THE NOBEL PRIZE AND CONNECTION BETWEEN SWEDEN, RUSSIA AND AZERBAIJAN

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Abstract:
Few people know that the Nobel brothers- Alfred Nobel, Ludvig Nobel and Robert Nobel, lived in Baku and that they founded a factory there.
The Nobel's produced armaments for Russia and traded in kerosene. At the beginning of the 1870's Robert Nobel moved from Petersburg to Azerbaijan and took an interest in the oil[111] business. Later on this interest led his brothers to become part of this business and in 1879 they founded the "Nobel Brothers Company". This company's capital was originally 3 million manat (Azerbaijan's currency) however by 1916 it had increased to 45 million manat. This company met 20% of the petrol and 49% of the kerosene production in the whole of Russia.
"The Nobel Brothers Company" was first nationalized by the Baku Council of People's Commissars in 1918 and then by the government of Azerbaijan Soviet Socialist Republic in1920.
Alfred Nobel's will and testament dated 27th November 1895 was read in Stockholm on 30th December 1896. According to this will, a foundation established by Alfred Nobel would reward those who serve humanity. It was determined that The Nobel Prize a prestigious award, would be given for this purpose.
The first Noble Prizes started to be awarded in 1901.
Approximately 12.4% of the prize money came from Alfred Nobel's own share of the Baku Nobel Brothers's Company which originally amounted to 31 million Swedish Kronor.
The study will examine the link between the Nobel Prize, Petersburg and Baku.

Key Words: Nobel, prize, Baku, petrol

The Nobel Prize and Connection Between Sweden, Russia and Azerbaijan

The Nobel Family established the most prestigious award in the world. The Nobel Prize has been awarded for achievements in physics, chemistry, medicine, literature and peace and funded by Alfred Nobel's personal fortune[112]. Alfred made a significant portion of his fortune from Azerbaijan-Baku petroleum. The family concerned themselves with Baku petroleum around the middle of the 19th century, and they constructed the first oil pipeline and oil tanker in the world.

With the establishment of oil fields and refineries around Baku in 1859, oil demand increased to unbelievable levels. Despite remaining in a limited geographical area, the effects of that increase led to very important changes. New employment areas were opened for the people who, up to that time, had been forced to make a living only with agricultural activities. In this way, the city became a metropolis, hosting a population coming to Azerbaijan from various countries in hope of work[113].

Due to development of petrol industry, Baku became a big multinational city. Baku, having been a little port in Apsheron Peninsula in the middle of the 19th century, became the city with the highest population increase in the 1870s within the Tsardom of Russia. Thanks to the Azerbaijan-Baku oil fields, Caspian Sea trade areas, and Baku-Batumi railway and pipelines, the city along with Russia went into rapid development in the second half of the 19th century[114]. The rapid development of the town (where the total population was 14.000 in the mid-19th century) was entirely dependent on the growth in Baku's petroleum industry and the extension of relevant trade, industry, shipping, and transportation sectors.

[111] Essad Bey, Blood and Oil in the Orient, New-York, 1932 p. 279-286
[112] Ulf Larsson, Alfred Nobel Seti İnnovasiy, St.Petersburg, 2009
[113] Mahmud İsmailov, Azerbaycan Tarihi, Baku 1992, p.242-243
[114] Margaret Miller S.The Economic Development of Russia 1905-1914; London: 1926

During that period, the city was growing rapidly and embracing the towns, Karaşehir and Akşehir, where petroleum and factories were located. While the oil production increasing swiftly, there appeared a mercantile class delivering and selling Russian and European goods to villages, together with the working class.

Emergence of foreign and domestic investors is the key indicator of the developments brought by petroleum. Rich domestic investors played very important roles in Baku city life. This class, including Azerbaijan's domestic investors and bourgeoisies, contributed to the efforts of becoming a nation by supporting national cultural movement. Because of the obstacles set in front of them by Tsarist Russia, domestic investors did not have equal rights in commercial competition. That situation helped national consciousness shape up and increased social and cultural initiatives[115].

At the beginning of the century, Baku was a major seaport and railway junction on the coast of the Caspian Sea. It played a significant role in commercial activities with Azerbaijan, Russia, and other foreign countries. Baku was generating at 85 percent of trading volume and 90 percent of total income in the whole Baku state. Not only the natural increase of population but also development of the industry led to the expansion of the cities. Cities and towns where industrial, commercial, and banking institutions were gathered became residences for workers and peasants arriving for work[116].

Also, there were thousands of oil wells, hundreds of large and small factories and workshops, shipyards and other establishments in Baku. Many banks, important in the economic life of the community, had their Board of Directors situated in Baku. The international influence of Baku, one of the major oil producers of the world, increased very rapidly.

Cheap oil production provided small capital owners with the opportunity to invest in that industry. Introduction of new foreign technologies and creation of more advanced institutional structures facilitated emergence of large companies and centralization in the Russian oil industry.

Entrepreneurs, who were forced to spend large sums of money to buy oil fields, could not find required money for carrying on the growth of the oil industry, and therefore, they had to incur long-term debts. Developments showed that there was no possibility for the oil industry to grow without foreign capital. The need for foreign capital was arising from the Tsarist Russia's approach, which posed the biggest obstacle for entrepreneurship. While Tsarist bureaucracy facilitated all kinds of foreign activities in Russia, it hindered the country from developing itself.

In a period when Russia was in a financial crisis, there was capital formation, but not profitable investment areas in the West. At the time when Europe's capital opened up to foreign countries, investors turned towards Russia, especially towards Baku oil, where they could find more profitable investment areas.

The Nobel and Rothschild families were the leading representatives of foreign capital in Baku. Besides the innovations they brought to the oil industry, they also introduced a different understanding and new attitudes for investment[117].

Robert Nobel, from Sweden, was the first foreign investor in Baku oil. In the beginning, he bought a small refinery in 1875 and founded his own company. Then, because of financial difficulties, that company was turned into "Tovarişestvo Neftyanogo Proizvodstvo Bratya Nobel" (the Nobel Brothers Petroleum Production Company) corporation on May 18, 1879[118].

The Nobel brothers strived to own the whole petroleum industry in Russia. As well as playing a major role in the establishment of factories, the company held transport sector and almost all of the oil trade in domestic market. The Nobel brothers did not own oil fields since the foundation of the company, but dealt only with refinement/ liquidation. They did own 1517 dessiatines (dessyatine) land in 25 different oil regions (Bibiheybet, Ramana, Sabuncu, Maykop and Çeleken) in 1910. More than 1000 dessiatines of that land was used for oil production.

The Nobel brothers were leaders in entrepreneurship in Baku for the development of the oil industry. For transporting kerosene, which was high in demand especially in Russian market, they

[115] A.X.Djanahmedov, A.İ.Ahmedov, Alfred Nobel i Ego Premii i Bakinskaya Neft, Baku, 1997, p.45
[116] A.Ş.Şekeraliyev, Nobel Mükafatı Almış İktisatçılar ve Onların Nezeriyeleri, Baku, Elm, 2004, p.13
[117] Ulf Larsson, Alfred Nobel Seti İnnovasiy, St.Petersburg, 2009
[118] Ulf Larsson, Alfred Nobel Seti İnnovasiy, St.Petersburg, 2009

increased kerosene production and used new technological innovations for providing cheaper transportation. The Nobels had trade points, depots, and thousands of workers in Heşterhan, Çarçın, Saratov, Bobruysk, Nijni Novgorod and Perm for the purpose of trafficking and storing petroleum-by-products. Furthermore, they had agencies and depots in European cities such as Marseilles, Geneva, Hamburg, London and Manchester[119].

Robert Nobel, the founder of the company, lived in Russia for many years and he earned all his fortune from the industrial and commercial activities he conducted in that country. It is remarkable that despite being Swedish, the Nobel brothers considered themselves as Russian investors and offered their capital as domestic capital. Also, in order to be regarded as a local company by Russian society, they sometimes gave Russian or local names to their oil tankers.

The Nobels were the first foreign oil industrialists in Baku. Immanuel Nobel was the leader of that Swedish family. Immanuel was born on March 24, 1801 in Hevel, Sweden. He studied architecture. Immanuel, the founder of Stockholm Institute of Technology, invented submarine mines when he was still in Sweden. Later, when his invention was noticed by the Russian Armed Forces, he went to Russia in 1837 upon the invitation of the Russian government.

In return for carrying out his work in Russia, he was paid 2500 pounds. After immigrating to Russia, he started manufacturing mines and similar technical equipment in his factory in St. Petersburg. During the Crimean War, between 1853 and 1856, he received record orders from the Russian government and equipped the Russian army with weapons and mines. Immanuel kept up with all the developments in science and engineering in the world. For example, he was interested in putting the driving force of small crafts into effect and developing crank motors. However, his investments did not turn out all right. As orders cut down after the war, Immanuel had to postpone his studies/work. Then, when he could no longer pay off his debts, he was forced to shut down his factory and return to Sweden. In Sweden, he opened a new small factory with his sons for producing explosives. When he died in 1872, his family had almost no money.

Immanuel had four sons named Emil, Ludwig, Robert and Alfred Nobel. Emil, the youngest one, died at the age of 28 while experimenting with nitroglycerine in his father's factory in Heleneborg, Sweden. Four more workers were killed in the same explosion. Alfred was an engineer and inventor. Robert was the first one in the family who pointed out the trade opportunity in Baku. Ludwig was one of the major actors in the Russian oil industry[120].

Alfred was born on October 21, 1833 and studied in St. Petersburg. He concerned himself especially with chemistry. After his critical studies, under the guidance of famous Russian academician Zinin, he worked in foreign laboratories and conducted very successful studies in the field of applied chemistry. He was titled as “honoris causa” doctor of chemistry. He became one of the most productive investors. The Nobels paid attention to safe use of nitroglycerine, discovered by Sobrero in 1945. After the death of his brother Emil in a nitroglycerine experiment, Alfred devoted himself to the invention of a new explosive. He started working to produce that explosive with his father and brothers in Krummel around Hamburg. After three years of working non-stop, he named his invention dynamite[121].

The family name became associated with their inventions, smokeless powder and dynamite, all over the world[122]. The entire explosive manufacturing in the world was under Alfred Nobel’s supervision. However, Alfred’s inventions did not serve only for the purpose of peace. Dynamite, which caused holocausts, made Alfred regret and feel deep sadness for his invention. He died in Italy on December 10, 1896. A year before his death he signed his last will and testament[123] in Paris. His will specified that his fortune be used to establish international awards in physics, medicine, chemistry, literature and peace. First prizes were awarded in Oslo, Norway and in Stockholm Sweden as Alfred wished. Alfred Nobel allocated 30 million crowns for the creation of the reward system. A 5.200.000 crown of that money was the income gained from Baku oil.

[119] Ulf Larsson, Alfred Nobel Seti İnnovasiy, St.Petersburg, 2009
[120] Robert W.Tolf, The Russian Rockefellers, Stanford, California, 1976, p.2-22
[121] Ulf Larsson, Alfred Nobel Seti İnnovasiy, St.Petersburg, 2009
[122] Henrik Schück and Ragnar Sohlman, Nobel, Dynamite and Peace, New - York, 1929, s. 14-15
[123] For Alfred Nobel’s Testament: http://www.nobelprize.org/alfred_nobel/will/will-full.html, 01.02.2013

Robert Nobel (1829-1890), Immanuel Nobel's other son, was born on August 4, 1829 in Stockholm and studied there. When his father returned to Sweden, Robert left Russia, too. He went back in 1860 and established a nitroglycerine factory in Finland. Finland parliament prohibited their work because of the accidents that occurred frequently in the course of explosive manufacturing. When Robert returned to Sweden, he gained a footing in his father's and brothers' nitroglycerin work. Robert did go to St. Petersburg in 1870 on the invitation of his brother Ludwig. Ludwig made a security agreement for rifle production in Izhev. The main problem was the question of whether a tree grown in Caucasus in sufficient amounts could be used for rifle production instead of imported trees. That situation required the discovery of forests, construction of special board saws, finding suitable locations, cheap water rages, and reopening closed factories or mills[124].

Robert was the one who was responsible for realizing the Trans-Caucasus projects. However, he came across troublesome problems during his Caucasus trip: Their timber project was collapsing. When he went back to St. Petersburg in 1873, he noticed the importance of the oil industry. While he had been going to Baku through Iran, he noticed Baku's oil potential and desired to start a business in that industry. Robert persuaded his brother Ludwig to go in for a small petroleum investment and then made his way to the Caucasus again. In 1875-76, he took the lead in work. Robert believed that oil industry was a big opportunity for the future. In 1875 he bought a small refinery in Karaşehir by paying 1000 pounds to the Tbilisi Company. By restructing the company, he also changed the perspective towards oil[125].

For a long time, Ludwig did not believe that his brother Robert would succeed in Baku[126]. However, a telegram sent by Alfred from Paris completely changed his mind. Paris was one of the most important business centers of the time. As in other big European cities, there were long discussions and scandals in the Paris stock exchange. Baku oil was the center of the discussions. The business community and finance sector in Paris had great interest in Baku oil. Alfred Nobel, of course, could not stay indifferent to those discussions. He told Ludwig in his telegram that the Paris business community was speaking about Baku oil and that the Rothschilds was sending their hired men to the area to take possession of the best fields. Moreover, he mentioned that they themselves should enter into that business without delay. He also stated that he would be ready to provide as much money as required for such a move[127].

After ensuring the safety of a few oil fields, they started gaining large amounts of money. Robert recognized that there were problems regarding oil transportation and transferring crude petroleum with barrels from Balahanı to the refinery. That process was progressing slowly and it was very expensive. Although other companies were opposed to the idea, Ludwig had to realize the pipeline project.

In his article "Overview of Baku Oil Industry" Ludwig Nobel stated that transportation of crude oil was very expensive, as domestic industrialists were conveying petroleum with carriages. Even for short distances, people had to pay 2-10 kopeks per *pood* for a barrel of 20 *poods*[128]. In this way, transportation cost would be ten times higher than the product. Ludwig saw that issue as a problem. Therefore, he was trying to find new ideas and to implement contemporary methods in order to increase economic yield. That would also be a significant step towards technical progress.

As oil transported with carriages was not sufficient for the Nobels, they came up with the idea of installing a pipeline going from wells to factories. The pipeline installed from Balahanı to Karaşehir costed 10.000 pounds. Thousands barrels of oil were conveyed through that pipeline and the family made an annual profit of 150.000 pounds. That reform caused indignation of oil carriers. Thousands of carters and barrel makers went on strike with the demand that the pipeline be removed. Numerous control towers and structures were built in case the pipeline would be cut. Also troopers were protecting the pipeline day and night. When other industrialists witnessed the increase in efficiency, they attached priority to oil pipelines. Suppliers started delivering oil products by train and

[124] Robert W.Tolf, The Russian Rockefellers, Stanford, California, 1976, p.2-22
[125] Ulf Larsson, Alfred Nobel Seti İnnovasiy, St.Petersburg, 2009
[126] "Kommunist" Newspaper, D.Bünyazdzade "Azerbaycan Neft Sanayisinde Bolşevik Dönüşü Uğrunda", October, 1930, no: 229
[127] Ulf Larsson, Alfred Nobel Seti İnnovasiy, St.Petersburg, 2009
[128] Pud –1 pud=40 funt=16,38kg. ACE Azerbaijan Soviet Encyclopedia, VIII. Baku, 1984, p. 40

oil tankers through Russia to Central Asia and Europe. Moreover, they installed a pipeline from Baku oilfields to the Caspian Sea in 1879.

Kerosene was not suitable for transportation in barrels. Because of the difficulty of replacing petroleum-filled barrels, it was not possible to make use at full capacity. Therefore, kerosene prices were going up and could be sold at high prices. Ludwig Nobel was the one who realized oil shipment by sea. Their oil tanker, built in Motall Shipbuilding Yard in Sweden according to Ludwig's own drawings in 1877, was named "Zoroaster". That oil tanker was brought to the Caspian Sea and assumed the title of the first oil tanker of the world. After the success of their first tanker, the Nobel brothers formed an oil tanker fleet and gave names such as "Moses", "Spinoza" and "Darwin" to other tankers. Following the Nobel brothers, other oil investors solved transportation problem with oil tankers built in Sweden[129].

The transport of oil to long distances and foreign countries was a problem. Ludwig Nobel thought that oil could be carried with ships (oil tankers) similar to a "canoe". Such an oil tanker, with the capacity of 3000 tons of water, would come up to 9000 barrels and it would provide 180 rubles savings for transportation. Furthermore, in two or three seasons, it would pay for itself.

For bringing oil production into technical perfection, the Nobel Brothers firstly changed or removed the primitive techniques which had already been in use. In other words, they turned Baku oilfields into laboratories. They established chemical laboratories firstly in Baku, then in St. Petersburg[130]. Of course Alfred Nobel, the chemist in Sweden, made great contributions to those studies. Every new innovation was applied at mines and factories. In that way, the Nobel brothers' company was able to provide 20% of oil production and 40% of kerosene production at the end of the century[131].

The Baku port became a major business and trade port in cargo handling and oil shipment. However, a far amount of kerosene was required for activating such a fleet. Kerosene was a very valuable fuel. Therefore, Ludwig was considering using diesel oil, and so, he wrote a letter to his brother Alfred asking to provide him with precise information on diesel. Later, Alfred informed Ludwig that diesel would be very valuable in the near future and if it was cheap in Baku, he should build reservoirs without delay and fill them with diesel. He believed that diesel would bring-in large amounts in five to ten years. After a while, they started using a new fuel for tankers. There was hundreds of thousands poods of diesel oil stored up in Nobel facilities extending from Baku to Idyll and it found lots of buyers in the market.

The Nobels made a profit of 9.4 million rubles from 1902 to 1904 on a capital of 15 million rubles. The income received from oil by foreign investors increased rapidly and reached 50% of the country's total revenue in 1913.

In 1882 the Nobel Family invited technical teams from Finland, Sweden, Norway and Germany to Baku and created a colony called "Villa Petrolea" in Karaşehir, which is still called by that name today.

The symbol of the Nobel Brothers Petroleum Company was created by taking inspiration from the Fire Temple (Atashgah) in Surakhani. It is also remarkable that the Nobels gave some religious and philosophical names (such as Zoroaster, Muhammad, Buddha, Brahma, Socrates, Spinoza and Darwin) to their oil tankers. Moreover, religious ceremonies were organized in their factories, which lasted for days and workers were given leave on these days. That fact shows that the Nobels did respect different religions and traditions.

The company celebrates their achievements, regarding innovations in the oil industry and the profit achieved through these innovations, in different ways: Silver plaques were coined to commemorate the first billionth pood (36.11 pounds) of oil extracted from Baku and they now symbolize that memory in the Azerbaijan oil industry.

A Ship Under The Name Of Zoroaster

In 1918, the Nobel family partially settled in Stockholm. As there was no more petroleum, the Nobels sold the company to their European partners. In April 1920, in the course of the big crisis that

[129] Ulf Larsson, Alfred Nobel Seti İnnovasiy, St.Petersburg, 2009
[130] James Mavor, An Economic History of Russia, London, J.M.Dent, 1914
[131] Robert W.Tolf, The Russian Rockefellers, Stanford, California, 1976, p.2-22

occurred in a few months after Red Army's entry into Baku, half of the company shares were sold to Standard Oil in New Jersey[132]. Gösta Nobel, the youngest son of Ludwig, was the one who took charge of the negotiations in New York. In that way, he secured the future of the family in terms of economy.

Actually, Azerbaijani people are proud of the Nobel Prize, which is one of the most important awards in the world. A good part of the activities conducted by the Nobel Family and by Alfred Nobel are related to Azerbaijan. However, in Europe, it is not possible to find much information on the Nobel Family's efforts/work. Recently, the Norwegian Nobel Institute has announced, with documents, that the family conducted most of their work in Azerbaijan, especially in the Baku oil fields.

The Nobel Prize Award Ceremony occurs every year in Stockholm, with the attendance of the Swedish Royal Family.

All these details indicate that the Nobel family was sensitive towards Azerbaijan and they gave importance to doing business in a different geographical area[133].

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Gılman İlkin, Şahsiyet, Bakü, "Şur" Neşriyatı, 1995

[132] **Standard Oil Company**, **Standard Oil** was a predominant American integrated oil producing, transporting, refining, and marketing company. Established in 1870 as a corporation in Ohio, it was the largest oil refiner in the world and operated as a major company trust and was one of the world's first and largest multinational corporations until it was broken up by the United States Supreme Court in 1911.

John D. Rockefeller was a founder, chairman and major shareholder. Standard Oil had significant success, and many people believe that it out-competed many of its rivals with lower costs and efficient production and logistics. With the profits, Rockefeller became the richest man in modern history. Standard Oil was also criticized by some for its aggressive pricing and business techniques. Other notable Standard Oil principals include Henry Flagler, developer of Florida's Florida East Coast Railway and resort cities, and Henry H. Rogers, who built the Virginian Railway (VGN), a well-engineered highly efficient line dedicated to shipping southern West Virginia's bituminous coal to port at Hampton Roads.

[133] Gılman İlkin, Şahsiyet, Baku, "Şur" Neşriyatı, 1995, p. 73-86