

The Nobels in Georgia: Oil, Pipelines & Geopolitics. Part I

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In 19th century Georgia, the development of economic relations, based on the principles of capitalism, brought many foreign entrepreneurs and investor companies to the country. The following story is a perfect example of this process and concerns such giants of the financial world as the Nobels, Rotschields (the mightiest financial family in Europe) and Rockfellers (founders of the biggest American oil company ‘Standard Oil’). Often, the competition was unfair and the breaching of laws usually brought about long court litigations hindering business development in Georgia. Agreements were made between the Nobels and Rotschields, between the Rockfellers and Rotschields, and sometimes even between the Nobels and Rockfellers. Everything was done to destroy the third party.

The battle of these three families has gone down in history as the so called ‘Thirty Years War.’ The cause of it all? The Transcaucasian Railway and oil.

The Nobels started their business in Russia in the 1840s, which turned out to be financially unsuccessful. When Emanuel Nobel left Petersburg, his sons Ludwig and Robert decided to remain (Alfred returned to Europe to work on nitroglycerin). The two brothers opened in the Russian capital a military factory, meeting the tsars’ orders by producing cannon shells, barrels and rifles. The industry was entirely dependent on foreign raw material and in order to find new resources and make the production cheaper, Robert Nobel travelled in 1873 to the South Caucasus.

The Georgian National Archives have a number of interesting documents concerning the Nobels and their activities in Georgia. One of them attests to how, in March 1873, Robert addressed the local authorities in Tiflis (Tbilisi), persuading them as to the benefits of the newly invented dynamite for constructing railroads, clearing rocky regions, and underwater. Supporting his case by appealing to the Caucasus’ rocky landscape and wide use of dynamite across the world, Robert asked for permission to import 500 pounds of dynamite to the Caucasus on a tax-free basis. Although Robert was the first of the Nobels to visit the Caucasus, it was not him, but Ludwig, who eventually became the founder of the Russian oil industry. In 1875, he bought in Baku a kerosene plant and oil-rich territories for 8000 Rubles from the ‘Tiflis Society.’ In May 1878, by the special imperial degree of Alexander II, the Petroleum Production Company Nobel Brothers, Limited was formed, known as Branobel, with an initial capital fund of 3 million Rubles.

During the 1880s, the Nobels transported oil and kerosene from Baku to Europe either via the small Georgian city of Poti, or through the Baltic Sea ports. Using these routes involved huge financial costs, and therefore oil industrialists sought a new, much cheaper, way. Batumi was considered the best option. However, while the city was in Turkish hands, the route could not be used. The situation changed dramatically after the Russo-Turkish War of 1877-1878, with Batumi reintegrated into Georgia, thus creating favorable conditions for oil export through the city.

The completion of the Batumi-Samtredia Railway connected Batumi directly to Tiflis, considerably increasing the city’s industrial and export growth prospects. The Berlin Peace Congress of 1878 also contributed to this process by declaring Batumi a “porto franco” – “free port”. Nobels’, Rothschilds’, German and English investments flowed into the city. It is also worth noting that Baku’s cheap kerosene made it eventually unprofitable to produce it in Georgia and, as evidence suggests, by 1902, this industry had entirely disappeared from in the country.

This led to the so-called ‘Thirty Years War’ of financial and political competition between the major financial families for the control of the Georgian transit corridor and Caspian oil.

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