

The economic expansion of Austro-Hungary into the Caucasus in the Last Third of XIX – early XX centuriesIgor Vladimirovich Kryuchkov¹, Victor Pavlovich Ermakov², Ludmila Ivanovna Milyaeva²¹North-Caucasus Federal University, Pushkina Str., 1, Stavropol, 355009, Russian Federation²Pyatigorsk State Linguistic University, Kalinina str., 9, Pyatigorsk, 357500, Russian Federation

Abstract. The article is dedicated to the economic relations between Austro-Hungary and the Russian Empire in the last third of XIX – early XX centuries. The authors focused their attention on the foreign trade of the Habsburg Empire and the North Caucasus. The article analyzes the economic links of Austro-Hungary and the North Caucasus and their dynamics.

[Kryuchkov I.V., Ermakov V.P., Milyaeva L.I. **The economic expansion of Austro-Hungary into the Caucasus in the Last Third of XIX – early XX centuries.** *Life Sci J* 2014;11(11s):457-460] (ISSN:1097-8135). <http://www.lifesciencesite.com>. 103

Keywords: the Habsburg Empire, Austro-Hungary, the Russian Empire, foreign trade, foreign investments, import, export

Introduction

Russia and Austro-Hungary (Austria) in the second half of XIX – the beginning of XX centuries were gradually integrating into the world economic space. Both empires in the economic plane experienced similar processes of the development of the national economic complex: belated industrialization and modernization of the society, uneven economic development of the imperial center and national provinces, dependence on foreign investments, the exceptional role in the economy of the agrarian sector that had partially developed on the basis of the traditional mode of economy. This similarity of the economic development made the neighbouring empires competitors in the struggle for foreign investments and in the world agrarian market.

A great role in the development of the bilateral economic relations was played by the diplomatic missions of the empires. The diplomatic missions of Austro-Hungary in Russia strove to promote the bilateral trade. The diplomats gathered all the information that could be of any interest to business, and in every possible way contributed to the search for business partners in the country of stay [1]. In June 1913, after the agreement with the Interior and Foreign Ministries the Stavropol guberniya administration met the inquiry of the Austro-Hungary consulate in Rostov-on-Don about the provision of the consulate with the data on the specific features of the development of the consumers' cooperative activity in Stavropol guberniya-province [2].

The representatives of business themselves showed initiative in this direction. In Autumn 1900 after some hesitation The International Congress on horse breeding in Rostov-on-Don was attended by the Hungarian delegation in order to study the achievements of the Russian horse-breeders and establish with them business relations [3].

Austro-Hungary and the Caucasus

The Austro-Hungarian subjects in Russia strove to keep in contact with one another, including business contacts, and render all kinds of assistance to one another. To this end they set up in Saint-Petersburg, Moscow, Kiev, Rostov-on-Don and Odessa charitable associations, whose activities were not restricted solely to rendering help to the needy [4].

The investment of the Austro-Hungarian capital in the development of the industrial production was rather unassuming. The Austrian business people preferred to invest their money not in the development of heavy and mining industry which was characteristic of the foreign capital in Russia, but in the development of food industry and in the sphere of services.

At the same time on the eve of the First World War there was a certain breakthrough in this plane. In 1910 British financier D. James and the Austrian business people from Vienna of Scottish origin F. James and W. McGarvey set up a joint-stock company "The Russian Kuban industrial and petroleum company" (Kubanoil). In August 1914 in Ekaterinodar the company with the financial support from one of the banks of Great Britain, "The Russian bank for foreign trade" and the Vienna bank "Union-credit" built one of the biggest plants in Russia for the production of the equipment for oil industry. The products of the plant were in great demand in the oil industry of the Caucasus and outside Russia, including Austria.

Baku oil fields were an interesting object for Austro-Hungarian investors, though in terms of the volume of capital they were to a considerable extent inferior to the British, French and German investors.

Austro-Hungarian banks did not belong to the number of big investors and creditors in Russia.

Mutual investments of the Russian and Austro-Hungarian capital were insignificant. "The Credit bank", set up in Hungary by the Austrian Rothschilds, gave a credit to Vladikavkaz railway that played the increasingly important role in the economic life of the South of Russia in the late XIX – early XX centuries [5]. Perhaps, this was the biggest capital investment of the Austro-Hungarian banks into the economy of the South of Russia.

The Austrian Empire and later Austro-Hungary had always showed a considerable interest in the development of trade with the Caucasus. From this region it could receive the raw material so essential for it and, in its turn, realize its own goods. Through the Caucasus for a long time the empire of the Habsburgs had conducted its transit trade.

This circumstance was promoted by the status of Batumi as *porto-franco* which was insisted on by Great Britain during the work of the Berlin congress. Duty-free trade through Batumi caused damage to the economic interests of the oil industrialists in Baku and local businessmen, the Russian budget also sustained heavy losses. So in 1888 Russia announced the change of the status of port Batumi and its full inclusion in the customs area of Russia which roused indignation in the leading European countries; however, it was not followed by any serious sanctions [6].

In the last third of XIX century Austro-Hungary was one of the main consumers of the Caucasian oil; through the port of Batumi in the mid-90s of XIX century about 16 per cent of oil was exported to the Habsburg Empire [7]. However since 1900 Austro-Hungary had raised the customs tariffs for the import of crude oil from Russia. This circumstance led to the cessation of the export of the Caucasian oil to Austro-Hungary. However, Austro-Hungary itself started at the beginning of XX century the export of oil, competing in this respect with Russia. In 1912 the Danube Empire exported 693 thousand tons of oil and oil products ranking fourth in the world [8]. Earlier in 1880 the same happened to the export of cattle from Russia to the Danube Empire [9]. This measure also affected the cattle breeders of the Don region and the North Caucasus. Officially it was done due to the constant epidemics of cattle in Russia, but actually it was Vienna's concession to Hungarian agricultural workers who wanted to oust the Russian rivals from the Hungarian market.

Truly, there were some exceptions. For a long time Hungary had dominated in the export of horses to Italy. At the same time the Russian producers from the Don region and the North Caucasus were gradually expanding the deliveries of horses to Italy, having driven Hungarian suppliers

back. The Russian diplomats suspected the Hungarians of re-export, thinking that they bought horses in the South of Russia and then re-sold them in Italy [10]. It should be noted that Hungary traditionally and on a large scale bought horses in the Don region and in the North Caucasus.

The Caucasus was the main supplier of the manganese ores to the Danube Empire. In 1906 after the riots in the Transcaucasia, the export of the manganese ores found itself in a difficult situation, its positions were temporarily restricted by the exports to the Habsburg Empire of manganese ores from Brazil, Spain, India. However Russian exporters managed to restore rather quickly the export of manganese to Austro-Hungary [11].

The first available statistical account of the foreign trade of the Caucasus refers to 1886. Austro-Hungary was not among the main foreign economic partners of the Caucasus. In 1886, the territories of the Caucasian guberniyas and regions of Russia exported the largest amount of goods to France 7.725 million roubles worth. It was followed by the Osmanli Empire, Persia, Great Britain, Italy, while Austro-Hungary ranked six according to this indicator with 1.411 million roubles [12]. At the same time the Caucasus imported goods from Persia 7 million roubles worth, Great Britain – 2 million roubles, the Osmanli Empire – 793 thousand roubles, France – 725 thousand roubles and Austro-Hungary – 402 thousand roubles, the import of goods from the rest of the countries taken together did not exceed 400 thousand roubles [12]. The territory of the Caucasus exported to Austro-Hungary a narrow circle of goods, including silk cocoons (185 poods), wheat (55 thousand poods), oil (70 thousand poods), kerosin (1.269 thousand poods), lubricants (28 thousand poods), other oil products (998 thousand poods) [12].

Austro-Hungary exported to the Caucasus a much wider circle of goods but the volumes of their import were insubstantial. In particular, the empire supplied the region with iron monger and, in the first place, with agricultural machinery and machines (1207 poods), with Great Britain taking the lead in this segment of the market (13667 poods) and Germany (12184 poods), chemical and pharmaceutical goods (362 poods), tools for craft industry and arts studios (803 poods), harness and leather-ware (61 poods). In terms of the supply of those goods Austro-Hungary was considerably inferior to Great Britain, Germany, France, Belgium and other countries. At the same time Austro-Hungary either dominated or was a monopolist in the supply of fancy goods (101 poods), writing and drawing accessories (82 poods), musical goods (163

poods), mathematical and optical instruments (59 poods) and matches (5905 poods) [12].

At the beginning of XX century the agricultural machines from Austro-Hungary became more and more popular in the Caucasus, they were cheaper in comparison with the similar products from other countries, being in no way inferior in quality [13].

At the beginning of XX century such a high-tech product as autos began to make its way to Russia from Austro-Hungary. In 1907 Austro-Hungary delivered to Russia autos 87 thousand roubles worth, certainly a small volume, and the Danube Empire in this respect was substantially inferior to Germany, which imported autos to Russia 825 thousand roubles worth [14]. However, gradually Austro-Hungarian autos began to conquer the Russian market. Even in the North Caucasus in Gulkevichi there was the representation of the firm Wilhelm Grunt that was dealing with the realization in the region of the autos from the Danube Empire, in particular the “Austro-Daimler brand”. In addition to this brand they offered for sale in the Caucasus the autos from the auto plants “Laurin und Klement” from Mlado Boleslav [15]. During the first six months of 1914 in Stavropol alone they sold 4 such autos, which, considering the specific nature of the region, was not a bad result [16].

The dynamics of the economic links between the Caucasus and Austro-Hungary is proved by the fact that in 1886 alone 633 Austro-Hungarian ships came into the ports of the Caucasus, this indicator being inferior only to Great Britain – 1489 ships, Greece – 795 ships and the Osmanli Empire – 638 ships [12].

As it has already been noted, Austro-Hungarian business people were constantly studying the economic potential of the Caucasus, aspiring to expand the trade links between the Habsburg Empire and the region. In the Transcaucasia they traditionally grew cotton on a small scale, which won the attention of not only Russian, but also Austro-Hungarian businessmen. A well-known Austro-Hungarian specialist in cotton-growing P. Teinburgh was sent to the Caucasus to study the possibilities of the extension of the cotton-growing area in the Caucasus and the import of the cotton to Austro-Hungary. P. Teinburgh was completely disappointed with the results of his trip to the Caucasus, he wrote to this effect: “I can say in the affirmative that the cotton from various provinces of the Transcaucasia has not only failed to occupy the position on the market becoming its value...but its state has not only failed to improve, but on the contrary has aggravated” [17].

It should be noted that the economic links between Austro-Hungary and Russia manifested

themselves in the exchange of information and in the experience of pursuing a policy in the provinces of the empires. At the beginning of XX century in the Caucasus many representatives of the imperial state machinery and the public started to pay attention to the need for the preservation of the traditional crafts of the peoples of the Caucasus and, in the first place, of the craftsmen. In the Caucasus among the crafts the manufacturing of copper ware, weapons and jewelry was especially developed. The products of the craftsmen from the aul Kubachi and other regions of the Caucasus were in great demand. However even this type of craft was going through hard times. And this time the authorities and the public of the Caucasus became interested in the experience of the Austro-Hungarian administration over the preservation and development of the local crafts in Bosnia and Herzegovina, which expressed itself in aiding the craftsmen in the cause of the expansion of the sales markets for their goods outside the region [18].

In the late XIX – early XX centuries there begins active development of the health resort business in the Caucasus. Kislovodsk, Pyatigorsk, Yessentuki, Zheleznovodsk, Sochi and Gagra became the centres of spa treatment in Russia. The European, including Austro-Hungarian, experience of the development of health resorts exercised strong influence on the development of the health resort business in the Caucasus. The cultural landscape, the organization of medical treatments in many respects replicated the best European models, especially it was noticeable in the Caucasian Mineral Waters area, which very strongly resembled the spas of Bohemia and the Austrian lands of the Habsburg Empire.

An important bearer of the economic influences of Austro-Hungary in the Caucasus were the colonists, the subjects of the Habsburg Empire [19]. All in all, in the Caucasus, Stavropol guberniya excluded, resided 3285 Czech colonists [20]. Among other subjects of Austro-Hungary especially notable were Serbs, Croatians, Slovaks, Austro-Germans and Hungarians, but their number was insignificant.

The Czech colonists, as a rule, set up their own colonies, which were fully autonomous as regards the local population. The Czech colonists had a high level of agriculture compared with the Russians and the Ukrainians, not to mention the mountaineers. They used to feed their cattle up which was not the custom in the Caucasus, so the cattle and swine of the Czechs so far as the quality was concerned were much superior to the cattle of the local dwellers [21]. The Czech colonists in the Western Caucasus became pioneers of the selection work, breeding the “Schwyz stock” of cattle. Many agricultural machines and implements were also

brought to the Caucasus by Czech colonists. It is no mere chance that Czech F. Geiduk became the first agronomist of the Black Sea district. F. Geiduk in his work constantly applied the Hungarian experience [22].

The first blow to the economic links between Russia and Austro-Hungary was dealt by the Balkan Wars, and it was not only a matter of the political disagreement between the two empires. The closing by Turkey of the Black Sea Straits had a negative effect on the trade between the two countries. It is no mere chance that in 1912 the customs services of the Caucasus marked a sharp decline in the trade operations with foreign countries, including Austro-Hungary [18].

The final blow to the economic links between Russia and Austro-Hungary was dealt by the First World War. The conflicting sides cut down their mutual economic cooperation.

Conclusion

The Caucasus played an important role in the economic links between Russia and Austro-Hungary in the last third of XIX – early XX centuries. The region, while supplying the Habsburg Empire with mineral resources and other raw materials, imported in exchange the products of the manufacturing industry. In this period the first Austro-Hungarian investments appeared in the Caucasus. The main tool of the borrowing of the economic experience of the Habsburg Empire were the Czech colonists and the Austro-Hungarian specialists. The development of the health resorts played a substantial role in the national economy of the Caucasus. The example of the development of the health resort business in Austro-Hungary was taken as a model for the organization of the health resort structure in the Caucasus.

Corresponding Author:

Dr. Kryuchkov Igor Vladimirovich
North-Caucasus Federal University
Pushkina Str., 1, Stavropol, 355009, Russian Federation

References

- Shchyokin, M., 1909. Russian trade in Trieste. Collection of consular dispatches for 1908, 2: 267.
- State archives of Stavropol territory. F.101 Governor's office. op.5.d. 559. l.186.
- The archives of the foreign policy of the Russian Empire. F.151 Political archives. op.482. Unit of storage 576. l. 218.
- Statutes of the Austro-Hungarian charitable association, 1874. Odessa. Statutes of the Austro-Hungarian charitable association in Moscow, 1881, 1898, 1898. Moscow. Statutes of the Austro-Hungarian charitable association, 1898. Saint-Petersburg. Statutes of the Austro-Hungarian charitable association in Rostov-on-Don, 1912. Rostov-on-Don. Statutes of the Austro-Hungarian charitable association in Rostov-on-Don, 1914. Alexandrovsk. Statutes of the Austro-Hungarian charitable association in Kiev, 1909. Kiev.
- Islamov, T., 1972. Political struggle in Hungary on the eve of the First World War 1906-1914. Moscow: Nauka, pp: 63.
- Esadze, S., 1912. Historical experience of the expansion of the Russian influence in the Caucasus. Caucasian calendar for 1913, pp: 60.
- Bulletin of finance, industry and trade #16, 1895, pp: 103.
- Vesov, L., 1913. Russia on the international oil market. Trade and industrial South, 15: 35.
- Bulletin of finance, industry and trade #19, 1895, pp: 277.
- Zabelko, G., 1909. Russian trade in Italy. Collection of consular dispatches for 1909. Issue 3. Saint-Petersburg, pp: 305.
- Shchyokin, M., 1909. Russian trade in Trieste. Collection of consular dispatches for 1908, 2: 267.
- Caucasian calendar for 1888, 1887. Tiflis, pp: 530.
- Caucasian calendar for 1911, 1910. Tiflis, pp: 564.
- Review of the foreign trade of Russia at the European and Asian borders for 1907, 1909. Part two. Saint-Petersburg, table VIII.
- North Caucasus territory, 1912. #916, pp: 4.
- North Caucasus territory, 1914. #915, pp: 2.
- Teinburgh, P., 1870. Cotton business in the Caucasus. Tiflis, pp: 1.
- Caucasian calendar for 1914, 1913. Tiflis: General department, pp: 1323.
- Ptitsyn, A., 2009. Migration of Austro-Hungarian subjects to Russia and the North Caucasus (second half of XIX-early XX century). Transactions of the chair of modern and recent history of Stavropol State University, 2: 26.
- Caucasian calendar for 1910, 1909. Part 1. Tiflis, pp: 115.
- Caucasian calendar for 1915, 1914. Tiflis, pp: 116.
- Geiduk, F., 1871. On the importance for Russia of the development of the agricultural industry in the north-east coast of the Black Sea. Russian bulletin, March: 5-41; April: 381-404.

7/7/2014