

**CAN COMMERCIAL TECHNIQUES
SUBSTITUTE PORT INSTITUTIONS?
EVIDENCE FROM THE GREEK PRESENCE IN
THE BLACK AND AZOV SEA PORTS (1780-1850)**

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The question posed by my intervention seems rhetoric since the creation of port institutions and the development of the relevant infrastructure has been a prerequisite for the evolution of trade, carried out by commercial and shipping enterprises. Nevertheless, when Alexander Gershenkron debated over the economic backwardness of Russia vis-à-vis other industrialised countries, he explicitly underlined that one of the reasons of its backwardness relied in the preservation of serfdom until 1861 and the adverse values towards entrepreneurship and new forms of economic activity that prevailed in the Russian society¹. The gap of entrepreneurial spirit in the newly opened to international trade ports was filled in with the presence of foreign merchant communities and in particular Greeks. In the early stage of development of these ports the activities of the Greek diaspora in New Russia offered the necessary sailing and trading skills for the spreading of commerce and the integration of the southern Russian economy to the world market.

¹ A. Gershenkron, *Economic Backwardness in Historical Perspective*, Cambridge, Mass., The Belknap press of Harvard University Press, 1962.

1. Main obstacles to a rapid development of the maritime trade in the Black and Azov Seas

Until the 18th century the Ottoman Empire viewed the Black Sea as a closed sea, the navigation of which was limited to its subjects. This was the first impediment to the development of maritime trade in the region. Russia was prohibited to have any fleet or vessels of its own while commerce was only limited to the needs of the market of Constantinople and was executed by the subjects of the Sublime Port (Treaty of Belgrade 1739).

Despite Peter the Great's vision for a "window in the South", Russia gained its south provinces, seven decades later, only after the victorious Russo-turkish wars of 1767-1774. With the Treaty of Kutchuk Kainardji besides establishing domination on the northern shores of the Black Sea, Russia secured trade connexions between its southern provinces and the rest of the world. But trade still faced innumerable obstacles.

Russia possessed no merchant marine, the south territories were extremely underpopulated, coastal towns and port facilities had to be created and, the most important of all, no sailing ability and commercial skills existed among the Russian population. Thus a policy of attracting foreign residents was implemented by Catherine the Great in order to stimulate migration from the neighbouring countries. German peasant communities were established in the new lands while waves of immigrants from the Balkans and the islands of the Aegean settled in the newly created port cities. Only in 1829, after the Treaty of Adrianople, Russia finally succeeded to secure complete freedom of navigation for merchant vessels on the Black and Azov Seas not only for Russia but also for all nations.

Nevertheless the right of free navigation through the Straits remained a delicate question all through the 19th and 20th centuries, and was prohibited in several occasions,

when war would outburst between the two countries or international problems would occur.

Russia's trade remained dependent on the closure of the Straits. Not only the interruption of the passage during the actual closure but also the threat of closure would cause incalculable losses to the Russian economy: consequent stoppage of shipments, hindrances such as extinction of lights, tremendous increase in the cost of freights and reduction in the volume of goods exported, as well as ruin of merchants and several firms. This proved to be the case in the Crimean war, the 1877 war between Russia and Turkey, the 1911-1913 Italo-Turkish and Balkan wars with the consequent interruption in the navigation of the Straits².

Another obstacle proved to be the difficulties in the navigation and full exploitation of the seas due to the adverse navigating conditions, the depth of the waters and the climatic conditions. In 1808 the enlightened French governor of Odessa, duc de Richelieu, wrote in relation to the shipwrecks that the transport in the Black Sea was nine times more dangerous than in the Mediterranean³. The commercial season in the Azov Sea lasted only six months before the sea would get frozen and the merchant would expect that his merchandize, after a long and tiresome trip, would have to pass by the hands of two ship crews and a cart man before getting to the hands of his commission agent. An English merchant that would come not from the British capital but even from the provincial port of Hull with its organised harbors and docks, would find these conditions extremely unsuitable to establish permanent relations and the situation risky for his merchandise.

² M. L. Harvey, *The development of the Russian Commerce on the Black sea and its significance*, PHD dissertation at the University of California, 1930, pp. 292-330.

³ Bibliothèque Victor Cousin, Fond Richelieu, *Rapport du duc de Richelieu sur Taganrog*, 15-12-1808.

A third obstacle was related to inadequate infrastructure, absence of ports and port facilities that obliged most ships to wait at the roadstead in order to be loaded. Most of the ports were not accessible to ocean going vessels and needed dredging. In the Black Sea ports rarely the warehouses were sufficient. In Odessa the storage area for grain was located in the outskirts of the city, far from the docks and needed to be carried on carts even when the authorities constructed the Estacada, an elevated railway that poured grain directly into the ship's holds⁴.

The depth of the Azov Sea presented serious problems to navigation and prevented ships of big tonnage to enter while at the Kerch Straits grain was unloaded into barges in order to be reloaded again after passage. Despite the efforts made from time to time, either by the governors and city councils or by the merchant committees, the lack of port facilities led to the relative decline of the two basic ports in the Black and Azov Seas: Odessa was substituted by Nikolayev and Taganrog by Rostov.

2. Trade and port policies

Interest in developing trade had been demonstrated since the time of Peter the Great, who was the first, in 1807, to design Taganrog as a port and construct a small pier. Later on, Catherine the Great - in order to promote commerce to and from these areas offered to all southern ports a 25% discount on all duties levied at the port. In addition, tariff measures affecting imports which were high at the beginning, finally relaxed away. Nevertheless, the opening of the whole area to international navigation and commerce

⁴ On the problems of the port of Odessa, cfr. P. Herlihy, *Odessa. A History, 1794-1814*, Cambridge, Mass, Harvard University Press, 1986, pp. 222-227.

lagged a long time after the European maritime interaction with the Ottoman ports of the eastern Mediterranean.

What actually stimulated foreign commerce was the establishment of the free-port status in Odessa (1817-1859). The Duke of Richelieu, a French émigré, who arrived to govern Odessa in 1803, was a fervent supporter of the previous concession⁵. At the time of his arrival, port facilities were still inadequate and the town resembled more to a place of exile than to a promising commercial area. Based on his European experience, Richelieu strongly believed that the establishment of free-ports in Marseilles, Livorno, Trieste and Fiume and the status of association to the quarantine were the main reason for their prosperity and urged the authorities to finance such actions during his governance. Moreover, writing on the situation of Odessa in 1814, he even drew comparisons between the newly established port facilities there and the port of Smyrna, where the promising transit trade offered foreign ships the advantage of buying and selling at the far eastern hinterland⁶. Richelieu's view was to turn Odessa into the most important post of transit trade in the South, which would get ahead of Trabzon in commercial transactions. Furthermore, Richelieu, regulated the quarantine by constructing a wall that isolated the port from the city and by erecting wooden warehouses for the imported merchandise⁷. Nonetheless, the concession for the free-port came some years later, after his departure for France.

By the *ukaz* of 1817 all goods were permitted free entrance including those prohibited to the rest of the Empire. Free transit was also assured, to and from foreign countries,

⁵ Bibliothèque Victor Cousin, Fond Richelieu, *Rapport du duc de Richelieu à l'Empereur Alexandre sur la situation d'Odessa en Septembre 1814*.

⁶ *Ibidem*.

⁷ Bibliothèque Victor Cousin, Fond Richelieu, *Notice sur onze années de la vie de Richelieu à Odessa par Ch. Sicard, Odessa 1827*.

through the Russian territory. One fifth of the custom's house receipts went to the city revenues in order to sustain public works. Finally, efforts were made to induce the migration of merchants and capital.

Soon, the immediate consequences of these measures were felt in the city's commerce and outlook. The exportation activity drew new sources of capital and import-export commercial houses were established. Both city and port facilities improved. A bunch of Greek merchant houses with branches to Constantinople and other ports of the Mediterranean settled their headquarters in Odessa, while successful merchants of Greek origin were designated at the head of the *Duma* (Municipal Council)⁸. Foreign participation to the export trade slowly increased, although western houses presented a strong discontent about the lack of financial establishments. Their unwillingness to engage heavily in the Russian trade was due to a series of factors that had been moulding long ago the trade between the West and the northern Russian sea ports.

3. Difficulties of the Western businessman and comparative advantage of the Greek settlers

The Western businessman would find Russia a rather "strange" country, in which commerce was not conducted in the way he was used to. Many restrictions existed, concerning the quantity of the imported and exported goods, prescriptions concerning the people to whom one could sell or buy, limits in travelling possibilities, establishment of monopolies. Difficulties in commercial understanding derived not only from language barriers but also from prac-

⁸ This was the case of Demetrios Iglesez, who served at the head of the City Council during the Greek war of Independence (1821). Th. Prousis, "*Demetrios S. Iglezes: Greek Merchant and City Leader of Odessa*", in «*Slavic Revue*», 50/3, 1991, pp. 672-679.

tices that revealed a different morale⁹. Extensive cases of bribery of the officials were often reported. All of these inconveniences and in particular the way in which the state interfered by altering the "laissez-faire" notion they had of trade, discouraged the potential western businessmen to "invade" the Russian market. Only adventurers or people attracted by the anticipation of large profit would decide to operate in the Russian lands¹⁰. But in the case of the Greeks things turned out differently.

Among the first to settle in the newly established city ports, the Greeks, were a population with a strong seafaring and commercial impetus that was attracted by Catherine's privileges and abandoned their native land both for political and economic reasons. Being Greek ottoman subjects, many of them had followed the liberating promises of the Orlov brothers and had joined the Russian side during the Russo-Turkish wars. Coming from the Aegean islands or from the arid region of Southern Peloponnesus, they migrated to Russia often dragging with them members of their family and settled in the designated areas of the newborn cities. Demetrios Alfierakis, for example, coming from Mani was one of the first settlers in Taganrog. He was a captain in the squadron of Count Orlov and participated in the battle of Chesme during the Russo-Turkish War. After the war, in recognition to his valour, he achieved military ranks and was allotted vast lands in Taganrog by Catherine the Great. His son, Nikolai Alfieraki, one of the bigger landowners of the city, graduated from the University of Charkov and spent his life in St.Petersburg serving the state. His son, Achilles, studied music and literature in Moscow and be-

⁹ As quoted from W. Kirchner, "Western Businessmen in Russia: Practices and Problems", in «Business History Review», 38/3, 1964, pp. 315-327.

¹⁰ J. McKay, *Pioneers for Profit. Foreign Entrepreneurship and Russian Industrialization, 1885-1913*, Chicago and London, The University of Chicago Press, 1970, pp. 72-73.

came mayor of the city of Taganrog (1880-1888). During his leadership in the municipal government Taganrog was embellished with important public works and social projects were implemented. His family owned one of the first steam-driven flour-mills in Taganrog. His mansion, built in 1848 at the centre of the city, hosts today the Ethnological Museum¹¹.

Two kind of settlers exist among the Greek population: soldiers and officers that were granted honorific ranks and formed military corps which guaranteed Russia's dominion on the newly conquered lands and civil population that migrated and benefited of a small income as well as house facilities and land distribution. In both cities, Odessa and Taganrog, Catherine allotted significant portions of land to the new settlers and ordered them, by granting privileges, to develop the maritime trade. As landfarming was an activity they knew little about, the Greek settlers turned their interest to trade.

Greek seamen had had the privilege to navigate in the Black and Azov seas as ottoman subjects or bearing the Russian flag long before their European counterparts. As the British Consul in Taganrog noted, their sailing vessels, smaller in tonnage and more economic in operating, were better adapted for the trade in these seas¹². Greeks were the pioneers in establishing contacts with the producers and offered them possibilities of buying consuming goods and engage in export activity. It was easier for them than for the western merchant to work with the local population and to understand local cultural patterns since religious affinity al-

¹¹ Encyclopedia of Taganrog, Taganrog, Anton, 1989, pp. 165-166.

¹² F.C.O.L. (Foreign Commonwealth Office Library), Diplomatic and Consular Trade Reports, Annual Series, Russia, Taganrog, *Report of the Consul Carruthers on the Trade of Taganrog in 1861*.

lowed them to come closer and to the peasant and penetrate the countryside in search for grain.

The goods they brought with them were of high demand in the Russian Empire: all Mediterranean products such as wine, oil, dried and fresh fruits were greatly appreciated. In business terms the cost of their journey was much lesser than that of a European vessel that would come to the Russian coast only to export grain. On the contrary, the Greeks were organised in small vessel enterprises in which the captain-merchant would bring goods and his crew of 7 to 10 sailors would receive instead of a salary a share from the profits of the trip.

Another category were the traveller merchants [*gosti*] that would arrive with a limited quantity of goods, install in the market place in a wooden booth and sell them in the exchange [*birza*]. As early as 1793 the traveller P. S. Pallas gives us a brief description: "The market place of Taganrog is spacious and contains numerous wooden shops. The Greeks possess a particular row of booths, where according to the eastern custom, they keep small taverns and coffee-houses, which are chiefly frequented by sailors... Towards the low country, contiguous to the sea shore, are squares of shops or booths, called the Exchange, where captains and shipowners expose their merchandise to sale"¹³. The traveller merchants belonged to an intermediate group between the captain-merchant enterprise and the permanent settler. They could remain for a certain period of time maintaining their nationality and after their permission would end, they had to enter the category of the permanent settler by adopting Russian citizenship and adhering to the guilds. In other places, such as the Azov Sea ports, merchants were directly involved in shipowning. They would built small and shallow barges in order to exploit the river navigation and bring the

¹³ P. S. Pallas, *Travels Through the Southern Provinces of the Russian Empire in the years 1793-1794*, translated by W. Blagdon, London 1802, vol. 1, p. 484.

grain down to the port and the roadstead, where ships would wait for loading.

A third category were merchants that arrived with a significant capital and would enrol in the guild system, occupying its first two ranks. Organized in family enterprises and not in partnerships as the Europeans would do, they would declare a capital of 8 to 16.000 roubles, buy from the local producers and sell to foreign merchant houses.

Tab. 1. *List of Merchants in Taganrog, 1775-1802*

Guild Rank	Capital declared in roubles	Merchants subscribed	Greeks among them
First Guild	over 16.000	7	5
Second Guild	8.000-16.000	94	86
Third Guild	2.000-8.000	45	27
Total		146	118

Source: G.A.R.O. (Rostov State Archive), fond 579, opis 3, delo 2.

As the documents from Taganrog reveal, during the first period of the city's development as a trading port, most of the settlers that constituted an up-and-coming "middle class" were of Greek origin. Merchant capital was rather small but enough for a start-up in a port with limited population and commercial operations. Merchants were mostly involved in trade with the Mediterranean and the Western countries. They frequently possessed small vessels and wooden shops at the market place, while a wooden or stone house was usually reported among their properties. The Greek settlers were granted autonomy in 1784 and were self governed by the Greek Magistrate. The Greek volunteers that took part in the battle of Chesme under the orders of Count Orlov were awarded 13.000 desiatines¹⁴ of arable land near Taganrog. At first, this land was awarded to them as a whole, in perpetuity, and was divided into individual plots with full property rights until 1815, when problems of

¹⁴ 1 desiatina is equivalent to 1.09 hectares.

succession had already occurred¹⁵. The Greek, as long as they had received the Russian citizenship, were able to buy land and acquire other properties like factories, boats or permissions for coastal transport. However, they were deprived of their special privileges in land and tax exemption in the early 1860s¹⁶.

Merchants who worked in the international trade, apart from trying to buy at the cheapest price, they had to watch the prices in the international market and seize the opportunities that occurred from the difference in rates. The Greek merchant houses in Southern Russia, appeared as powerful capital holders in the early 1830s. In Odessa that was the biggest port linked to the western commerce, they possessed a merchant fleet, big granaries and an enormous stock of imported and ready for export goods. They developed a strong network based on kinship and recruited most of their employees from their place of origin. They disseminated the members of their family in the basic Mediterranean and European ports who operated by receiving Russian grain cargoes and selling them to the local market. These networks would reduce the transaction costs and provide quick and trustworthy information, two fundamental services for effective trade operations before the invention of the telegraph. They developed a system of cargo trading and a method of selling grain on the high seas on the basis of previously dispatched samples¹⁷.

¹⁵ G.A.R.O. (Rostov State Archive), fond 579, opis 1, delo 3.

¹⁶ G.A.R.O. (Rostov State Archive), fond 571, opis 1, delo 11.

¹⁷ On the strategies of the Greek merchant houses, see S. Chapman, *Merchant Enterprise in Britain. From the Industrial Revolution to World War I*, Cambridge, 1992, pp. 204-205, 292-293; S. E. Fairlie, *The Anglo-Russian Grain Trade, 1815-1861*, PHD. diss., London School of Economics and Political Science, 1959, p. 265-275; I. Pepelasis Minoglou, *The Greek Merchant House of the Russian Black Sea: a Nineteenth-Century Example of a Trader's Coali-*

Greek merchant houses developed an international outlook and seized to work only when competition became harsh. The entrance of Jew middlemen in the grain trade and the new circumstances that the construction of railways created, dispersed the grain, and forced them to abandon commerce and move to more profitable enterprises and to exploit new geographic areas¹⁸. Based on family capital, they were relatively independent of bank control. They succeeded in the organization of grain trade at its early phase and in the provision of European cities with Russian foodstuffs for everyday consuming.

With the exception of some twenty Greek merchant houses that monopolized Odessa's grain exports from the 1830ies to the Crimean War, most of the first merchants that settled had a rather limited capital. Nevertheless, they possessed the know-how of trade organization in underdeveloped territories where institutions lacked, uncertainty and risk prevailed and credit was inexistent. Working on a family basis and secured with strong networks among their co-nationals they succeeded in opening the Russian agricultural market to the foreign demand. One of the reasons may be detected in the conditions that prevailed in the Ottoman Empire which presented similarities with those of Russia. Another reason resides in their previous experience in Russian commerce as many of them migrated to the south from the commercial trade centre of Nizhyn that flourished a hundred years earlier, in which they developed the conti-

tion", in «International Journal of Maritime History», 10, 1998, pp. 61-104.

¹⁸ Real estate investments and industry in Odessa as well as the exploitation of the port of Nikolayev and the Azov Sea ports were some of the outlets for the further expansion of these entrepreneurs. Cf. E. Sifneos, "Cosmopolitanism" as a Feature of the Greek Commercial Diaspora, in «History and Anthropology», 16, 2005, pp. 104-105.

mental trade to and from the Balkans and central Europe¹⁹. Nevertheless, it is not astonishing to see that Greeks familiarised and well adapted to the primitive conditions of commerce and opposed to the westernised efforts of the Duke of Richelieu to standardize trade. In one of his letter to the tzar Alexander A' on the situation of the port of Odessa and the necessity of establishing port regulations that would prevent the cholera, he exclaimed: "What obstacle can we oppose, in fact, to the avidity of some thousand Greek sailors who have the objective to fraud the Custom house and to introduce some of the incalculable merchandises that their entrance is prohibited?"²⁰ Linked to the French commercial interests his friend Charles Sicard, a commercial councillor of Richelieu, found it extremely difficult to settle as an exporter in Odessa's market place²¹.

Negative commentaries about the Greeks were made on different occasions concerning the methods they used to sell their imported goods and circumvent standardization and regularity in commerce by using fraudulent tactics, practicing bribery etc. The famous 'Vagliano delo' in the 1880s related to the greatest case of fraud in the Customs house of Taganrog ended up with an indemnification of 1.500.000 roubles that Mark Afanasievich Vagliano paid to the Russian authorities in order to avoid the trial²². Briefly, the

¹⁹ Evgeni K. Tsernouhin, "The Book of Offerings of the Fraternity of Nizbyn (1696-1786)", *Notes of the Historical-Literal Association A. Biletsky*, Kiev, 1997, pp. 91-92.

²⁰ Bibliothèque Victor Cousin, Fond Richelieu, *Rapport du duc de Richelieu à l'Empereur Alexandre sur la situation d'Odessa en Septembre 1814*.

²¹ Bibliothèque Victor Cousin, Fond Richelieu, *Notice sur onze années de la vie du duc de Richelieu à Odessa par Ch. Sicard*, Odessa 1827.

²² F.C.O.L. (Foreign Commonwealth Office Library), Diplomatic and Consular Trade Reports, Annual Series, Russia, Taganrog, *Report by Consul Wooldridge on the Trade and Commerce of Taganrog and other ports of the Sea of Azov for the Year 1881 and*

strong advantage of the Greeks in the Black Sea trade was the combination of their maritime and commercial capacity. Their venture in Southern Russia proved durable and enterprising mainly because it succeeded in opening the Black and Azov sea trade to the international market.

Report by Consul Wooldridge on the Trade and Commerce of Taganrog for the Year 1882. On the Vagliano Bros cf. Gelina Harlaftis, From Diaspora Traders to Shipping Tycoons: The Vagliano Bros, in «Business History Review», 81, 2007, pp. 237-268.