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HISTORY, POLITICS, PRIMARY SOURCE STUDIES

**Marcus Samuel Junior's Bold Business Plan – from
Batumi to the Far East Via Suez**

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Abstract

Industrial exploitation of the rich oil fields located in the Absheron Peninsula began in the middle of the 19th century. However due to problems with oil transportation, the scale of its extraction was not large. As a result of the Russo-Ottoman War of 1877-1878, Batumi with its deep-water harbor became part of the Russian Empire, which was also thanks to the Parisian Rothschilds; since 1883, with the commissioning of the Batumi-Baku railway line, the Baku-Batumi oil-transport corridor was put into operation. The connection between Baku and Batumi led to their rapid industrial development and an increase in the export importance of Absheron oil. "Russian" (Baku) oil (Rothschilds, Nobels, etc.) seriously competed with American oil (Rockefellers) on the world oil market.

One of the interesting episodes of "Oil Wars" was a daring business operation conducted by an English Jew, Marcus Samuel Jr. He ordered the Murex tanker equipped with the latest technology at that time and sent more than 4,000 tons of kerosene belonging to the Rothschilds to the countries of the Far East from the Batumi harbor through the Suez Canal. It was the first and unprecedented event in

the history of sailing, which took place in August-September 1892. The new route (fig.1) significantly increased the competitiveness of Baku oil and ensured its establishment in the Asian market.

Keywords: Baku oil; Batumi harbor; Marcus Samuel Jr.; Murex tanker, Suez Canal.

Introduction

The port of Batumi is one of the best in the Black Sea basin. It is a convenient bay, deep and naturally protected from the winds. During the 19th century, the Russian Empire persistently tried to conquer it and turn it into a supporting platform from which further expansion would be carried out in the direction of the Bosphorus-Dardanelles. As a result of the Russo-Ottoman War of 1877-1878, Batumi passed into Russian hands. As the development of events showed, it had not only a strategic but also a great commercial and economic importance for the Russian Empire. It was Batumi that turned into the main centre of accumulation and export of Baku's oil. Its importance grew even more after Marcus Samuel Jr. opened a new oil export route from Batumi - through the Suez Canal - to the Far East. In the 80s and 90s of the XIX, Batumi became actively involved in so-called "Oil Wars" and, it would not be an exaggeration to say, significantly changed the balance of power in the world oil market.

This part of the history of Batumi needs to be given more attention in Georgian historiography.

Methods

The research was mainly based on data from foreign literature. In the research process, we used descriptive-narrative, analysis and synthesis methods proven in historiography.

Result

As a result of the research, the special role of the Batumi port in the growth of Baku's oil export worth was revealed. The super-tanker "Murex" belonging to Marcus Samuel Jr., which started the movement of oil tankers in the Suez Canal and the large-scale export of oil products from Baku to the countries of the Far East, took off from the Batumi port. It is clear that in the 80s and 90s of the 19th century, Batumi occupied a special place in the field of the oil industry, which ensured its rapid economic development. A deep understanding of experience and drawing correct conclusions is a solid foundation for a successful future. Even today, Batumi has a chance to become a major connecting link between the Caspian and Black Sea regions and thereby receive significant economic benefits.

Discussion

The Absheron Peninsula jutting into the Caspian Sea is abundantly endowed with rich oil deposits. Oil has been used for various purposes since ancient times, and its extraction on an industrial scale began in the middle of the 19th century. Baku, Absheron and Shirvan as a whole were part of the Russian Empire at that time.

In the 1870s, the volume of oil industry activity in Absheron gradually increased (Mir-Babaev, 2009: 34), but the pace of development was not great. The ability to extract oil alone did not mean much.

For the large-scale exploitation of the richest oil fields of Absheron, it was necessary to have the possibility of proper sale of oil and oil products even in the domestic market and in the best case, to export them. The technical and geographical conditions of the time created serious obstacles in this regard. The cheapest way to transport oil in central Russia was via the Caspian-Volga, using floating means. According to one data, in 1873, sending 1 Pood (1 Pood = 16.38 kg) of oil from Baku to Nizhny-Novgorod cost 40 kopeikas, and to get the oil from there to Moscow or St. Petersburg, additional funds were needed.

This is when the same 1 Pood of oil was brought from Pennsylvania (USA) to St. Petersburg for about 30 kopeikas by sea (History of Oil Transportation .., 2021). Thus, in the first half of the 1870s, "Russian" oil and oil products could not compete with the American, if not in the world, domestic Russian market either. You can imagine, "it was cheaper for Tbilisi to import kerosene from America 8 thousand miles away (1 American mile = 1.609344 km) than to import it from Baku, which was 341 miles to the East" (Ergin, 2018:69). Means of transportation, in general, were primitive and could not ensure the transportation of large quantities of oil. Due to this, oil often accumulated on the site and not transported was released into the sea and burned. Such a situation could not contribute to the normal development of the oil industry in Absheron.

From the second half of the 1870s, the situation gradually changed. Since 1873, the Nobel brothers were interested in Baku's oil. In 1875-1876, their activities on Absheron became quite dynamic, and in 1879, the brothers with Baron P. A. Bilderling and smaller shareholders, founded the joint-stock company "Nobel Brothers Oil Production Company" (Nobel Brothers Petroleum Production Partnership) (Twenty-five Years of Activity, 1904: 16-18, 23-24). Until 1918, it was one of the largest oil industrial companies in the Russian Empire, which was called "Branobel" for short. The Nobels paid a lot of attention to the better organization of oil transportation on the Caspian-Volga and the improvement of vehicles. This partially improved the situation, but due to the high cost of the route, the price of oil remained high.

By well-calculated actions, the Nobels pushed the Rockefellers out of the Russian domestic market, but their positions in the world market were still strong. The world monopoly of the Rockefellers was threatened after the Russo-Ottoman war of 1877-1878, first when Batumi with its deep and naturally protected harbour became part of the Russian Empire, and then, from 1883, when with the commissioning of the Batumi-Baku railway line, the Baku-Batumi oil export corridor was launched. The destinies of Batumi and Baku were closely connected - the Batumi port, easily accessible by railway, increased the

export significance of Baku's oil the fastest and thus gave a powerful push to the development of the oil industry on the Absheron peninsula. According to one of the data, if in 1874, 600,000 barrels of oil were pumped in Russia (1 barrel = 159 litres or approx. 134.8-136.4 kg), a decade later, in 1884, this indicator reached 10.8 million barrels. It was equal to almost a third of the oil extracted in America at that time (Ergin, 2018:69). From here, the lion's share came to Absheron deposits, and this figure gradually increased. On the other hand, as a result of the export of Baku's oil from Batumi, Batumi - once the unremarkable settlement of fishermen and smugglers turned into a growing trade and industrial centre.

As it is established, the usefulness of the Batumi-Baku industrial connection was noticed even in the 1870s by such a large representative of the financial world as the Paris Banking House of the Rothschilds. At the Berlin Congress (1878), it was the behind-the-scenes activities of the Rothschilds that finally decided the fate of Batumi. Despite the opposition of the Ottomans and Great Britain, it was handed over to Russia (Jibashvili, 2023:360-361). After that, the members of this house, including Baron Alphonse Rothschild, paid a lot of attention to the issue of proper functioning and capacity increase of the Batumi-Baku oil export corridor. The industrialists Palashkovsky and Bunge, who owned the concessions to construct the Baku-Batumi railway, were able to get out of the financial crisis and complete the construction with the help of Alphonse Rothschild. The railroad widened the way for "Russian" (Baku) oil to the West, and it attacked American oil. A 30-year intense struggle to dominate the world oil market began (Ergin, 2018:70). Rockefellers, Rothschilds, Nobels and other big oil industrialists were involved in the struggle. Batumi played an important role in this conflict. "If oil is the queen, then Baku is its throne" - Winston Churchill wisely observed. From our side, we would add that for the queen of Absheron, Batumi became the wide gate through which it spread its economic influence worldwide. It was thanks to the Batumi port that Baku oil entered the world stage and surpassed the Rockefellers' products in key markets.

Baron Alphonse Rothschild invested a lot of money in the construction of the railway line, in return he received concessions in the oil extraction business in the Absheron Peninsula. He owned a large number of tank wagons and enjoyed privileges on the Baku-Batumi railway line. Soon, in 1886, he bought the "Batumi Oil Industry and Trade Society" (BOITS) founded by Palashkovsky-Bunge and created the "Caspian-Black Sea Oil Industry and Trade Society" on its basis. The Rothschild company owned large enterprises and capital investments both in Baku and Batumi. It became one of the first in terms of capacity in the Baku-Batumi oil industry space (Seidov, 2009: 103-106; Polonsky, 1996: 171). The Rothschilds were mainly focused on the export of oil products, which was carried out through the Batumi harbour and grew every year. In 1884, 2.4 million Poods of oil products were exported and in 1889 this figure reached 30 million. At that time, the Rothschild family was in the first place in terms of the size of exported products (Mir-Babaev, 2009: 102). It was the issue of oil export and transportation that brought Rothschild and the British Jew Marcus Samuel Jr. together.

Marcus Samuel Jr. came from a Jewish family that immigrated to Europe from Iraq. The Samuels eventually settled in Brighton, England, and Marcus' father, Marcus Samuel Sr., became the owner of a small trading shed near the Tower of London. At first, he traded with exotic shells purchased from sailors, and his shed was decorated with a sign depicting a shell. After some time, on the order of Samuel the Senior, the ships began to bring various colonial goods from India and the countries of the Far East, and on the way back they took English products.

Based on the symbiosis of export-import such a business turned out to be quite successful (Rudenko, 2018; Marcus Samuel.). After his death, Marcus Samuel Sr. left his sons, Marcus Samuel Jr. and Samuel Samuel, a large fortune and, most importantly, a wide network of contacts in East Asian countries. With partners of European (mainly Scottish) origin settled on the shores of Asia, Samuel Sr. had trading

relationships built on trust, which made it easy for his sons to continue the family business

Marcus Samuel Jr. was born in 1853, and in 1869, at the age of 16, he began working for his father in bookkeeping. By this time, he had already received a proper education in Brussels and Paris. In the same year 1869, the Suez Canal was put into operation, which shortened the sea route from Europe to East Asia by 4 thousand miles. In far America, John Rockefeller, 14 years older than Marcus, started a 10-year campaign to monopolize the oil industry (Yergin, 2018:73-74). John Rockefeller, together with his brother William, founded Standard Oil Company (Standard Oil Company and Trust) in 1870 and in a short time gained a dominant position in the world oil market. Later, Marcus Samuel Jr., John Rockefeller and the Suez Canal found themselves in a fatal relationship.

The Samuel brothers, among whom Marcus was the leader, successfully continued their father's business. Although they did not have much capital, they firmly established a foothold in East Asian countries, including Japan. They owned two companies - "M. Samuel & Co" in London and "Samuel Samuel & Co" in Yokohama (later moved to the city of Kobe), actively cooperated with the East Asian trading houses, with which Samuel Sr. still established connections, and in chartering the ships carrying goods they mainly benefited from the brokerage firm "Lane & McAndrew" services. The senior partner of this firm, Freddy Lane, was in close contact with Marcus (Yergin, 2018:74-75).

In 1890, Marcus Samuel Jr. and Freddie Lane arrived in Baku. This was Markus' first visit to the centre of the Russian oil industry. At that time, 60,000 barrels (about 8,000 tons) of oil were mined there daily. This was mainly the merit of Nobels and Rothschilds (Mir-Babaev, 2009: 51; Bazarov, 2002).

Marcus did not come to Baku by chance. By the end of the 1880s, the oil industry in Absheron was developing quite well. Though the problem of selling the production was becoming increasingly acute.

The Nobels paid relatively less attention to exports and were mainly engaged in exploiting the Russian domestic market. For the Rothschilds, the export of petroleum products was of vital importance. The European market was firmly held by the Rockefellers. They had a well-established trade network and quickly and cheaply delivered American oil products to European consumers across the Atlantic. The Rothschilds saw the solution in exploiting the growing Asian market, although, for now, the Rockefellers dominated here as well. To achieve this goal, it was necessary to ensure fast and cheap transportation of large quantities of oil products to Asian countries. The Rothschild contacted Freddie Lane's brokerage firm in London, and he connected them with his client and friend - Marcus Samuel Jr. (Yergin, 2018:72-73).

Freddie Lane and Marcus Samuel Jr. reportedly arrived in Baku in 1890 and settled there. Then Marcus went to the countries of the Far East. There he held negotiations with his partner trading houses and agreed to co-finance a bold business plan. The plan was to expel Rockefellers from the Asian markets. Marcus understood the seriousness of the competition with the Rockefellers and thoroughly prepared for the future confrontation. On the one hand, together with his partners, he started the construction of oil storage and the supply of tank wagons in East Asian countries, on the other hand, the construction of super-modern oil tankers and the search for suitable ways for cheap transportation of oil products. Marcus successfully coped with all tasks - oil reservoirs were built both in coastal towns and deep inland, and the issue of cheap and fast transportation of oil products was also solved. In 1891, he signed a 10-year contract with the Rothschild company, which gave him the exclusive right to sell Rothschilds' oil and oil products in east of the Suez Canal (Yergin, 2018: 75-76; Bazarov, 2002).

It is particularly interesting how Marcus Samuel Jr. solved the issue of transportation of petroleum products.

By the beginning of the 1890s, the tanker, as a means of transporting liquid cargo, was a novelty in the world navy, and its 20-year history of existence was not even counted. Marcus's shrewd mind correctly assessed the capabilities of the tanker as a cargo carrier and gave it an important place in his bold plan.

Samuel Jr. ordered the construction of eight such tankers, which in terms of equipment and technical characteristics were far ahead of similar types of contemporary vessels. The full load capacity or deadweight of each such tanker was equal to 4 thousand tons, which was a very large indicator for that time (Rudenko, 2018). In addition, it was possible to steam-clean their holds and, after transporting oil, use them to transport other cargo, including foodstuffs. Most importantly, when designing and equipping the Marcus tankers, safety issues were taken into account as much as possible, and in this regard, Standard Oil tankers moving between America and Europe could not even come close to them (Yergin, 2018: 76).

Samuel Jr.'s super-tankers were designed by the highly talented English naval engineer and architect James Fortescue Flannery, who later became known as Sir James Fortescue Flannery, a liberal and member of the British Parliament (Kumins, Byzant, 2007: 37).

The first super-tanker "Murex" was launched on May 28, 1892. It was named after the Latin name of one of the types of shell (this trend later became characteristic of the Samuel brothers). It was built at William Gray & Company's shipyard #442 in West Hartlepool. Its dimensions were 338.0 / 43.0 / 26.4 feet (1 foot = 0.3048 m). In July 1892 "Murex" was completely completed and ready for operation (MUREX tanker 1892, 2009).

Simultaneously, Marcus tried to obtain the right to pass through the Suez Canal. At that time, the canal was closed to tankers carrying oil products, as the weak level of security protection on ships could not ensure the prevention of explosions caused by accidents, which could lead to the destruction of the Canal. Prohibition did not stop Marcus. He used all the means and leverage at his disposal to achieve his goal.

Marcus was supported by both the Paris and London branches of the Rothschild family. It should be noted that it was the London Rothschilds who financed the purchase of the control package of the Suez Canal Company by Prime Minister Benjamin Disraeli. In addition, he was supported by the British authorities, who would welcome the first English tanker to pass through the Canal - this would further strengthen London's influence. In the end, despite some attempts to prevent Marcus, he managed to win: the safety standards required by the Canal administration "surprisingly coincided" with the technical characteristics of "Murex", and the London insurance corporation "Lloyd" also recognized the construction of the new tanker as reliable (Yergin, 2018: 76). -77; Kumins, Bizant, 2007: 36-37; Rudenko, 2018).

On January 5, 1892, Marcus Samuel Jr. received the cherished permission to sail an oil tanker in the Suez Canal (Yergin, 2018: 77-78; Kumins, Bizant, 2007: 37).

After the successful completion of preparatory work, in July 1892, under the command of Captain John R. Coudon, "Murex" made its way from West Hartlepool to Batumi harbor (MUREX tanker 1892, 2009).

In Batumi, "Murex" was loaded with Rothschild kerosene and headed for the Suez Canal through the Bosphorus-Dardanelles. According to some authors, on August 23, 1892 (Yergin, 2018: 78; Kumins, Bizant, 2007: 38), and according to other reports, on August 24 (MUREX tanker 1892, 2009), it peacefully passed through the Suez Canal and continued swimming towards Singapore. This was the first such case in the history of sailing.

"Murex" left part of its cargo on one of the islands near Singapore, and took the rest to Bangkok (Yergin, 2018: 78). Marcus Samuel Jr.'s genius plan was crowned with success. A short road, modernized transport and a well-organized trade network made Baku oil cheap and accessible to Asian consumers. Soon Marcus launched an entire flotilla of super-tankers into the water. The competitors' outdated ships could not match them. The throne of the Rockefellers was shaken.

In 1897, the Samuel brothers founded a new company based on the old companies, called "Shell" - "Shell - Transport and Trading Company", abbreviated simply as "Shell". The brothers named the company in honour of their father and his first business. "Shell" continued the economic policy of Marcus Samuel Jr. and successfully supplied the people of Asia with oil products from Adana to Vladivostok.

Conclusion

In the 80-s and 90-s of the XIX century, the deep and naturally protected harbor of Batumi played a decisive role in the rapid development of the oil industry in the Absheron Peninsula. As a result of the Russo-Ottoman War of 1877-1878, Batumi became part of the Russian Empire.

The business interests of the representatives of the Parisian branch of the Rothschilds made a significant contribution to this. They needed the Batumi harbor to export Baku's oil and oil products to the world market. The Baku-Batumi oil transport corridor within Russia was rapidly increasing the oil export importance of Baku. Batumi was involved in the battle between the Rockefellers, Rothschilds, Nobels and other oil magnates for the key to the world market of oil products.

One of the high-profile episodes of the aforementioned battle was the transportation of oil by the English Jew, Marcus Samuel Jr. with the super-modern tanker "Murex" for that time, from the port of Batumi, through the Suez Canal, to the countries in the Far East. It was an unprecedented event, which significantly increased the export significance of Baku oil and the transit role of Batumi port. The dominant position of the Rockefellers in the world market suffered a serious shake-up.

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Fig. 1. "Mureks" road from England to Batumi and from Batumi via Suez to Bangkok (Yergin, 2018:79).

