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### **On Azerbaijan-Iranian economic relations in 1920-1925 years**

#### **Abstract**

The purpose of the article is to study the economic relations between Azerbaijan and Iran in 1920-1925. In the article, for the first time, events are analyzed on the basis of numerous archival documents and generalizations are made based on them. On April 28, 1920, Bolshevik Russia occupied Azerbaijan, and after some time political and diplomatic relations were established with Iran. Although during the USSR, Azerbaijan was deprived of the opportunity to conduct an independent foreign policy, in relations with Iran it became much more independent. The article shows the main forms and directions of economic and trade relations between Azerbaijan and Iran. Also, many documents and materials are introduced into scientific circulation for the first time, which increases the scientific value of the research topic and makes it relevant. The article deals with the economic relations of Azerbaijan with Iran in 1920-1925. Since this period was the initial stage of the establishment of political and economic relations of Azerbaijan with foreign states, and in connection with this, Azerbaijan sought to establish independent, direct relations with the eastern states. In Soviet times, Azerbaijan was deprived of the opportunity to pursue an independent foreign policy, however, the territorial and demographic proximity of Iran and Azerbaijan created conditions for these relations to become even more independent. These aspects are analyzed in detail in the article. Key words: Azerbaijani-Iranian relations, international relations, joint ventures, Baku Fair, trade relations

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## **1920-1925-ci illərdə Azərbaycan-İran iqtisadi əlaqələrinə dair**

### **Xülasə**

Məqalənin yazılmasında məqsəd 1920-1925-ci illərdə Azərbaycanın İranla iqtisadi əlaqələrini araşdırmaqdır. Bu məqalədə ilk dəfə olaraq bir çox arxiv sənədlərindən istifadə edilmiş və həmin sənədlərin əsasında hadisələr təhlil edilmiş, ümumiləşdirmələr aparılmışdır. 1920-ci il aprelin 28-də bolşevik Rusiyası Azərbaycanı işğal etdi və bir müddətdən sonra İranla siyasi-diplomatik əlaqələr yarandı. Azərbaycan SSRİ dövründə müstəqil xarici siyasət aparmaq imkanından məhrum olsa da, İranla münasibətlərində xeyli müstəqilləşdi. Məqalədə Azərbaycanın İranla iqtisadi-ticarət əlaqələrinin başlıca formaları və istiqamətləri göstərilir. Burada həmçinin, bir çox sənəd və materiallar ilk dəfə elmi dövriyyəyə gətirilmiş, bu da tədqiqatın mövzusunun elmi dəyərini artırır və onu aktual edir. Bu məqalə bir neçə suala cavab verir. Məqalədə 1920-1925-ci illərdə Azərbaycan və İran arasında iqtisadi əlaqələr araşdırılır. Çünki bu dövr Azərbaycanın xarici dövlətlərlə siyasi və iqtisadi əlaqələrinin qurulmasının ilkin mərhələsi idi və bu baxımdan Azərbaycan Şərqi dövlətləri ilə müstəqil, vasitəçisiz münasibətlərə girmək istəyirdi. SSRİ dövründə Azərbaycan müstəqil xarici siyasət aparmaq imkanından məhrum edilmişdi, lakin ərazi və əhali baxımından İranla Azərbaycanın yaxınlığı bu münasibətlərin daha da müstəqil olmasına şərait yaratmışdı. Bu aspektlər məqalədə xüsusilə təhlil edilir.

**Açar sözlər:** *Azərbaycan – İran əlaqələri, xarici işlər, müştərək müəssisələr, Bakı yarımadası, ticarət əlaqələri*

### **Introduction**

Interstate political and economic ties are determined by their decisive role in the development of international relations. These relations create a favorable basis for stable political ties, mutual trust and understanding between states, facilitating the joint resolution of important issues. No single country can produce all the material goods it needs on its own. In this sense, all countries are dependent on each other to one degree or another, and without integration, progress is impossible in any society. This also applies to the 1920s - 1925s.

The solution of the fundamental problems of the period under study was possible only through the joint efforts of world powers. Before the formation of the USSR, the Republic of Azerbaijan tried to build economic and trade relations with foreign countries. Beginning in May 1920, trade and economic relations between Azerbaijan and foreign countries began to improve. In 1920-1922, the Foreign Trade Department of Azerbaijan tried to partially satisfy the republic's needs for foreign goods by concluding contracts with firms from various foreign countries.

### **1. The importance of joint ventures in the establishment of Iran-Azerbaijan trade relations**

After the establishment of Soviet power in Azerbaijan, the Foreign Trade Department first entered into trade relations with neighboring Iran and organized the purchase of food products from Iran. This department began to control products exported from Azerbaijan to Iran. A special inter-departmental commission was established to trade in Iran under the National Economic Council of Azerbaijan. A representative of the Commissariat of Foreign Affairs was included in this commission. Since the agreements signed by the Musavat government with Iran have lost their importance, the inter-departmental commission tried to conclude agreements with new contents. The government of Azerbaijan, the Foreign Trade Department granted rights and privileges to Eastern merchants for the expansion and development of economic and trade relations with Iran.

However, in spite of these concessions, sometimes there were violations of law. In the territory of Azerbaijan, the goods of Iranian merchants were repeatedly confiscated, and the apartment where they lived was searched. Such cases led to dissatisfaction. Iran's ambassador to Azerbaijan, Saadol Vazara, requested in his appeal to Azerbaijan's Commissariat of Foreign Affairs that a special commission be organized to return property and personal property of Iranian citizens, to ensure their free departure to Iran. The Commissariat of Foreign Affairs soon removed this dissatisfaction (9, State Archive of the Republic of Azerbaijan.f.130, l.1 case 278, p.15).

Cooperation between Azerbaijan and Iran was mainly carried out in the fields of trade and transport. On May 29, 1922, the issues of "On the foreign trade of Azerbaijan" were discussed in the Russian People's Commissariat for Foreign Trade. According to the conclusions reached from the discussions, Azerbaijan's trade with the South Caucasian republics and other countries should be oriented towards the foreign trade policy of the RSFSR. Also, the list of goods in trade with Iran should be approved by the Russian People's Commissariat for Foreign Trade. Soviet Russia, fearing the idea of Azerbaijan's foreign trade pursuing an independent policy, wanted to concentrate its foreign policy in its own hands.

As Azerbaijan's trade relations with Iran developed, joint ventures began to emerge. Most of the joint ventures were Soviet-Iranian ventures. These enterprises began to emerge in 1923. In addition to trading, they are involved in the processing and preparation of various types of raw materials, lending to various trade offices, banking operations, organizing transit trade, etc. They were acting in a comprehensive manner. Depending on the type of activity, joint ventures can be divided into 5 groups:

- a) Supply-export (“Perskhlopok”, “Persshelk”, “Persryba”);
- b) Import (“Persazneft”, “Rusperssaxar”, etc.);
- c) Export-import (“East”);
- d) Transport-cargo (“Avtoiran”, “Buopers”);
- e) Trade- transit (“Rustransit”, “Zakpers) (Həsənov, 1965, p.13-32.).

In 1925, the joint venture capital was 8 million rubles. 7 million of it fell to the USSR, and 1 million to Iran. (Seyidova,1998, p. 104)

Back in 1922, with the consent of the Iranian diplomatic mission in Azerbaijan, the “Iranian Trade Society” was established. This society was engaged in trade and exchange, currency transactions between RSFSR Iran, other republics and Western Europe. “Ruspersbank” established in Tehran at the end of 1923 allowed Iranian merchants to more efficiently use the mediation of foreign banks in trade with either Soviet Russia or Azerbaijan (10, State Archive of the Republic of Azerbaijan.f.412, l.1 case 39, p7.).

Corporations often had great powers. According to the decision of the representative office of the USSR in Iran, the Transcaucasia Trade Representative Office in Iran was closed and all its powers were transferred to the “Sharq” joint enterprise (11, State Archive of the Republic of Azerbaijan.f.412, l.1 case 239, p. 9).

“Buopers” society, engaged in transport and cargo activities, was established on March 24, 1925 (12, State Archive of the Republic of Azerbaijan.f.140, l.1 case 29, p.23). The agreements signed between the USSR Foreign Trade Commissariat Joint-Stock Transport Company “Dobroflot”, the Transcaucasian Railway Administration, the Caspian Shipping Administration (Kaspar) and the Volga State Shipping Administration stated that a joint enterprise “Buopers” was created for transport- cargo operations between the USSR in Iran and storage of cargo in warehouses.

“Buopers” joint enterprise played an important role in the development and expansion of trade relations between Iran and the USSR, as well as the Republic of Azerbaijan, in the unimpeded transportation of exported-imported goods based on trade agreements. There are many cotton gins, cocoon and sericulture enterprises,

radio-telephone stations, etc. in Iran. it was built by Azerbaijani and Russian specialists. Only “Perskhlopok” Bandargoz, Gum, etc. had restored the cotton ginning factories in the cities. Starting from 1923-1924, the USSR sent agricultural machinery and equipment to Iran.

Despite the fact that most of the joint enterprises were subordinated to the center, most of them were located in Baku or had branches in Baku. One such enterprise was “Persryba”. The headquarters of “Persryba” was located in the city of Pahlavi, Iran. This department was established in 1919 (13, State Archive of the Republic of Azerbaijan f.968, l.1 case 5, p.30.). “Persryba” was first subordinated to the Central Fisheries Administration, and then to the Fisheries Industry Administration under the Supreme Council of National Economy of the RSFSR. In 1919-1922, Iran's Anzali and Asan-Kiade fish farms started working. The farms in Anzali produced 30-40 thousand pounds of white fish and 2-3 thousand pounds of caviar. In 1922, a branch of “Persryba” (the only one in the USSR) was opened in Baku. After that, the entire weight of the activity of “Persryba” fell on this branch (13, State Archive of the Republic of Azerbaijan f.968, l.1 case 5, p.30).

The branch performed the following tasks:

- 1) Technical, construction, food, fuel, medicine supplies of the head office and fish stocks;
- 2) Carrying out transport operations, bringing all fish products produced in Iran to Baku and organizing their shipment from Baku to the center (Baku-USSR-Iran);
- 3) Transportation of all cargo to Caspian Sea ports;
- 4) The Baku branch had to provide labor force for the fish farms;
- 5) Organization of all office work

The products produced by “Persryba” were often sold in foreign markets. In 1923, the branch of “Persryba” in Baku was offered to buy products from a first-class company in the United States (14, State Archive of the Republic of Azerbaijan f.968, l.1 case 51, pp.3-4.). The negotiations with this company were mediated by the Turkey-Iran Trade and Industry Bank, and the negotiations ended successfully.

Unfortunately, it should be noted that the main income flowed to the banks of the center, while the solution of important issues fell to the Baku branch.

In 1925, there were rumors about the suspension of joint ventures in Iran. This caused concern in Iran's business circles.

In this regard, the Soviet government made a statement on June 26, 1925. The statement said: “The Soviet state considers joint ventures in which Iranian capital is involved as a purposeful form of trade activity in the East, specifically in Iran.” It was also noted that “such a form of trade organization attracts Iranian capital not only to

trade but also to industrial enterprises” (8, doc. 191.).

As can be seen from the statement, the main purpose of trade operations through joint ventures was to ensure the flow of Iranian and Eastern capital in general to Russia.

Thus, despite Azerbaijan's accession to the USSR, the vast majority of USSR-Iranian joint enterprises were located in Baku. The joint ventures established in 1923 were one of the forms of economic relations between Azerbaijan and Iran and were of great importance for the economy of Azerbaijan.

## **2. The importance of the Baku fair in Azerbaijan-Iran trade relations**

On May 14, 1922, the Council of People's Commissars of the Azerbaijan SSR decided to hold a fair in Baku (15, State Archive of the Republic of Azerbaijan, f. 341, pp. 1, case 35, p. 3). On September 15, the first fair opened in Baku (Газета Бакинский рабочий, 1922).

The activities of the Baku Fair were under the jurisdiction of the Transcaucasian Commissariat for Foreign Trade and carried out through the Baku Council. At the same time, the Baku Fair Committee was created to directly manage the work of the fair.

March 29, 1923 it was decided to freely export monopoly goods to Iran (16, State Archive of the Republic of Azerbaijan, f.349 case 1, l.1, p. 26; case 5, p. 25; case 12, p. 89). The list of monopolistic goods included: kerosene, glass products, cloth, canvas, rope fiber, copper and cast iron products, tin, steel, hand tools, sugar and sugar powder, paper, rubber products, medicines. The following monopoly goods could be imported from Iran: cotton and cottonseed, rice, dried fruits, leather, woolen carpets, silk, cocoons and ropes, large and small cattle, rope fiber, etc. (16, State Archive of the Republic of Azerbaijan, f.349, l.1, case 1, p.26, case 5, p.25, case 12, p.89).

However, the import of these goods from Iran to the Baku Fair and from there to Iran was not without obstacles. Representatives of the Department of Foreign Trade of the Russian Federation and the Russian Embassy in Iran repeatedly prevented this process. These goods were stored in Anzeli and were not allowed to enter the country. In this regard, the Committee of the Baku Fair contacted the Russian Foreign Trade Office and the diplomatic representation of the RSFSR in Iran.

Finally, after this appeal, the above-mentioned bodies promised not to allow similar cases anymore and were content with collecting only a 10-percent customs duty (16, State Archive of the Republic of Azerbaijan, f. 349, l.1, case 5, p.25, 26). This fact clearly shows that power was mainly in the hands of the center - Russia. It should be noted that the Azerbaijan Department of Foreign Trade was abolished on November 15, 1921, and all its functions were transferred to the Transcaucasian

Department of Foreign Trade. In general, the control of Russia and the USSR over all activities of the Baku fair, including trade, import and export, literally caused enormous damage to free trade, especially the budget of Azerbaijan, and increasingly limited the powers of Azerbaijan in this matter (Bünyadov, 1971, p.101).

In 1924-1925, 80 percent of Soviet-Iranian trade passed through the territory of Azerbaijan. Thus, the overwhelming majority of Soviet-Iranian trade and economic departments were located in Baku. The activity of the Baku Fair was also influenced by external pressure, as well as by Iranian-British relations.

In 1920-22 Iran was under strong pressure from Great Britain. At that time, the internal situation in Iran was not stable. On August 9, 1919, Great Britain signed an agreement with Iran. According to this agreement, Great Britain intervened in all internal and external affairs of Iran. Great Britain did everything to get the maximum benefit from Iran's natural resources. As a result, Iran lost 60 million rubles annually in trade with Great Britain (17, State Archive of the Republic of Azerbaijan, f.710, l.1, case 78, p.2). Great Britain also opposed the arrival of Iranian merchants to the Baku fair.

Despite these obstacles, Iranian merchants took part in the first Baku Fair. There were certain difficulties and shortcomings in the work of the first Baku Fair. These are mainly: the transition from gold money to chervon money (1 chervon was equal to 6 gold rubles), a reduction in the volume of trade operations in the turnover of goods due to the lack of capital by both state authorities and Iranian merchants, the lack of control over the arrival and departure of merchants to fair, non-regular, poorly organized absence of commodity exchange etc. At the second fair held in 1923, these shortcomings were largely eliminated, and the second fair was much more successful. This can be easily verified by comparing the following tables, which reflect the results of the fair (18, State Archive of the Republic of Azerbaijan, f. 349, l.1, case 17, p.1-4, 31-35).

**Figure 1.**

<b>I fair 1922 – year</b>		<b>II fair 1923 year</b>	
Quantity of goods (with pound)	Price of goods (with gold rubles)	Quantity of goods (with pound)	Price of goods (with gold rubles)
494.253	2.830343	1.516896	12.088259

As you can see, in Figure 1, the quantity of goods brought to the second fair was 3 times more than the first, and the price of these goods was 4.5 times higher.

Summing up the activities of the fair in 1923, it should be noted that the sellers were mostly state institutions, and the buyers were private firms. Undoubtedly, one of the prominent places at the Baku fair was occupied by Iranian merchants. Only Iranian merchants brought 348,958 pounds of various goods worth 719,671 red rubles to the Baku fair (19. State Archive of the Republic of Azerbaijan, f. 349, l. 1, case 38, p. 19). The goods brought to the fair from Iran were mainly rice, dried fruits and cotton. In 1923, the active balance of the Baku Fair in relation to Iran was 240,631 red rubles. In 1924, the total turnover of the Baku Fair amounted to 8,469, 844 rubles. The total amount of trade with Iranian merchants was 4,511,810 rubles.

Thus, the Baku fair played a major role in trade relations between Azerbaijan and foreign countries (20. State Archive of the Republic of Azerbaijan, f.349, l.1, case 55, p.38). If you look at the work of the fair in 1925, you can see a strange fact. The Transcaucasian Foreign Trade Commission made a number of “changes” in its decisions related to the fair.

The sale of oil products, sugar and industrial goods, which are the main export goods in trade with Iran, was prohibited (Quliyev, 2015, p.102). Iran also banned the import of cloth and wood to the Baku fair. The Transcaucasian People's Commissariat of Finance introduced a tax on goods entering the fair in order to keep up with the Transcaucasian Foreign Trade Commission in the race for prohibitions. Buyers at the fair also had to issue patents. In addition, there was not enough stock of goods at the fair.

The Committee of the Baku Fair stated in its appeal to the Transcaucasian Foreign Trade Commission that if the previous concessions on oil products, sugar (not less than 500.00 pounds) and others are not made, the fair may go bankrupt. Especially if duty-free and free trade with Iranian merchants is not allowed. The patent tax had to be canceled to attract buyers and companies. Seeing that the fair could go bankrupt, the Transcaucasian People's Financial Committee eventually compromised and complied with the demands of the Baku Fair Committee (Məmmədov, 1997, p.94).

Analyzing the Baku Fair and its activities, the following conclusions can be drawn:

1. The activity of the Baku fair covered 1922-1929 years (Vəkilov, 1991, p.12).
2. The Baku fair led Transcaucasian Department of Foreign Trade through Baku Council.
3. The purpose of the Baku Fair was to expand trade and economic ties between



Azerbaijan (in the USSR) and foreign countries.

4. The main goal was to direct the capital of Eastern countries - Iran, Turkey, Afghanistan, etc. in the republic.

5. The activity of the Baku fair also served to improve the material well-being of the population of the republic.

6. The activity of the fair once again confirmed that Baku is a trade and economic city of international importance and significantly increased its share in the world.

7. Management of the Center (Moscow) of the Baku Fair had a serious negative impact on both the economic and political interests of the republic, as most of the profits did not go to the budget of Azerbaijan, but to the budget of the USSR.

But in spite of all the negative sides, the Baku fair played an exceptional role in the life of Azerbaijan in the years we are studying, it served to establish and further strengthen its economic and trade relations with foreign countries, also Iran.

Thus, if we analyze Azerbaijan-Iran relations in 1920-1925, we will see that the development of diplomatic, political and economic relations took place under the direct control of the Center (USSR leadership).

**In conclusion**, it should be emphasized that in 1920-1925 the relations of the Republic of Azerbaijan with the largest capitalist states stabilized. In 1920-1925 the trade and economic relations of the republic with foreign countries existed in the form of trade with various companies, and in 1925-1925 the large capitalist states were interested in establishing direct trade and economic relations with Azerbaijan.

The Baku Fair was created to establish trade relations with foreign markets. It laid the foundation for strengthening trade relations with the countries of the East. The Baku Fair played a special role in trade relations with the countries of the Middle East - Iran and Turkey. The Baku Fair in the years we are studying played an exceptional role in the life of Azerbaijan, served to establish and further strengthen its economic and trade relations with foreign countries.

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