Merchant Enterprises and Strategies in the Sea of Azov Ports¹

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Scholarly studies of the Greek diaspora in Russia have adopted a rather ethnocentric approach. Their view has been shaped by the resources that were accessible, mainly Greek and European, while meagre evidence has been drawn from the Russian and Ukrainian archives. As a result, Greeks have been portrayed more in relation to their native country and European connections than to the society that hosted them.²

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Personal interest, as well as a recently published book on the Greeks in the Sea of Azov from a family enterprise perspective, have led me to the study of entrepreneurship in the Azov region and the contributions of merchants to the area’s integration into the world economy. By adopting a comparative perspective toward enterprising people and firms, in particular the Greeks, Westerners and Jews, I will trace the evolution of different patterns of economic activities as well as the similarities that emerge when engaging in sea-based trade.

Why Does Location Matter?

The Sea of Azov is a location where natural geography often determined the economic geography. The influence of the region’s natural characteristics on trade and enterprise have been decisive. First of all, they had an impact in terms of time and money. The shallowness of the Azov Sea, the time-consuming passage through the Kertch Straits and the difficult access to its shores and ports during the nineteenth century represented only some of the region’s peculiarities; others included the short navigational and commercial season and the high transportation costs. Moreover, the importance of who owned the means of transport has weighed significantly on calculations of the profitability of grain exports. The richness of the soil of southern Russia for

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the cultivation of both hard and soft wheat was a crucial factor in the development of the regional economy. The increasing European demand for cereals was a pull factor that led to the further exploitation of the grain-producing areas of southeastern Russia. Yet the project of exporting grain from the Azov area to world markets needed the support of a government infrastructure and the dynamic expertise of entrepreneurs who wished to enter the export business, two factors that were missing in the nineteenth-century Russian Empire.

Another serious impediment to the development of the region’s international trade was its dependence on exogenous factors, in particular the state of Russo-Turkish relations. Russia’s southern trade relied on a guarantee of free navigation through the Straits. As various scholars have shown, its interruption, or even a threat of closure, caused incalculable losses to the Russian economy through the stoppage of shipments, steep increases in freight rates, reductions in exports and the consequent ruin of merchants and several firms. This proved to be the case in the Crimean War, the 1877 war between Russia and Turkey and the 1911-1913 conflict (the Italo-Turkish and Balkan wars).5

A third factor that affected entrepreneurship in the region was the business environment shaped by an absolutist government and its institutions. Road, river and railway communications, the taxation of firms and entrepreneurs, the legal system and the state’s strategic choice to cede foreign trade to foreign entrepreneurs, at least in the first half of the nineteenth century, cut across all enterprises and branches of industry. All these circumstances made the Azov a region of high risk and uncertainty, yet the transport of grain to the West was a promising affair that yielded large profits. Uncertainty was the main disadvantage in the minds of those who were willing to undertake such ventures. In addition, the export of agricultural products had to be organized without any support from the state concerning routes, means of transport or port infrastructure. These factors forced an entrepreneur to act as an “agent of change, a person that specialized in taking judgmental decisions about the coordination of scarce resources.”6 To exploit this role successfully he had to call upon a variety of different skills, but the most important arguably was quick and successful decision making, which in turn depended on access to local and international information. Geographical mobility and a desire to minimize


transport costs were central to the entrepreneurial strategy. A question has been raised about who could meet such prerequisites. What local or foreign forces could fulfil this function?

**Foreign Entrepreneurship**

Most scholars have emphasized the adverse attitude towards entrepreneurship and new forms of economic activity which prevailed in nineteenth-century Russia.7 Others have paid attention to the slow pace of industrialization and the role of foreign entrepreneurship in commerce and industry.8 Moreover, issues associated with the Russian “middle class” are at the epicentre of the problem of the society’s relative backwardness.9 In Thomas Owen’s view, this was due basically to the estate structure, ethnic diversity and economic regionalism within the Russian realm.10 The main impediment to capitalist development

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was the estate system, or soslovie, which hindered social mobility.\textsuperscript{11} Recent Russian scholarship argues that with the exception of the Old Believers, the religious and ethical principles of Russian Orthodoxy impeded the pursuit of material goals and had a negative effect on technological progress.\textsuperscript{12} Yet in the case of Greek immigrants who were also Orthodox, economic disadvantages proved to be a “push” factor in developing entrepreneurship in a foreign country. The gap in entrepreneurial spirit in the southern ports, newly opened to international trade, was filled by members of foreign merchant communities, particularly the Greeks. During the early stages of the development of these ports, the activities of Greek diaspora merchants in “New Russia” provided the necessary shipowning and trading skills to propagate commerce and integrate the southern Russian economy into the world market.\textsuperscript{13}

As Walter Kirchner has observed, Western businessmen would have considered Russia a rather peculiar country where the conduct of commerce was unlike anything to which they had been accustomed.\textsuperscript{14} Foreign merchants were faced with restrictions on the quantity of imports and exports, limitations on their trading partners, barriers on the freedom of travel and hindrances resulting from the establishment of monopolies. Difficulties in commercial understanding were due not only to language but also to differences in mercantile ethics.\textsuperscript{15} All of these inconveniences, not least the interference of the state,


\textsuperscript{12}M.V. Briantsev, \textit{Religiozno-etnicheskie osnovy predprinimatel’stva v Rossii (XIX v.)} (Moscow, 2000), 45-66 (in Russian). On the exception of the Old Believers, see 69-93.


\textsuperscript{14}Walther Kirchner, “Western Businessmen in Russia: Practices and Problems,” \textit{Business History Review}, XXXVIII, No. 3 (1964), 315-327.

\textsuperscript{15}An example was the well-known fraud at the Customs House of Taganrog (1881) in which several prominent Greek and Russian trading houses were implicated.
which altered their *laissez-faire* notion of trade, discouraged Western businessmen from becoming active in Russia.

Greeks, however, were in a more advantageous position. As Ottoman subjects, Greek seamen had the privilege of sailing on the Black and Azov seas under the Russian or Ottoman flag long before their European counterparts. Furthermore, it was easier for Greek than for Western merchants to work with the local population and to understand their cultural patterns, since religious affinity allowed them to come into closer contact with Russian society and to penetrate the countryside in search of grain. Orthodoxy created a familiar environment, especially regarding contact with the authorities and allowing information flows to permeate into the Greek business world.

Moreover, it was easier for Greeks than for English-, French- or German-speakers to become familiar with the Cyrillic alphabet, as many consonants were written in the same way, which facilitated reading. As well, Greek immigrants were embedded in larger ethnic communities than their European counterparts, which helped to create an intra-ethnic market for imported goods. Greek merchants in southern Russia enjoyed another competitive advantage in establishing their businesses. Immigrants of Greek descent, most of whom had been treated as part of a subject population in the Ottoman territories, had incubated their skills in adversity and knew how to explore opportunities and organize commerce in areas that lacked infrastructure and credit institutions. Spatial proximity gave them a competitive advantage that was not easy to imitate. Organizing trips from the Aegean or Ionian islands to the Azov Sea allowed them to sail at least four times a year, while the use of Constantinople as a “back-up” port where most Greek companies had branches facilitated their business and allowed them to withdraw in situations of high risk.

See Great Britain, Foreign Commonwealth Office Library (FCOL), Russia, Annual Series, Taganrog, “Report by Consul Wooldridge on the Trade, and Commerce of Taganrog and Other Ports of the Sea of Azov for the Year 1881.”

16From the Treaty of Kutchuk Kainardji (1774) to the Treaty of Adrianople (1829), the Black and Azov seas were visited mostly by Turkish and Russian ships. The Porte gradually granted the privilege of navigation through the Straits to subjects of other nations (Austria 1783, Britain 1799 and France 1802), but the chaotic maritime situation during the Napoleonic wars impeded once more the Black Sea’s direct communication with the West. During this period most vessels that visited Russian ports were either Ottoman or Russian, but they had mainly Greek masters and crew, many of whom gradually settled in the Black Sea ports. See Gosoudarstvennyi Arkhiv Rostovskoi Oblasti (Rostov State Archive, GARO), delo 841, opis’ 2, fond 579, “List of Ships belonging to Greek Shipowners Residing in Taganrog and Registered in Taganrog Port in 1867.”

risk or war. Ownership of the means of transport, both sail and steam, was the main competitive advantage of the Greeks in the Azov Sea and allowed them to minimize the costs and limit the losses from trading ventures. It reduced the cost of the transport component in final prices. Ship ownership not only allowed control over the quality of the commodities during their transport but also heightened the opportunity to profit from two different sources of entrepreneurial activity that usually operated in opposition. Moreover, an entrepreneur who was both a trader and a shipowner had an intrinsic hedge against potential losses.

Another factor that facilitated the rise of the Greeks in the area’s trade was the reduction of Jewish competition due to impediments to settlement outside the Pale. In the town of Taganrog, which we have used in the first phase of our project as a case study for the Azov Sea ports, only a few Jewish traders entered the first or second guilds, and then only after the 1860s. As well, their presence in the city’s population was limited compared to Odessa.

**Greek Family Businesses in the Azov Sea Ports**

Greeks worked through family firms and networks that reduced transaction costs. The use of kinship and family ties responded to the problem of the control over agents in long-distance trade.

Using the town of Taganrog as an example of the Azov Sea ports, I will present some of the preliminary results of our research. According to the 1897 census, Greeks comprised less than two percent of the total population. We assume that these numbers must in reality have been a little higher, since the census did not screen a number of second- or third-generation Greeks who

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18. Most of the international trading companies of Greek descent active in Odessa and Taganrog (Ralli, Vagliano, Scaramanga, Avierino, Petrokokkino, Negreponte, Sevastopulo, etc.) had branches in the strategic port of Constantinople and other Mediterranean ports. Many medium-size houses would also be “backed up” in their Russian operations by their grain business in Constantinople (e.g., Sifneos, Zarifi and Destouni).


20. They comprised only 5.2 percent of the total Taganrog population according to the 1897 All-Russian census, while in Rostov they reached 9.3 percent of the population. See *Pervaia vseobshchaia perepis’ naseleniia Rossiskoi imperii, 1897g.* (Moscow, 1903). See also GARO, fond 589.1. and 579.1, “List of Merchants of Taganrog.”

were reported as Russian speakers. The Greek community in Taganrog displayed certain characteristics that differentiated them from ethnic Russians or the Jews. Inequality among males and females of the labouring ages alluded to the mercantile character of a community with a considerable number of male immigrants. Greeks had a smaller percentage of the childhood populace than the Russians or the Jews and twice the Russian percentage of those over the age of fifty. Twenty percent of Greek males and thirty-two percent of females were illiterate, while among Russians the figures were forty-seven and seventy-one percent, respectively.22 Information on income gives us an indication of the social stratification among the Greeks: 16.8 percent of the working population belonged to the upper class, including rentiers, state and army officials; 47.7 percent were part of the middle class, such as merchants, shopkeepers and professionals; and 33.7 percent belonged to the working class, including servants, workers and people engaged in transport.23 It is striking, though, that nearly half of the working population of the Greek community helped to fuel Russia’s embryonic middle class and filled the gap of a missing entrepreneurial business elite.

Our findings thus far have identified more than 600 Greek merchants who enrolled in Taganrog’s guild system during the nineteenth century by declaring annually the amount of capital with which they traded (see figure 1).24 More than half were active in the first decade of the century when a special institution, the Greek magistrate, existed as part of the privileges awarded to Greek settlers in order to practise self-governance and resolve differences among merchants.25 The growth of the merchant class of Greek origin halted in 1836 after Russian authorities abolished the magistracy and asked all merchants, regardless of ethnic origin, to enrol in a single guild. In the first merchant list of 1775-1803, Greeks comprised more than eighty percent of the three-rank guild members.26 In the last merchant’s register of 1912, thirty-eight Greek merchant houses were reported out of a total of 329 as members of the guild system. More than forty Greek trading firms have been identified as lasting for two generations, while only five had survived for at least three.

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22Ibid., table IIIa, 10-11.

23Ibid., table XXII, 206-209.

24GARO, Series, 589.1. 5, 589.1.76, 589.1.56, 589.1.40, 579.3.2, 577.1.92., 579.1.100, 589.1.10, “Lists of Merchants of Taganrog.”

25P.P. Filevskogo, Istoria goroda Taganrog (Moscow, 1898), 110-111.

The basic emphasis of their businesses was the import-export trade in Mediterranean foodstuffs, exchanging olive oil and olives, carobs and wine for caviar, linseed and especially grain. Enterprises of British origin operated on the same pattern but with different goods: they imported items of agricultural machinery and exported grain and wool. A complementary but equally important entrepreneurial activity of the Azov’s Greek traders was shipowning. The growth and expansion of their trade in southern Russia was facilitated through investments in steamships. While most of the large, joint-stock operations that opened mines and developed heavy industry in the region belonged to Western concerns, Greek traders rarely invested in industry, since it was reported that they were inexperienced industrialists who lacked the appropriate technical knowledge to do so. Nevertheless, due to their strong commercial capital and ties with state officials they were able to participate in banking ventures founded by business groups coordinated by Russian entrepreneurs.27

It is worth conveying a comparative image of Greek entrepreneurial activity in the two most important ports of the Black and Azov seas, Odessa and Taganrog. Odessa was home to a dynamic group of Greek grain traders who were particularly active before the Crimean War; when their presence shrunk due to a reduction in profit margins in the grain trade in the 1860s, Jewish traders took their place in the grain trade. In contrast, Taganrog’s Greek merchants were engaged in transport as well as trade. Indeed, thirty percent of shipowners in the Azov were Greek according to Russian recent

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27Morozan, “Deyatel’nost’ Azovsko-Donskogo kommerchestkogo banka.”
In addition, they acted mainly through the city’s institutions instead of founding their own29 and demonstrated looser ties with the Greek language and educational institutions than did Odessa’s Greeks. As a result of their social integration into the host society, services in the Greek Church of St. Constantine and Helen were held in Russian, while in Odessa they were held in Greek. In Taganrog there was no important Greek institution for secondary education, and pupils from Greek families had to hire private tutors.

Yet the cultural presence of Greek entrepreneurial families had a strong impact on local society and its associations. For example, Greeks donated funds for the construction of churches, monasteries, health institutions and even the building of the stone stairs that led to the quay. From a social perspective, Greek merchants contributed to the formation of a consumer society by introducing to the larger market imported goods, popular foodstuffs and luxury articles and by operating restaurants, coffee houses and hotels. There was an interaction between local cultural patterns and “imported habits,” and Greek families either assimilated to local norms or maintained a “restricted,” family-oriented lifestyle without mixing with the traditions of the local population. A firm’s office and the family house were usually in the same building, a one- or two-story bourgeois structure located near the city centre. As the wives of entrepreneurs, women travelled often by sea or train to accompany their husbands to Europe for work and leisure. They were acquainted with merchant affairs and enjoyed conviviality with men. This was just as well, for leisure in a Greek merchant house was designed for groups of mixed gender.

Steam navigation and personal or family participation in the ownership of vessels offered Greeks the opportunity to travel to various ports and cities in the Mediterranean and Europe and to become acquainted with the European lifestyle. The ownership of the means of transport contributed to their openness and cosmopolitanism and, finally, to the survival of their family enterprises, even after the Russian Revolution. Their ships would flee the closure of the Straits each time war was declared, as happened during the Balkan wars. Many steamships owned by Greek entrepreneurs from the Azov were hired to transport grain in the Mediterranean or between the Mediterranean and South America during World War I, while smaller steam barges were used to evacuate the Greek population in the spring of 1919.

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28Shliakhov, “Sudnovlasniki Azovo-Chornomors’kogo.”

29Four mayors of the city were of Greek descent. The Greek community as an ethnic institution was of less importance in Taganrog than in Odessa and had no serious educational incentives.