline in the country's leadership's interest in them. In part, the decline in interest in concessions was due to the successes in the country's economic development process. This gave the country's leadership confidence in the process of economic construction of the country. On February 5, 1930, at a meeting of the Politburo of the Central Committee, the report of M.M. Litvinov discussed the position towards concessionaires. It was decided to set up a commission to review existing concessions that are "either not viable or whose existence is undesirable".

This commission had to deal with the solution of the dilemma associated with the abandonment of the concession mechanism in the economic life of the country, on the one hand, and with the profitability of the concession companies, on the other.

As a result, the commission came to the following conclusion:

“... given the apparent financial weakness of the concessionaires and the systematic non-fulfillment of contracts on their part, the overwhelming majority of concessions should be terminated for purely economic reasons, since they are not profitable for the national economy of the USSR and cannot keep pace with its development.” (Documents on the foreign policy of the USSR, 1960)<sup>18</sup>.

This decision became a party directive after it was approved by the Politburo of the Central Committee of the Communist Party of the USSR on February 25, 1930. (Directive of the Central Committee of the Communist Party of the USSR (Bolsheviks) dated February 25, 1930). (The magazine "Power and Administration in Russia's South", 2017)<sup>19</sup>.

This is how the process of dissolving concessions, which intensified at the end of the 1920s, took shape. This was a sign of the Soviet state's transition to the mono-structure economy.

The virtual dissolution of the concession sector in Transcaucasia began in 1929. In Russia this process continued throughout the decade. On December 27, 1930, the Council of People's Commissars adopted the decree abolishing all existing concessions. The rights of the Main Concession Committee were limited to information and advisory matters. On December 14, 1937, the Council of People's Commissars of the USSR adopted a resolution entitled “On the dissolution of the Concession Committee as a subversive structure.”

In the 1930s, all five former chairmen of the Main Concessions Committee - G. Pyatakov, L. Trotsky, V. Khandrov, L. Kamenev and V. Trofimov - were convicted of espionage and treason. Most of them were executed.

### **Conclusions and recommendations.**

Most researchers see economic problems and the difficult foreign policy situation as the main reasons for ending the concession policy. After examining a large number of archival documents, we believe that one of the main problems here was the internal party and ideological conflict. The issue of attracting and using foreign capital in the early stages of the Soviet Union became topical primarily thanks to the position of the party leaders. However, in the late 1920s, political contradictions emerged within the Communist Party that put an end to the concession policy.

Foreign capital and concessions did not fit into communist ideology. The position of the concession sector in the Soviet economy was determined by a number of legal norms. The lack of unity on this issue led to fluctuations in political forces within the Bolshevik leadership and to struggle between various factions within the ruling party. Although most party leaders publicly cited and advocated for the economic benefits of “foreign concessions,” this always remained a political matter. It constantly caused disagreements and confrontations between different state systems, individual states, between regions and the central government of the USSR, between party and executive authorities, between state bodies and trade unions.

The study of this topic refutes the thesis, which has been put forward for years in Soviet historiography, that the policy of attracting foreign capital turned out to be unsuccessful and inoperable as a whole, and that the process of development of the national economy was delayed. It is impossible not to mention the influence of foreign scientific and technological progress on the region's economy. The existence of concessions significantly contributed to the formation, restructuring and development of various sectors of the economy in the Transcaucasian republics. By that time, advanced technology had been brought to the region, the number of unemployed people had decreased, the process of industrialization had begun, and hundreds of young people received education abroad.

In conclusion, we would like to note that the Soviet economy of the 1920s and 1930s, which was based on the market economy and, to some extent, on the recognition of private property, could not develop under the conditions of a strict authoritarian one-party political system.

The violent regime, tense international relations, disregard for local national interests and unjustified centralization played a negative role, since the main programmatic goal of this regime was the transition to communism, that means to a society without private property.

We assume that the documents discovered as a result of the research will be of interest to both scientists and the general public, and will contribute to the popularization of the National Archives of Georgia.

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