

**TRADE AND DIPLOMACY:  
THE ENGLISH MERCHANTS IN SIXTEENTH CENTURY RUSSIA**

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It is widely believed that it was Peter I (Peter the Great) who first ‘cut a window into Europe’ for Russia. However, as this account by Alexander Gorokhovskiy demonstrates, Russia has been engaged in active international trade, particularly with England, at a much earlier period. Through the eyes of ‘Marchant Adventurers of England’ Alexander lets us see how the economics of 16<sup>th</sup> century differed from the discipline we study and practice today.

**Introduction**

This essay explores the nature of trade between England and Russia in the 16<sup>th</sup> century. While the main actor on the English side is believed to be the emerging class of capitalist merchants represented by the Muscovy Company, Russia’s position in this relationship was determined solely by the Tsar and his political interests. I examine how the principal differences in the aims of the two sides eventually led to the annulment of the English monopoly on tax-free trade with Russia, arguing that one cannot observe any clear distinction between 16<sup>th</sup> century economics and politics.

**The Setting**

A period of extravagance that followed the Reformation left England with a large debt (£148,526 at 14% in 1555) (Scott, 1912). Since most of the loans were due abroad, the payment of the interest constituted a serious drain on the country’s commerce. This resulted in greater attention to the development of foreign trade as a source of revenue for the English Crown.<sup>1</sup>

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<sup>1</sup> An economic explanation for the increased interest of the English merchants in overseas trade in the third quarter of the 16<sup>th</sup> century given by Scott is that by 1550 the capital of the

By the middle of the 16<sup>th</sup> century, semi-finished woollen cloth made up 90% of English exports. After 1550, this trade started to contract: the London export of short-cloths, for example, fell from 132,767 in 1550 to 84,969 in 1552 (Fisher, 1940). These fluctuations marked the beginning of a period in which cloth exports were to be some 25% lower than they had been during the previous half-century (Ibid).

Fear of unemployment in the country's largest industry meant that the availability of the export market for cloth was a prevailing issue. At that time, English commerce was overwhelmingly dependent upon the Netherlands. The Dutch were England's major client for cloth exports, and Antwerp was the main commercial centre for both imports and exports. The Netherlands, however, were then a Spanish province and this meant that the stability of the European market for English cloth, and the availability of imports in return, were affected by the state of relations between Spain, England and the Netherlands. The dependence on a single product and a sole client had to be addressed.

The demand for other English goods was falling as well. A contemporary, Clement Adams, wrote that:

“at that time, our Marchants perceived the commodities and wares of England to be in small request with the Countreys and people about us, and neere unto us, and that those Marchandizes which strangers in the time and memorie of our auncestors did earnestly seeke and desire, were now neglected, and the price thereof abated, although by us carried to their owne portes, and all forreine marchandizes in great accompt, and their prises wonderfully raised’. Because of this, ‘certaine grave citizens of London... thereupon resolved upon a newe and strange navigation” (Hakluyt, 1589/1965).

## The Voyage

“ ‘Certaine grave citizens of London’, who were said to number 240, formed a venture under the name of *The Mysterie and Compagnie of the Merchant Adventurers for the discoverie of regions, dominions, islands and places unknown* to finance an expedition to discover the north-east passage to the promised land, Cathay (the ancient name of China). The Spanish and Portuguese monopolies based on discovery and papal grant did not apply in the north; therefore, as Robert Thorne had pointed out in 1527 in an address intended for Henry VIII, this was the only area where the English were free to go without fear of political complications” (Hakluyt, 1589/1965).

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country was depleted, with national production being less than it had been in the first half of the century. Under such circumstances, attempts would be made to secure a higher return on capital. Thus, the more economically rational agents would be more inclined to become involved in potentially highly profitable foreign trade (Ibid).

The journey was expected to be long and hazardous, and to provide funds for such a voyage would require considerable capital. This pointed to the “joint-stock company as the essential device for the conduct of ... trade” (Willan, 1956). Such form of organisation allowed the promoters of the enterprise to spread the risks of an uncertain undertaking such as this difficult and possibly dangerous trip along previously unexplored route.

The promoters raised a capital of £6,000 in shares of £25 each from “every man willing to be of the societie” (Hakluyt, 1589/1965), devoting this sum to the purchase of some goods and three ships, the *Bona Confidentia* of 90 tons, the *Bona Speranza* of 120 tons, and the *Edward Bonaventure* of 160 tons, which were dispatched to the northern seas under the command of Sir Hugh Willoughby. Early in August 1553, the *Bona Speranza* and the *Bona Confidentia* lost touch with the *Edward Bonaventure*, and sailed on eastwards until they reached Lapland, where they wintered. During the winter Willoughby, who had sailed in the *Bona Speranza*, and everyone else on board the two ships “for lacke of knowledge have frozen to deathe”. The *Edward Bonaventure*, with Richard Chancellor as captain, was more fortunate, reaching the White Sea and anchoring at the mouth of the Northern Dvina River. The region had just recently been added to Russia, and when its ruler, Ivan IV (Ivan the Terrible), heard of Chancellor’s arrival, he invited him to come over to Moscow.

Chancellor arrived at a crucial point in the history of the Russian state, which was emerging on the eastern frontiers of Europe as a mighty and centralised Christian power under the rule of the grand duke of Moscow, who had just assumed the title of the Tsar (Caesar). The Russians considered it necessary to establish communications with Western Europe and to this end were making tremendous efforts to get control of the Baltic shore.

Chancellor made the voyage of over 1,000 kilometres through a country covered in snow and ice, and arrived at Moscow. He found Moscow both large (much larger than London) and of a primitive build, most houses being wooden. However, the palace of the Tsar was very luxurious, and Ivan’s appearance when Chancellor was finally summoned to see him (the Tsar received the English guests seated on his throne with a gold crown on his head, wearing a gold cloak and holding a costly sceptre) certainly suited his high position. The ceremonial dinner was also quite impressive, with “all the furniture of dishes, and drinking vessels, which were then for the use of a hundred ghests, was all of pure gold, and the tables were so laden with vessels of gold, that there was no roome for some to stand upon them” (Hakluyt, 1589/1965).

### The Establishment of the Muscovy Company

Ivan expressed his willingness to authorise the free passage of English ships to Russia “with good assurance on our part to see them harmlesse” and to allow “free marte with all free liberties” to English merchants throughout his dominions (Hakluyt, 1589/1965).

It was to the advantage of Russia to open a maritime trade as it did not yet have a port on the Baltic, while the Hanseatic League had a monopoly on the trade between Muscovy and Central and Western Europe.<sup>2</sup> The opening up of the northern route gave the Russians an opportunity for contact with Europe, without interference by those Baltic States with whom they were frequently at war. The English were not less optimistic, having found a vast market for the English wool, and receiving furs, hides, flax, hemp, train oil, fats, tallow, cordage, timber, wax, grain, and other goods in return (Riha, 1969).

On his return to England, Chancellor assured the shareholders that there were good prospects of a profitable trade with Russia. In order to secure the benefits of the newly opened trade to the discoverers of it, a charter was signed on 6<sup>th</sup> of February 1555, giving the company with the tiresome title of *Marchants Adventurers of England, for the discovery of lands, territories, isles, dominions and seignories unknowne, and not before that late adventure or enterprise by sea or navigation, commonly frequented*<sup>3</sup> exclusive rights to trade with Russia, or with any other countries that might be opened up by the adventurers in the future.

The promptitude, with which these privileges were granted, clearly demonstrates the importance given to the branch of trade now made available. The Political situation during this period required rapid arming of the country. The Muscovy Company had the advantage for equipping the navy, while the munitions obtained in Flanders had to be smuggled into England, naval requisites bought from Russia were to be brought in with the goodwill of the Tsar. Therefore, not only would a new market be found for English commodities with the opening of the Russian trade, but England would also obtain direct access to materials of the greatest importance to her navy, namely cordage and timber (Scott, 1912).

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<sup>2</sup> The Hanseatic League was an association of German towns, which from major trading posts in Bruges, London, Bergen, and Novgorod, developed trade in much of Northern Europe and acted as an intermediary between east and west in this region, as the Venetians did in the Mediterranean. The Hansa co-ordinated and distributed capital, goods and skills throughout its domain and was engaged in many activities such as sheep rearing in England, iron production in Sweden, and agriculture in Poland.

<sup>3</sup> This title was very rarely used, for the company at once became known conventionally as the Russia Company, or the Muscovy Company.

## Privileges Granted to the Company by the Tsar

Chancellor reappeared in Moscow as an ambassador in 1555, this time accompanied by the two agents of the newly set up Company, Richard Grey and George Killingsworth. The Company's agents were received in audience by the Tsar, who seems to have been most impressed by Killingsworth's beard "in length five foot two inches of assize" (Hakluyt, 1589/1965).

Negotiations ended with the English receiving the following privileges and concessions. The members, agents, and servants of the Company were granted the right to trade anywhere in Russia without paying any duties or tolls. Neither the merchants nor goods could be detained "for anie debt, duetie or other thing, for which they be not principall debtbers or sureties" or "for any offence or trespasse committed ... but only for such as they or any of them shall actually commit" (Hakluyt, 1589/1965) and such cases would be judged by the Tsar himself. The Company could hire directly workers of any sort. Swift settlements were promised in cases between the English and the Russians. Similarly, if any Englishman were wounded or killed, every effort was to be made to conduct a thorough investigation and immediately punish the offender as an example for others. None of the English merchants was to be imprisoned for debt. Also, if any Englishman disobeyed the Company's chief factor in Russia, the Tsar promised to give his full assistance in bringing such offender to justice, and lend prisons and instruments of punishment for that purpose when necessary.<sup>4</sup>

Chancellor sailed back to England in July 1556, this time accompanied by the Russian envoy, Osip Nepeia. On 10<sup>th</sup> of November 1556, their ship was caught in a storm and shipwrecked just off the Scottish coast. Chancellor drowned, but Nepeia survived. Although, he was taken hostage by the Scots for a few months, the first Russian ambassador to England was eventually rescued and after much trouble reached London, where he was received by the King and Queen on 25<sup>th</sup> of March 1557.

Philip and Mary, in gratitude for the privileges granted to the English by the Muscovite state, granted Russian merchants the right to trade both wholesale and retail in all parts of their realm, promised to place them and their property under special protection, and to assign them suitable warehouses in London and any other English cities. However, Russian merchants were not to be exempt from the

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<sup>4</sup> Among the privileges granted to the Muscovy Company by Ivan IV was also the right to mint coins free of tax at Russian mints. However, as noted above, during Elizabeth's reign England was constantly short of money and the export of silver and gold was strictly banned, so in order to support their trading transactions English merchants were forced to acquire thalers from the continent (Zverev, 2003).

payment of customs duties, for they were to “be as free from paying of any customs or taxes here as the subjects of other Christian princes traffiquing within our said realme be” (Willan, 1956). These concessions were not very fair, given the Muscovy Company’s exemption from customs duties in Russia, and they were in fact of no use since the Russians had no ships capable of navigation to England.

## **Trade**

Nepeia returned to Russia with a new representative of the Muscovy Company - Anthony Jenkinson, who was an experienced trader and geographer, “a well educated and observant man of great abilities for commercial and diplomatic negotiations” (Vernadsky, 1969). The Tsar liked him and allowed him to proceed down the Volga River to Astrakhan, on the Caspian Sea, and from there to Bukhara.

Jenkinson succeeded in reaching Bukhara in 1558. From there, he planned to travel to Cathay by land, but constant wars in the region and robbers made the passage to China impossible, compelling Jenkinson to give up his original intention. A series of expeditions to Persia followed, though, with the Persian trade yielding large profits to the Company up until 1581 when it was given up (Scott, 1912).

There are no figures available as to the results of the trade with Russia itself at that period, but judging by the enthusiasm with which English traders who were not members of the Company took on the Russian trade after Ivan’s army captured Narva - the Baltic port which could serve as a substitute for the White Sea route - it must have been very profitable. Since Narva had not been part of Russia when the Muscovy Company received its charter, English and other ‘interlopers’ rushed to exploit the new route which was not only shorter, but much safer than the one discovered in 1553, claiming that it did not come within the scope of the Company’s monopoly.

The Muscovy Company brought the question of the English interlopers at Narva to the notice of the Parliament in 1566 and managed to obtain an act confirming the privileges granted to the Company by the royal charter of 1555. The act stated specifically that the right of the Muscovy Company to trade exclusively with Russia extended to all territories subject to the Russian sovereign, thereby including Narva in the sphere of its monopoly (Willan, 1956).

The act of 1566 could have impeded the unauthorised trade from England, but it did not stop merchants from other countries to take advantage of the new route to Russia. The Dutch, in particular, began to find their way into the country, and by 1569 the trade of the Company is generally believed to be less profitable than it had been prior to that. Partly that was due to the competition from the interlopers. But an even greater threat to the Company’s business in Russia came from the Tsar, who

himself was encouraging the development of the Narva trade and by that time started to show his disillusionment with the English.

## Diplomacy

Apart from securing armaments from England, Ivan hoped also to get skilled workers and professionals of all kinds, especially those who could teach the Russians skills useful in war. In 1547, a German adventurer, Hans Schlitte, offered Ivan his assistance in engaging German specialists of various sorts for service to the Tsar. He eventually hired 123 technicians and brought them to Lübeck, from where they were to proceed to Moscow. This became known to the Hanseatic League, which demanded from the Lübeck authorities that the technicians be forbidden to go to Russia. The reason for this was the fear that the spread of technical knowledge in Russia, as well as the import of military supplies, would strengthen the country both economically and militarily to such an extent that it will threaten the Hansa's business in Eastern Europe. Schlitte was arrested, and the men he had hired dispersed (Vernadsky, 1969).

It is interesting to note that, when Chancellor visited Moscow, he heard from the Livonians and Poles he met there of their fears of the military danger a 'civilized' Russia might present to her neighbours. He also wrote of Ivan's army:

"Now what might be made of these men if they were trained and broken to order and knowledge of civill wars? If this Prince [the Tsar] had within his countreys such men as could make them to understand ye things aforesaid, I do believe that 2 of the best or greatest princes in Christendome were not able to match with him, considering the greatnes of his power and the hardnes of his people" (Hakluyt, 1589/1965)

Similarly, the grand-duke of Poland-Lithuania Sigismund Augustus in an attempt to stop the trade with Narva wrote to Queen Elizabeth:

"The Muscovite sovereign daily grows stronger by acquiring the objects that are brought to Narva, not only goods but arms the like of which he never saw before. Not only are crafted items brought there, but craftsmen themselves are also coming there. By these devices he is acquiring the means to defeat everyone... Hitherto we have been able to defeat him only because he was ignorant and did not know the arts. If navigation to Narva is continued, what will remain unknown to him?" (Soloviev, 1995).

The English government paid little attention to the apprehension of Russia's neighbours and continued commercial relations with Moscow. However, the English Crown was concerned only to win more trading advantages for its merchants, while Ivan IV was interested in more than just trade or even the export of skilled labour to Russia. He saw England as his only potential ally in Europe. Queen

Elizabeth, on the other hand, always emphasised that the purpose of her relations with Moscow was solely commercial. It was impossible for her to enter into a political alliance sought by Ivan, for she had no intention of incurring hostility of the Tsar's enemies, especially Poland and Sweden. The obvious reluctance of the English side to become involved in the Baltic conflict led to disappointment and increasing resentment on the part of the Russian sovereign.

The following excerpt from Ivan's letter to Elizabeth best of all reflects a basic difference in their aims:

“We had thought that you had been ruler of over your lande and had sought honor to your self and profit to your country, and therefore wee did pretend those weightie affaires betweene you and us; but now we perceive that there be other men that doe rule, and not men but bowers and merchaunts the which seeke not the wealth and honour of our maiesties, but they seeke their owne profit of marchauntize: and you flowe in your maydenlie estate like a (common) maide” (Tolstoy, 1875).<sup>5</sup>

Ivan withheld all the privileges previously granted to the Muscovy Company, imprisoned the English merchants in Moscow, and seized all their goods. Although, he restored their franchise in 1572, a 50% duty was now imposed. Moreover, the Tsar persisted in encouraging the trade of Narva, so long as he was able to retain this Baltic port. When Narva was lost to Sweden in 1581, Ivan decided to encourage the trade of England's competitors (especially the Dutch) in the Russian North and ordered the transfer of all foreign trading establishments to the newly built port of Archangelsk (Clarkson, 1962). Finally, a new charter to the English withheld even from them the right – never accorded to their competitors - to engage in retail trade. Foreigners were forbidden to operate at specified points, and the commodities they were most interested in were declared state monopolies.

### **When Politics Interfere with Economics**

Many of the decisions of moody and unpredictable Russian monarch did not have any rational motives.<sup>6</sup> The reasons behind this very one, however, may well be traced.

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<sup>5</sup> Elizabeth made an effort to placate Ivan and sent her special envoy, Daniel Silvester, to Russia. The latter never reached the Tsar, though, for in Kholmogory, while Silvester was trying on “a newe yeolow satten jactett... a thunderbolt came and stroeke him dead” (Bond, 1856).

<sup>6</sup> The widely accepted view among the historians of the period is that Ivan IV suffered from schizophrenia, which “projected itself in his psychology in the way of paranoia and mania of persecution, also associating itself with a substantial degree of sadism” (Chirovsky, 1973).



Ivan IV granted the extensive privileges to the Company in the hope that favourable treatment would produce a political alliance with England. When it became clear that his demands were not going to be satisfied, it was quite natural for the Tsar to reconsider the Company's privileged position in Russia, especially when negotiations with Sweden made the need for a military alliance with England less important.

All of the above indicates that there was no clear distinction between economics and politics in international relations at that time, particularly in the case of Anglo-Russian trade. This, in turn, had its roots in the nature of the Russian state system of that period. Although, the foundations of absolute monarchy in Russia were laid almost simultaneously with major European countries, it rested on a totally different socio-economic basis. In Western Europe, the rising power of the centralised monarchies had been rooted in the rise of trade, and the growth of state power was accompanied by the growing wealth and influence of the bourgeoisie (Clarkson, 1962). This economically independent new class was able to set limits to the power of even the most absolute monarchs. In Russia, on the other hand, there was virtually no bourgeoisie - the Tsar himself often performed the functions of an upper merchant class.<sup>7</sup>

The contacts with the English merchants might benefit the Tsar in his own commercial operations. However, as stated above, Ivan in his relations with England had in mind something besides trade. He saw England as a possible source of supply for arms and expected Elizabeth to form an offensive-defensive alliance with him. Thus, the Company 'could not expect a privileged position without giving, or

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<sup>7</sup> As noted by John Hasse, Ivan IV was "a great marchant himselfe" (Hakluyt, 1589/1965). This arose partly from the Russian taxation system, which involved the collection of some of the state revenues in kind. Thus, the expansion of fur trade into Siberia, which led to exploration and colonisation as it did later in Canada, was accompanied by the collection of a fur tribute from the natives and the Russian traders. This made the state the biggest fur trader of all and enabled the Tsar to barter furs for western European goods (Willan, 1956). A number of other branches of trade were monopolised for the benefit of his treasury. The Tsar's monopoly in the middle of the 16<sup>th</sup> century included grain, hemp, rhubarb, raw silk, potash, tar, and caviar. Occasionally it was extended to include other goods as well. In addition to these 'forbidden' goods, foreign goods in general coming into Moscow were brought before the Tsar himself soon after their customs inspection and appraisal, he then selected what he liked, and only the remainder was released for sale. Taking these goods, in the words of Giles Fletcher, from the foreign merchants at a low price, the Tsar later sold them at higher prices (Fletcher, 1591/1966). Even goods in which anyone was permitted to trade (fur skins, honey, wax, lard, and others) were frequently bought for royal commerce at arbitrarily fixed and low prices, and then resold at higher prices in the internal market and abroad. Furthermore, merchants were sometimes prohibited from selling their goods until the stocks of these goods held at the Tsar's warehouses were sold out (Lyashchenko, 1970).

pretending to give, something in return ... and could not reasonably complain if the Tsar expected his privileges to be paid for in a political coin' (Willan, 1956). Given the absence of institutional arrangements capable of limiting the Tsar's power, it became possible for the Russian monarch to operate against the free development of commercial relations with England, when it became clear that his interests are at odds with those of the Muscovy Company.

## Conclusions

By the sixteenth century, the rising economic power of the bourgeoisie in Western Europe, although not yet expressed in acquisition of political power, had enabled the merchant class to act on the international arena with certain support from the Crown. However, a company engaged in foreign trade needed not only a charter at home, but also privileges from the government of the country with which it traded. Such privileges were difficult to acquire and maintain, especially in a country where trading activities depended solely on the whims of a despotic ruler.

Trade might and did need diplomacy for its support, but such diplomacy could only work when both sides were able to deliver what was sought by their counterpart. When this was not the case, there seemed to be little or no room for negotiation. The nature of imports and exports in Anglo-Russian trade suggests that it was more valuable to England than to Russia, thus enabling the Tsar to impede, rather than promote, the relationships with the English when it became obvious that the latter were reluctant to get involved into anything more than just a commercial partnership.

It can still be assumed, though, that economic and cultural contacts with England during the reign of Ivan the Terrible played an important role in Russia's major turn towards Western Europe under Peter the Great some 150 years later, and contributed significantly to the fact that Russian society was better prepared for Peter's reforms than is sometimes thought.

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