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Political Economy in the Baltic Borderlands: Commercial Interests and the Anglo-Russian Treaty of Commerce, 1766

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Abstract:

Commercial treaties between states played a crucial role in shaping overseas trade and the mercantile communities that lived among in the Baltic borderland. This article takes as its example the Anglo-Russian treaty of commerce of 1766 between Britain and Russia to explore how Britain in particular negotiated commercial treaties. It shows the crucial role of commercial expertise, and particularly the British Russia Company, in shaping the treaty to best serve British interests. Britain's reliance on commercial interests for expertise, meanwhile, was crucial to maintaining its supply of naval stores. The article then explores the impact of the treaty on mercantile networks in the Baltic, arguing that the fluidity of citizenship and national affiliation allowed the merchants of the former Hanseatic towns in particular to adapt and benefit from commercial treaties between states, a process that merits further research. The intersection of state and commercial interests was fundamental to commerce in the Baltic borderlands.



Throughout the 18th century, Britain stood outside efforts to create any kind of European system of trade. Diplomats across continental Europe sought to use commercial treaties to strengthen alliances and promote geopolitical cooperation.¹ Largely speaking, these were the dreams and projects of officials: aristocratic diplomats, with varying levels of influence and power over their monarchs and governments. Edward Jones Corredera has explored how Spanish thinkers attempted to imagine new systems of European and global trade that would redress the balance

¹ For a summary of many of these ideas, see Antonia Alimento, Koen Stapelbroek, "Introduction," in: *The Politics of Commercial Treaties in the Eighteenth Century: Balance of Power, Balance of Trade*, eds. A. Alimento, Koen Stapelbroek (Cham, Switzerland: Palgrave Macmillan, 2017).

of power between nations.² Adam Smith and David Hume argued that a more liberal trading system would lead to an increase in peace and prosperity among all nations.³ Yet in practice, Britain stood apart from such schemes. John Shovlin has recently shown how successive attempts by British and French officials to create a stable, more liberal commercial relationship between Britain and France ended in failure.⁴ Doohwan Ahn and has considered the politics of the failure of the commercial clauses of the Treaty of Utrecht but does not consider extensively the role of commercial interests, which were crucial to its failure, as has been explored by Perry Gauci.⁵ These studies all give rise to a simple question: if Britain did not look to participate in wider systems of trade led by officials, then what principles and processes guided British trade policy in the 18th century, and what made it stand apart?

The purpose of this article is to explore how the British state negotiated European treaties of commerce in the 18th century, and how those treaties impacted the border regions they sought to define. It takes as its case study the Anglo-Russian commercial treaty of 1766. Negotiated across a four-year period by the British Ambassador, George Macartney, who would later achieve fame in global history as the leader of the “Macartney mission” to China, the treaty defined Britain’s trade with Russia for the following three decades.⁶ British trade with Russia was run by the Russia Company, a loose “regulated” company of independent merchants whose primary function, following the abolition of their monopoly in 1699, was to lobby and influence the state. The article will begin with a close study of the treaty itself, looking in detail at the process by which the treaty was negotiated using the extensive correspondence of Macartney, the Cabinet, the Board

² Edward Jones Corredera, *The Diplomatic Enlightenment: Spain, Europe, and the Age of Speculation* (Leiden, Boston: Brill, 2021); Edward Jones Corredera, “Perpetual Peace and Shareholder Sovereignty: The Political Thought of José De Carvajal Y Lancaster,” *History of European Ideas* 44/5 (2018): 513–527.

³ See: *David Hume’s Political Economy*, eds. Margaret Schabas, Carl Wennerlind (New York–London: Routledge, 2008).

⁴ John Shovlin, *Trading with the Enemy: Britain, France, and the 18th-century Quest for a Peaceful World Order* (New Haven: Yale University Press, 2021).

⁵ Doohwan Ahn, “The Anglo-French Treaty of Commerce of 1713: Tory Trade Politics and the Question of Dutch Decline,” *History of European Ideas* 36/2 (2010): 167–180; for the role of information provided by manufacturing communities in shaping English trade policy, see Hugo Bromley, “England’s Mercantilism, Trading Companies, Employment, and the Politics of Trade in Global History,” *English Historical Review*, forthcoming (2022). For an in-depth overview of the wider context of the treaty and its implications for Atlantic commerce, see Trevor J. Dadson, and J.H. Elliott, *Britain, Spain and the Treaty of Utrecht 1713–2013* (Abingdon: Routledge, 2017).

⁶ For a primary account of the trade mission, see William Alexander, Jonathan D. Spence, and J.L. Cranmer-Byng, *An Embassy to China: Being the Journal Kept by Lord Macartney during His Embassy to the Emperor Ch’ien-lung 1793–1794* (London: Folio Society, 2004). For a succinct overview and its impact on British diplomacy, see Linda Colley, “Britishness and Otherness: An Argument,” *The Journal of British Studies* 31/4 (1992): 309–329.

of Trade, and the Russia Company in both London and St. Petersburg. It will then consider the impact of the treaty on Anglo-Russian commerce, using both primary sources and recent studies of Anglo-Russian trade. Finally, it will consider the position of the former Hanseatic cities, notably Narva and Riga, and how they adapted to the rise of both British and Russian political economy in the Baltic borderlands.

This study suggests two findings. The first is that Britain's trading relationship with Russia, despite its huge geopolitical significance as the Royal Navy's primary source of naval stores, was largely defined by the views of British merchants involved in the Russia trade, both in London and St. Petersburg. The British negotiating framework and objectives, as well as Macartney's response to Russian officials, were shaped and guided by the practical knowledge of economic actors with deep experience of international trade. This in fact meant that the treaty was much more favourable to British interests than it would otherwise have been. On the one issue where diplomats and aristocratic politicians had sole responsibility – that of contraband – the treaty caused Britain significant geopolitical damage. The second is that as European states such as Britain and Russia developed more sophisticated, defined systems of political economy, transnational commercial agents – particularly those of Hanseatic origin, but also British and Russian merchants – adapted to the new reality by switching among national affiliations. The same understandings of political economy that caused Britain, and indeed Russia, to pursue bilateral commercial treaties also caused them to encourage migration and naturalisation. Baltic merchants were just as prepared to move between and embrace national affiliations as their colleagues in the Mediterranean.⁷ In particular, they were keen to exploit the commercial advantages given to particular states by commercial treaties. In that sense, more assertive European approaches to political economy served to strengthen, rather than weaken, transnational mercantile networks. The process of mercantile “adaptation” seen in Anglo-Russian trade suggests the need for further research on how Baltic commercial networks adapted to the state economic policy in the 18th century.

While historians have recently gained a much fuller understanding of trade across 18th-century “borderlands” in general, the focus in an English context has been on the Atlantic world, with political economy and long-distance trade being seen primarily from the perspective of empire, despite the vast importance of European trade to Britain's political and economic development.⁸ British

⁷ See Francesca Trivellato, *The Familiarity of Strangers: The Sephardic Diaspora, Livorno, and Cross-cultural Trade in the Early Modern Period* (New Haven, CT: Yale University Press, 2012), esp. chapter 4: “between state commercial power and trading diasporas; Sephardim in the Mediterranean.” Trivellato's work is largely responding to older studies of networks, notably Philip Curtin, which emphasised the connectivity of early modern mercantile networks. See Philip D. Curtin, *Cross Cultural Trade in World History* (Cambridge: Cambridge University Press, 1984).

⁸ The literature here is vast, but see for example Nuala Zahedieh, *Capital and the Colonies, London and the Atlantic Economy, 1660–1700* (Cambridge: Cambridge University Press, 2011). For

economic historians have rarely discussed the 1766 treaty of commerce itself, although John Brewer uses its predecessor in 1734 as an example of the commercial lobby.⁹ The 1766 treaty gave huge advantages to British merchants, including theoretical equality with Russian merchants on tariffs, the right to live and trade anywhere in the Russian Empire, and numerous smaller privileges regarding the payment of import duties. Yet throughout the 20th century, there was no consensus that the treaty was a success. Indeed the first historian to assess the treaty in English, Knud Rahbek Schmidt, formed the structure of his article around the question of why the British government accepted a treaty that “in comparison to the treaty of 1734 signifies a retrogression.”¹⁰ After Schmidt, the two historians who discuss the Treaty of Commerce specifically are Herbert Kaplan, in his work on Russian overseas commerce with Great Britain during Catherine’s reign, and Philip Clendenning, in his two articles on the treaty. For Kaplan, the 1766 document represents evidence of Catherine’s desire to “emancipate Russian overseas commerce from the concentration of British mercantile influence,” putting into practice Catherine’s statement in her *Nakaz* that the “the true maxim is, to exclude no people from your trade without very important reasons.” However, both his analysis of Anglo-Russian trade and the work of Arcadius Kahan show this attempt to be unsuccessful, with Britain’s commercial position remaining strong throughout the duration of the treaty.¹¹

commercial treaties and the Atlantic world, see David Armitage, “The Scottish Vision of Empire: Intellectual Origins of the Darien Venture,” in: *A Union for Empire: political thought and the British Union of 1707*, ed. John Robertson (Cambridge: Cambridge University Press, 1995), 97–118. See also Giovanni Lista, “No more occasion for Puffendorf nor Hugo Grotius: the Spanish rights of possession in America and the Darien venture (1698–1701),” *History of European Ideas* 47/4 (2021): 543–560; Léon Sanz, Virginia, and Niccolò Guasti, “The Treaty of Asiento between Spain and Great Britain,” in: *The Politics of Commercial Treaties in the Eighteenth Century*, 151–172. For borderlands in general, see *Frontiers and the Writing of History, 1500–1850*, eds. Steven G. Ellis, Raingard Eßer (Hanover-Laatzten: Wehrhahn, 2006); Daniel Power, “Frontiers: Terms, Concepts, and the Historians of Medieval and Early Modern Europe,” in: *Frontiers in Question: Eurasian Borderlands, 700–1700*, eds. Daniel Power, Naomi Standen (London: Macmillan Education, 1999); Silviu Stoian, “The Establishment and Demarcation of Borders in Europe in the Early Modern Age,” *Research and Science Today Supplement 2* (2014): 6–15. For an analysis of how older histories of borderlands interact with modern continental understandings of “entangled history,” see J. Cañizares-Esguerra, “Entangled Histories: Borderland Historiographies in New Clothes?,” *American Historical Review* (June 2007): 787–799.

⁹ John Brewer, *The Sinews of Power, War Money and the English State 1688–1783* (New York: Knopf, 1989), 232; see also Jeremy Black, *The British Seaborne Empire* (New Haven, CT; London: Yale University Press, 2004), 75. The treaty is also mentioned briefly in Hamish Scott, *British foreign policy in the age of the American Revolution* (Oxford: Clarendon, 2000), 96–97.

¹⁰ Knud Rahbek Schmidt, “The Treaty of Commerce between England and Russia: A Study in the Development of Panin’s Northern System,” *Scando-Slavonika* 1/1 (1951): 115–134.

¹¹ Herbert H. Kaplan, *Russian Overseas Commerce with Great Britain during the Reign of Catherine II* (Philadelphia: American Philosophical Society, 1995); Phillip H. Clendenning, “The Anglo-Russian Trade Treaty of 1766 – an Example of Eighteenth-century Power Group Interests,”

Commercial interests in the Baltic shaped both the nature of the 1766 treaty and its impact. On the subject of the British mercantile interest, Kaplan asks the question why the Russia Merchants in London disapproved of the treaty signed in 1765 even while their London-based counterparts praised it, though he does not explore the matter further.¹² Clendenning points out that the treaty was a success for the Russia Company, while the strengths of the British market meant that the treaty was “of mutual benefit to both sides.”¹³ The other 20th century historian to discuss the treaty, Michael Roberts, describes it as a “remarkable diplomatic achievement” that strengthened, rather than weakened, the British commercial position.¹⁴ Much more recently, Matthew P. Romaniello has states in a brief overview that the treaty was a success in “generally resembling the 1734 version,” and focuses on the issues of contraband and the extraordinary history of the Russia Company’s attempt at beginning an overland trade with Persia, which culminated in an English merchant promising to build the Persian Shah a fleet on the Caspian Sea.¹⁵ This article will focus therefore on the specifics of the negotiation of the treaty and its impact on Baltic commercial networks rather than on the first League of Armed Neutrality itself, which has been covered extensively elsewhere.¹⁶

Crucial to the Treaty of Commerce was a recognition Russia’s understanding of itself as a state was changing, both from Catherine’s own ambitions and as a consequence of Russia’s increasing national strength and participation in the Seven Years War, the aftermath of which formed the geopolitical background to the treaty’s negotiation. Although George Macartney captured this feeling succinctly in his oft-quoted line that Russia was growing “ever less modest in its pretensions,” the people who understood this most intimately were British merchants, particularly those in Russia whose livelihoods often depended on understanding Russian political feeling.¹⁷ They therefore demanded specific concessions that would fix the status quo, rather than aiming

The Journal of European Economic History 19/3 (1990): 475–520; Philip H. Clendenning, “Background and Negotiations for the Anglo-Russian Treaty of Commerce 1766,” in: *Great Britain and Russia in the Eighteenth Century, Contacts and Comparisons*, ed. Anthony Cross (Newtonville, MA Oriental Research Partners, 1979).

¹² Kaplan, *Russian Overseas Commerce*, 47; Arcadius Kahan and Richard Hellie, *The Plow, the Hammer and the Knout: An Economic History of Eighteenth-century Russia* (Chicago, London: University of Chicago, 1985).

¹³ Clendenning, “The Anglo-Russian Trade Treaty of 1766”; Clendenning, “Background and Negotiations for the Anglo-Russian Treaty of Commerce 1766.”

¹⁴ Michael Roberts, *Macartney in Russia* (London: Longman, 1974), 21.

¹⁵ Mathew P. Romaniello, *Enterprising Empires, Russia and Britain in Eighteenth Century Eurasia* (Cambridge: Cambridge University Press, 2019).

¹⁶ Kaplan discusses the league in depth, while the best analysis of the geopolitics of the league remains De Madriaga’s, Kaplan, *Russian Overseas Commerce*, Chapter 7; Isabel De Madriaga, *Britain, Russia and the League of Armed Neutrality* (New Haven: Yale University Press, 1962).

¹⁷ United Kingdom National Archives [hereafter: NA], SP 91/76, Macartney to Grafton, 19 VIII 1766.

for vague agreements that could then be exploited through diplomatic pressure. The British administration in London was slow to grasp this new understanding; a failure most evident in the contraband clauses that created the conditions for the League of Armed Neutrality. Although not directly relevant to this article, this lack of understanding also influenced Britain's failure to conclude a military alliance with Russia, negotiations for which took place throughout this period, first individually between the two countries and then as part of a "northern system" to combat French influence, as it was conceived initially by Nikita Panin and later by the then Earl of Chatham.¹⁸ The price of this alliance was the so-called "Turkish clause" promising support in the event of war with the Ottoman Empire, which Britain was never prepared to concede.¹⁹ As Hamish Scott puts it, "London's refusal underlined its unwillingness to base relations on complete political equality, which Catherine and her leading minister, conscious of Russia's new enhanced status, were determined to secure."²⁰ Britain's willingness to listen and engage with commercial interests when negotiating on issues of trade created a gap between commercial and geopolitical relationships.

The negotiation of the Anglo-Russian Treaty of Commerce 1766

From the very beginning of the treaty's negotiations, the Russia Company in St. Petersburg and London led the way in forming the British position. The start of negotiations came in the late summer of 1761, when a Russian draft of a new treaty was presented to London.²¹ The document, which came originally from the Commission on Commerce, a new creation of the Empress Elizabeth tasked with improving Russian commerce as well as negotiating foreign treaties, was quickly passed from the government to the Court of Assistants of the Russia Company.²² There, the document was referred to the "standing committee," which met twice to create a "plan for a new treaty of commerce" that was then approved by the Court of Assistants the following month. This plan has unfortunately not survived in either the London Metropolitan or National Archives, yet its key points and form can be pieced together. If it bore any similarity to the 1729 "list of demands" that the Russia Company sent before the treaty of 1734, it was in effect a draft treaty, going through article by article explaining their significance and

¹⁸ See: Scott, *British Foreign Policy in the Age*, chapters 3–4, esp. 55–62, 95–99.

¹⁹ *Ibidem*. See also Scott, *The Birth of a Great Power System, 1740–1815* (Harlow: Pearson Longman, 2005), 150–156.

²⁰ Scott, *The Birth of a Great Power System*, 155.

²¹ Clendinning, "Anglo-Russian Trade Treaty," 477.

²² London Metropolitan Archives [hereafter LMA], CLC/B/195/MS11741/007, 1 X 1761.

suggesting improvements.²³ A later letter, referring to specific “Articles” of the Russia Company’s plan, confirms this point.²⁴

In each case, a process of negotiation took place which often involved those merchants based in London asking for larger concessions, while those in St. Petersburg attempted to moderate the demands while pushing for what they saw as most important to Anglo-Russian trade: equality on duties between British and Russian merchants. The crucial figure in St. Petersburg was Samuel Swallow, the British Consul, and a prosperous British merchant held in high regard among both British and Russian officials. In their “fourth article,” the Russia Company asked for the right for British merchants to sell goods wholesale to one another. Swallow was cautious, advising the government that “there is reason to believe that the Court will never consent to some of the alternatives proposed.”²⁵ The Court in London promptly moderated their position, writing that needing to sell wholesale among British merchants was only vital as a response to the major disasters that could so fundamentally disrupt commerce: loss of shipping; financial difficulties; and death. Furthermore, the Russian government, according to the Company, “are aware of this, and hath hitherto winked at it,” but such an informal situation was considered both arduous and dangerous, which explains the Court’s earlier view that without such a clause the Russia trade would be impossible.²⁶ The new Article IV stating that British merchants in the case of “death, extraordinary need, or absolute necessity” would have the power to dispose of their goods “in the manner the interested persons would find most advantageous.”²⁷ This was precisely what the Russia Company needed, while not giving them the mastery of the market that they had first dreamed of. Crucially, the clause allowed the Russian government to “wink” more easily and removed from British factors the fear that their *de facto* right would one day be cracked down on by an increasingly aware state. The Company had held to its position yet had allowed its objective to be moderated by the awareness of the Russian government’s attitude provided by Swallow and the St. Petersburg merchants. The British process of treaty negotiation had allowed multiple commercial interests to influence the outcome, bringing different perspectives based on their position into the mercantile network.

Many of the specific concessions the Russia Company asked for seem in many ways trivial – they would certainly not have occurred to a diplomat or official – yet were hugely important in facilitating the smooth flow of commerce between nations. In modern parlance, we might call them “non-tariff barriers.”²⁸

²³ NA, SP 91/107.

²⁴ LMA, CLC/B/195/MS11741/007, 1 X 1762.

²⁵ *Ibidem*.

²⁶ *Ibidem*.

²⁷ NA, SP 91/76, Macartney to Grafton, 19 I 1766.

²⁸ See Joseph M. Grieco, *Cooperation among Nations: Europe, America, and Non-tariff Barriers to Trade* (Ithaka: Cornell University Press, 2018).

Requests that three people rather than four be the prescribed number of people called in to officiate over a bookkeeping dispute, and that debtors only be held until the majority of their creditors were paid off were both included, in articles 18 and 19 respectively.²⁹ The St. Petersburg factory also seems to have lobbied Macartney for the right to write their wills under English Law, another concession the treaty grants.³⁰ In the 1761 Russian draft of the treaty, jurisdiction over merchants outside of St. Petersburg was transferred from the College of Commerce to the local magistracies, something which might be presumed to disadvantage the Company; indeed, the Board of Trade express “surprise” that the Court of Assistants has made no mention of it in their report to Macartney of May 1765.³¹ Having consulted his colleagues, Swallow merely asks that there be a right of appeal to the College and for reports of verdicts to be sent to St. Petersburg lest merchants in “Mosco, Archangel, or Astrakhan be subject to chinannery (sic) and oppression.”³² Again, this is included in the treaty, though not in Article IV itself. The Russia Company also sought to gain more flexibility over how it paid Russian duties. Their memorial to Macartney asks for the right to pay export duties in Rixdollars, or “any silver of the same standard,” while maintaining a clause of the old 1734 treaty that gave British merchants the unique privilege of being able to pay import duties in Roubles.³³ Largely, this was about keeping as much Russian and Baltic money in Russia, and away from their own profits, as possible.³⁴ The Company again achieved what they wanted, with the Treaty preserving their right to pay import duties in Roubles and extending the privilege to export duties also. On the issue of currency, the rights of British merchants had been extended, and clearly defined. The treaty also gave British merchants the right to live and trade anywhere in the Russian Empire, though this was the one concession that no one had actually asked for, and Macartney certainly had to reach to justify its inclusion. “Nothing would be easier” he wrote to the Secretary of State Lord Grafton, than for the East India Company to attempt a trade with Japan from a factory at Kamchatka.³⁵

More importantly, despite Russia’s growing economic power, and Catherine and her advisor’s growing awareness of political economy, the 1766 treaty maintained a guarantee for equality of duties between British and Russian merchants. The influence of the Russia Company was crucial in this process – both in supporting negotiations in St. Petersburg and through ensuring that officials Whitehall and Westminster did not undermine negotiations. The most quoted statement in relation to the treaty is the warning of the Earl of Sandwich

²⁹ NA, SP 91/76, Macartney to Grafton, 19 I 1766.

³⁰ *Ibidem*.

³¹ NA, SP 91/75, Report of the Commissioners for Trade and Plantations, 1 V 1765.

³² NA, SP 91/76, Swallow to Macartney, 27 V 1766.

³³ LMA, CLC/B/195/MS11741/007, 30 I 1765.

³⁴ LMA, CLC/B/195/MS11741/007, 8 X 1763.

³⁵ NA, SP 91/76, Macartney to Grafton, 19 I 1765.

to Macartney that the equivalence in export duties granted by the 1734 treaty was “more to be wished for than expected.”³⁶ Enconced in London, the Court of Assistants makes no mention of the importance of the matter, focusing on its proposed improvements to the 1734 treaty and taking for granted that previous concessions would be kept. In apparent contrast, the issue was the primary concern for the St. Petersburg factory, and for Samuel Swallow in particular. In his letter to Macartney, Swallow goes as far as to call it “questionable” whether it was better to have the treaty without parity in export duties or no treaty at all.³⁷

Commercial interests were also able to prevent the wider British political system from acting in ways that would harm its negotiating position. In March 1765, the Russia Company wrote to the Board of Trade about a proposed tax on linen imports currently going through parliament. They write that the measure would mean that the Treaty of Commerce “which seems to be brought nearly to a conclusion” would “likely be defeated,” since it would break the clause in the treaty guaranteeing equality of duties for British and Russian merchants.³⁸ The Company’s lobbying was successful, with Russia exempted from the bill in 1765. Parity with Russian merchants on export duties was included in the treaty. In other words, the Treaty of 1766 achieved all the major objectives of British commercial interests, including favourable tariff rates.

It is worth considering why the Russian state, which was increasingly aware of economic issues, was prepared to maintain this concession. Certainly, a new treaty was important in securing Russian access to British markets, yet it is also clear that not even the Commission on Commerce believed that such a trade could yet be conducted by Russian merchants.³⁹ In a report to the Empress, Panin describes Russian merchants as inherently lazy, and incapable of taking advantage of any benefit.⁴⁰ Even Teplov, who was in other areas sympathetic to their complaints, writes in his work “On Russian Trade” that Russian merchants displayed a “timidity, a lack of zealousness” and a “state of mind bordering on despair.” Lack of capital was a particular issue. Teplov pushed for the government to set up banks to help merchants establish their own trading firms, and Catherine and the Commission went on to introduce Assignats in 1768 to increase the money supply, yet in the short term British merchants represented the main source of stable credit for their Russian counterparts.⁴¹ Catherine may have sought to “reverse the fortunes of the Russian and British merchantry” as Kaplan describes, yet her officials were

³⁶ NA, SP 91/75, Sandwich to Macartney, 15 I 1765.

³⁷ NA, SP 91/76, Swallow to Macartney, 19 V 1766.

³⁸ LMA, CLC/B/195/MS11741/007, 9 I 1764.

³⁹ Clendenning, “Background and Negotiations for the Anglo-Russian treaty of Commerce 1766,” 156.

⁴⁰ Kaplan, *Russian Overseas Commerce*, 42.

⁴¹ Clendenning, “Background and Negotiations for the Anglo-Russian treaty of Commerce 1766,” 156; Kahan, *The Plow*, 166.

well aware of the enormity of the task, and were more focused on other aspects of foreign trade that might lay the groundwork for future development.⁴² Furthermore, the Commission were well aware of their need for British trade, and Macartney appears to have been particularly strong on the point, which given Lord Sandwich's relaxed attitude is testament to the influence of the Consul General. In his notes accompanying the treaty, Macartney writes that he was particularly pleased to win this concession "which the merchants in St. Petersburg have particularly stressed."⁴³

In all of these negotiations, the commercial interests had successfully gained the most specific concessions they could, as a hedge against Russia's future ambitions to develop its own political economy, as it grew, in Macartney's words, "ever less modest in its pretensions."⁴⁴ It is notable, therefore, that in the one area where commercial interests played little role, the issue of contraband, the British government took precisely the opposite approach. For the British, Russia was seeking in its drafts of the treaty in form if not in practice to establish a principle of "free ships free goods," and by close definitions to stop many different types of naval stores from being designated contraband, and thus liable to be seized by the Royal Navy. Both Lord Sandwich and the Board of Trade take the stance that these positions, "as they now stand, are absolutely inadmissible" and could well cause the collapse of the whole treaty. Both relied heavily on the view of the Advocate General, James Marriott, whose his defence of the rights of search and seizure has been much maligned. De Madriaga describes how his "interpretation of the law remained constantly subordinated to his patriotism" while Clendenning describes him as an "apologist for British maritime law."⁴⁵ Certainly, in his report, he begins not from any legal basis, but from the argument that "the British can only lose from the principle of free ships free goods in the present state of commerce of the northern maritime powers."⁴⁶ Marriott emphasises in his report that munitions and rights ought to be described generally, rather than specifically, to avoid loopholes, and to give the Royal Navy as much freedom as possible.⁴⁷ Lord Sandwich takes a similar stance in pushing for the 1734 treaty's version of Article XI, which embraced a broad definition, to be simply copied into the new treaty.

The scale of Marriot's error has been extensively described by subsequent historians. Macartney in fact succeeded in carrying out his brief, taking the entire text of Article XI straight from the former treaty, and gaining all the changes Marriott

⁴² Kaplan, *Russian Overseas Commerce*, 46.

⁴³ NA, SP 91/76, Macartney to Grafton, 19 VIII 1766.

⁴⁴ *Ibidem*.

⁴⁵ De Madriaga, *Britain, Russia and the League of Armed Neutrality*, 63; Clendenning, "Anglo-Russian Trade Treaty," 502.

⁴⁶ NA, SP 91/75, Report of Mr Merriott to the Board of Trade, included in Sandwich to Macartney, 15 I 1765.

⁴⁷ *Ibidem*.

proposes to Article X. Despite the belief of British politicians that the treaty meant that “we are now the judges of what shall be esteemed munitions,” as De Madriaga describes, the extremely vague description of “munitions de guerre” was to be one of the primary causes of the formation of the first League of Armed Neutrality.⁴⁸ Following Marriot’s ambitions, Britain insisted on the widest possible definition, including naval stores. Russia responded with its own definition which held the term to refer only weapons and mobilised diplomatically and militarily to enforce its position.⁴⁹ British merchants based in London and in St. Petersburg were not only central to how Britain managed its commercial relationship with Russia, they had understood the nature of the geopolitical relationship far better than the British state.

This is not to say, however, that Russia gained nothing from the negotiations. Rather than focusing on tariffs on the commodities themselves, the Russian state sought to begin its economic revival of Russia in the same way Britain had done a century before: interventionist measures to support the development of a merchant marine. The weakness of the Russian merchant marine was thought to be a more serious issue the treaty could address, and was a particular concern of Teplov, Ernst von Minikh, another member of the Commission and, according to Panin, Catherine herself.⁵⁰ Teplov in particular had made the issue a central part of his 1764 document “On Commerce.”⁵¹ Article IV of a the version of the treaty that Macartney signed, without London’s consent, in 1765 therefore contained a clause giving Russia the right to introduce new measures to encourage Russian shipping “Reciprocally with the Great British Act of Navigation” with only a declaration signed by Panin on behalf of the Empress guaranteeing that any such measures would apply to British merchants also – that is, that they too would benefit if they exported in Russian vessels.⁵² Had this precise wording gone through, it would have been the first time that the British state allowed a partner to directly reference measures introduced in response the Act of Navigation. There was, however, some precedent for the Baltic being treated as exceptional under the Act, due to the importance of naval stores, as trade with the Baltic was exempt from many of its provisions. Supporting the Russian merchant marine became the primary objective of Catherine’s new Commission on Commerce. Not wanting to wait for the treaty itself, Catherine requested the Commission draw up a new tariff to support Russian shipping in 1664. Planned to be introduced in 1767, the tariff gave a special concession to Russian subjects if they exported

⁴⁸ De Madriaga, *Britain, Russia and the League of Armed Neutrality*, 63.

⁴⁹ Kaplan, *Russian Overseas Commerce*, chapter VII.

⁵⁰ Wallace L. Daniel, *Grigorii Teplov, a Statesman at the Court of Catherine the Great* (Newtonville, MA.: Oriental Research Partners, 1991), 103.

⁵¹ *Ibidem*, 101.

⁵² NA, SP 91/76, Macartney to Grafton, 19 VIII 1766.

their goods in Russian ships. Macartney himself was aware the tariff was being planned, mentioning it in his letter to Grafton that accompanied the 1765 treaty.⁵³

Importantly, London's response to the finished treaty demonstrates that while negotiations had taken place entirely bilaterally, with no sense of relating the treaty to others in Europe, this policy was itself Britain's coherent approach to European commerce. The risk of any special concessions given to one country spilling over to other, bilateral, negotiations was keenly felt. Lord Grafton, then Secretary of State for the Northern Department, wrote to Macartney that the Article was considered "for some time" in Cabinet, where it was felt that mentioning of the Act of Navigation set an incredibly dangerous precedent for other treaties and undermining acts that were a crucial component of the political economy Britain had worked so hard to sustain.⁵⁴ Grafton also dismisses Panin's letter declaration as legally irrelevant, given that Panin was only one member of the four Commissioners who signed the treaty for the Russian government.⁵⁵ However, it is notable that he did not attempt to change the treaty to prevent Russia from promoting its merchant marine entirely. Grafton's solution, worked out with the Lord Chancellor, Lord Northington, was a new declaration that guaranteed in more detail that any new policies to promote the use of Russian shipping would apply to British merchants equally with Russian ones. This would be signed by signatories of the treaty, while any mention of the Act of Navigation was to be removed.

Though the mention of the Act of Navigation caused panic in London, in St. Petersburg the British community in Russia had in fact supported the clause, largely because they felt that it would be fairly easy for them to avoid. The reference to the Act of Navigation caused a debate between the British in London and the British in St. Petersburg. The London merchants themselves, who had trading interests across Europe, were well aware of the danger of a specific reference to the Act of Navigation damaging future negotiations with other nations.⁵⁶ They sent a letter outlining their concerns to Grafton, which he forwarded on to Macartney. It concluded by stating that "the paragraph referred to as it now stands may essentially effect and prejudice the trade and navigation of Great Britain and render the whole treaty ineffectual."⁵⁷ In contrast, the merchants living in St. Petersburg, including Swallow, wrote Macartney a letter specifically to be sent on to London, Swallow and several other merchants of the factory praising the treaty extensively, placing particular emphasis on what had long been their priority, namely equality of export duties with Russian merchants. They were also well aware that a new tariff was already being planned, and appear to have been firmly of the opinion that

⁵³ NA, SP 91/76, Macartney to Grafton, 19 I 1765.

⁵⁴ NA, SP 91/76, Grafton to Macartney, 27 X 1765. See also Brewer, *Sinews of Power*, 168.

⁵⁵ NA, SP 91/76, Macartney to Grafton, 19 I 1766.

⁵⁶ David S. Macmillan, "The Russia Company of London in the Eighteenth Century: The Effective Survival of a 'Regulated' Chartered Company," *The Guildhall Miscellany* 4/4 (1973): 222–236.

⁵⁷ LMA, CLC/B/195/MS11741/007, 24 X 1765.

the tariff would have no effect whatsoever, with Macartney citing their view that “want of money, want of industry, and want of genius” would lead few merchants to take advantage of the opportunity.⁵⁸

The final treaty represented something of a compromise, maintaining Russia’s right to support its merchant marine while removing the reference to the Act of Navigation that London saw as such a threat. On the way to this happy destination, Grafton’s letter, and particularly his idea of a new declaration signed by all signatories to the treaty, not just Panin, caused a row that took months to resolve. Given the value placed on the Empress’s favour at the Russian court, the request for the Commissioners rather than Panin alone to sign the declaration was guaranteed to cause offence, something that by his dispatches had been painfully clear to Macartney.⁵⁹ However, when the final treaty arrived, it met with nothing but praise, formally at least, and the Russia Company in London wrote to express their thanks to both Macartney and Swallow.⁶⁰ The ratified treaty was in all other respects the same as the one Macartney had signed in August 1765.

Impact of the Treaty of Commerce on Anglo-Russian Trade

It is clearly difficult to trace directly the relationship between a treaty of commerce and the evolution of the trade it defined. In 1766, Britain itself was at this time beginning its industrial revolution.⁶¹ What is clear is that in almost all areas, key Russian exports to the United Kingdom either grew or remained constant, in a way that supported both its geopolitical position and domestic economic development. Two historians, Herbert Kaplan and Arcadius Kahan, have looked at the course of Anglo-Russian trade in Catherine’s reign in detail. Both combine English and Russian statistics, though Kahan relies more heavily on Elizabeth Schumpeter’s account of English overseas trade statistics.⁶² Kaplan estimates that the value of Russia’s overseas commodity trade turnover grew about fivefold, with roughly a tenfold increase in exports and a sixfold increase in imports.⁶³ The obvious area where Britain gained from the treaty was in the purchase of naval stores. These

⁵⁸ NA, SP 91/76, Macartney to Grafton, 19 I 1765.

⁵⁹ NA, SP 91/76, Macartney to Grafton, 31 X 1765.

⁶⁰ NA, SP 91/76, Macartney to Grafton, 31 X 1765.

⁶¹ Julian Hoppit and E.A. Wrigley, *The Industrial Revolution in Britain* (Oxford Cambridge, Ma.: Blackwell, 1994); and Jonathan Downs, *The Industrial Revolution: Britain, 1770–1810* (Oxford: Shire, 2010). For England specifically, see F.H. Hinsley, and E.A. Wrigley, *Continuity, Chance and Change: The Character of the Industrial Revolution in England* (Cambridge: Cambridge University Press, 1988).

⁶² Kaplan, *Russian Overseas Commerce*; Kahan, *The Plow, the Hammer and the Knout*; Schumpeter, T.S Ashton, and Elizabeth W. Gilboy, *English Overseas Trade Statistics, 1697–1808* (Oxford: Clarendon Press, 1960).

⁶³ Kaplan, *Russian Overseas Commerce*, 51.

had been the primary trade of the Russia Company since the 17th century and were crucial to both Britain's merchant marine and the Royal Navy. The key areas from St. Petersburg were masts, hemp and flax. In the period 1767–1782, Russia accounted for 82.7% of Britain's flax imports, at an average of 5,477 tons per year. For hemp, the figures are still higher, with the period seeing Russia provide 95.9% of exports, at an average of 18,392 tons per year. St. Petersburg was also a major source of planking for the Royal Navy as well as smaller masts.⁶⁴

However, as Kaplan emphasises, the role of Russian bar iron may have been still more significant in driving industrial development. As is well known, metal products were one of Britain's largest exports, following textiles, and were closely associated with Britain's industrial development. In the later parts of the 17th century, there was a major effort to negotiate a lasting treaty of commerce between England and Sweden, partly to secure its iron supply. These negotiations faltered around the same time that the Russia Company was broken by – in part – privileges granted by Czar Peter the Great to British merchants on his visit to London.⁶⁵ Over time, the Swedish trade faded, and Russia's iron trade gained as a result. In the period 1764–1766 Sweden accounted for 50.8% of Britain's iron ore imports, while Russia contributed 41.7%. By the period 1778–1782, that proportion had reversed, with Russia accounting for 63.4% of all exports, and Sweden for only 35.3%. Russian annual average exports in tons in the same periods rose from 18,842 to 27,058, while Swedish exports fell slightly.⁶⁶ Russia was also a key source of tallow, crucial to the all-important textile industry. In the period covered by the treaty, Russia provided 58% of Britain's total imports.⁶⁷ The Russia trade that the 1766 Treaty of Commerce supported was vital in facilitating British economic, as well as geopolitical, development.

However, in many ways the clearest effect of the treaty present in the records was on the Russian merchant marine, yet this may serve to demonstrate the fluid nature of the Baltic borderlands rather than the strength of Russia's economy. In some areas, the vast majority of the trade remained in British hands – British ships still carried 82.5% of Russia's bar iron exports, for example. Yet in others, the records of the St. Petersburg customs house used by Kaplan show a clear shift. The percentage of Russian hemp exports in British registered vessels fell from 68.4% to 59.6%, while for flax the figure fell from 82.5% to 66%. However, it is not at all

⁶⁴ *Ibidem*, 73.

⁶⁵ For the difficulties faced in negotiating the Sweden treaty, see: NA, C0388/7, Records of the Board of Trade, 121. For more on the breaking open of the Russia Company, see Jacob M. Price, *The Tobacco Adventure to Russia; Enterprise, politics and diplomacy in the quest for a northern market for English colonial tobacco, 1676–1722* (Philadelphia: American Philosophical Society, 1961), 28. See also Sven-Erik Åström, *From Stockholm to St. Petersburg, Commercial Factors in the Political Relations between England and Sweden 1675–1700* (Helsinki: Finnish Historical Society, 1962).

⁶⁶ Kaplan, *Russian Overseas Commerce*, 58.

⁶⁷ *Ibidem*, 52.

clear how much of this is an authentic rise in Russian shipping, and how much of it was due to the English merchants in St. Petersburg registering their ships as “Russian” in order to take advantage of the tariff benefits that Catherine had first proposed in 1764. To qualify as a Russian ship in eyes of the Russian state, half the crew and the captain had to be Russian. It did not matter where the ship was built.⁶⁸ To make matters worse, according to the compromise negotiated with Russia during the crisis over the League of Armed Neutrality, “Russian” ships were allowed to carry naval stores without them being seized as contraband. It is difficult to say for certain, since few if any records of the British merchants trading with Russia survive, but as Herbert Kaplan points out, the Russian merchant marine managed to expand without any major capital investments in commercial shipbuilding, and there can be few other explanations.⁶⁹ British merchants were able to take advantage of the desire of the Russian state to increase its merchant marine to draw benefit from a preferential tariff that could give them an advantage, in theory, even over their Russian counterparts, who may well not have had the ships to make “Russian” in the first place. It certainly explains their view, described to Lord Grafton during the treaty’s negotiation, that the measure would have no meaningful effect.⁷⁰

The Position of the Former Hanseatic Towns

In theory, at the beginning of the period, the former Hanseatic towns of Riga and Narva lived outside the world of state political economy. Although the formal structures of the Hansa had faded even by the mid-17th century, the local political and legal systems of the two towns, like most of the original members of the league, remained distinct. Local burghers made conscious efforts to preserve the position of German merchants in Baltic commerce, partly by resisting attempts by non-Germans to gain burgher rights.⁷¹ Both towns had carried this approach through to their relationship with European states, and they had retained the right to set their own trade policy and relationships with foreign merchants following their capture from Sweden by Peter the Great.⁷² The burghers’ initial efforts to preserve their own community’s economic position through local legal systems directly threatened both British merchants and the Royal Navy’s access to naval stores.

⁶⁸ NA, 97/340, Sharp to Camarthen. For more on this, see Kaplan, *Russian Overseas Commerce*, 141.

⁶⁹ Kaplan, *Russian Overseas Commerce*, 143.

⁷⁰ NA, SP, 91/76, Macartney to Grafton, 19 I 1765.

⁷¹ See Anita Čerpinska, “Attempts by non-Germans to obtain burgher rights in Riga in the eighteenth and early nineteenth centuries,” *Journal of Baltic Studies* 51/4 (2020): 569–586.

⁷² Clendenning, “Anglo-Russian Trade Treaty,” 505.

Although a longstanding issue, the position of British merchants was particularly threatened by the Trading Ordinance of 1756. This stipulated that not only could foreign merchants not trade with each other, they could only export “goods sold to them by the Riga burghers,” and not Poles or Russians. It also increased tariffs. This racket had the inevitable effect of driving up prices, and was especially brutal when combined with other restrictions, including that British merchants could only stay in Riga for two months at a time, and the sorry state of the only warehouse they were allowed to use.⁷³ The burghers also favoured the Dutch, who dominated the Riga corn trade, with British merchants protesting that they had to pay a thirty-three percent higher tariff on general goods and a twenty-five percent higher tariff on masts, iron, tar, and timber.⁷⁴ This last list reveals the link between Riga and naval stores, which gave trade with the city particular geopolitical importance. Riga masts were essential for the Royal Navy, and particularly for the larger ships-of-the-line so crucial to projecting Britain’s power in the Mediterranean. Of all the masts imported into Great Britain between 1771 and 1781, 30% came from Russia, yet of those masts classified as “large,” crucial for the construction of ships of the line, the figure was 77% – mostly from Riga.⁷⁵ Indeed, it was Riga’s position in providing naval stores to Europe’s fleets that may well have caused the Trading Ordinance in the first place, as the burghers looked to take advantage of the demand for naval stores caused by the Seven Years War, though it may also have been due to the considerable debts to British and Dutch merchants that the burghers had accumulated.⁷⁶

British commercial interests therefore sought to exploit emerging systems of political economy and their relationship with the British state to end Riga and Narva’s independent status, ultimately unsuccessfully. The court of the Russia Company received a delegation of Riga merchants in April 1762, bearing a petition to the King explaining the wrongs done to them. In a report to the Board of Trade on the matter, the Court asked “that the future British treaty of commerce with Russia be extended to include the British factory at Riga and all other places in the Russian dominions.”⁷⁷ On the basis of the Riga merchants’ petition, a report by the Board of Trade was sent to Buckinghamshire, and later Macartney. Lord Sandwich, one of the many different secretaries of state in this period, specifically draws Macartney’s attention to it.⁷⁸ In his notes on the 1765 treaty, Macartney is clearly aware of his failure to meet with success on the issue, and stresses that he had pushed the matter as far as he could. Indeed, the concession

⁷³ *Ibidem.*

⁷⁴ *Ibidem.*

⁷⁵ Kahan, *The Plow*, 166.

⁷⁶ Clendenning, “Anglo-Russian Trade Treaty,” 505.

⁷⁷ LMA, CLC/B/195/MS11741/007, 30 I 1765.

⁷⁸ NA, SP 91/75, Sandwich to Macartney, 15 I 1765.

that British merchants could settle anywhere in the Russian Empire was apparently given by Panin in compensation for Riga and Narva's exclusion.⁷⁹

However, rise of political economic thought in Russia under Catherine was the beginning of the end for the special privileges of the former Hanseatic towns. Remarkably, this may have partly been facilitated by British merchants in Russia. In 1763, Catherine appointed a "Riga Commission" to promote trade in the city, which she followed with an imperial visit in 1764.⁸⁰ Crucially, while in the city, she gave the Riga Burghers a loan of 500,000 Rixdollars to settle debts to British and Russian merchants, an act that will have increased imperial influence as much as it diminished the burgher's financial pressures.⁸¹ Finally, a new Riga commercial code in 1765 was followed by a massive tariff reform in the city in 1766, with Catherine's support, which reduced tariff rates for foreign merchants and defined the exports to be taxed more clearly. For Clendenning, this represents a "splendid beginning to a new spirit of compromise" that paved the way for the treaty's ratification, though amidst the crisis over the treaty's negotiations the concession receives little official attention.⁸² However, Russia's first step towards improving Britain's position had in fact come earlier. When in 1762, the Riga merchants came to London, they also wrote to Samuel Swallow. Remarkably, on 11 June, Swallow writes that his position as Consul General had been extended to all ports where British merchants are present, including Riga, at the request of Catherine herself, "to whom I have had the honour of being known these eight years past."⁸³ What effect this had on Catherine is extremely difficult to judge. Certainly, Swallow consistently asks the British merchants in Riga for updates on their situation, with the group complaining in 1765, in the immediate run-up to the new tariff legislation, of the excessive duties on "masts and other wooden goods."⁸⁴ Regarding the treaty itself, the link between Riga's presence in negotiations and the improvement of the status of the British merchants there is confirmed with Panin's letter accompanying the 1675 draft of the treaty, which states that the Commission was moving to abolish the "arbitrary institutions" which acted against the "freedom of trade" and which had nothing to do with the City's established rights.⁸⁵

The fate of Riga and Narva was typical of the former Hanseatic trading ports in the Baltic sea region. English frustration with their attempts to maintain local political authority independent of the states that surrounded them, in order to facilitate their own position in transnational networks, was a common theme of the letters of English consuls. There were particular difficulties enforcing

⁷⁹ NA, SP 91/76, Macartney to Grafton, 19 I 1765.

⁸⁰ Clendenning, "Anglo-Russian Trade Treaty," 505.

⁸¹ *Ibidem*.

⁸² *Ibidem*, 506.

⁸³ LMA, CLC/B/195/MS11741/007, 11 I 1762.

⁸⁴ NA, SP 91/76, Letter of the British merchants in Riga, 1 V 1765.

⁸⁵ NA, SP 91/76, Macartney to Grafton, 19 I 1766.

treaties signed with cities that were not geopolitically independent. The English consul in Danzig, Mr Gibsone, complained in 1768 that “the magistrates think our treaty too favourable to us, and wanting to dissolve, are breaking it almost daily.”⁸⁶ He particularly complained about inheritance tax, which was regularly applied at a rate of 10% on the British factory despite a theoretical exception. Again, the attitude of the burghers was held up as an issue. Gibsone wrote in 1768 that “The British subjects complain that we can get no justice, and the Danzig burghers are envious and want to drive us out of the town.”⁸⁷ At the same time, geopolitical change put increasing the pressure on the cities to join national systems of political economy. In 1762, during the Seven Years War, a rumour that Danzig would become Prussian prompted the Burghers to write a letter to every maritime power “begging their protection, and that they may be maintained in their rights and privileges, for the sake of commerce.” Perhaps unsurprisingly given their other issues, British officials paid this letter little attention.⁸⁸ Even before the Seven Years War, Augustus III had attempted to divert raw wool and other Polish commerce from Danzig to the Saxon capital of Leipzig. After the first partition of Poland, Frederick the Great began a deliberate policy of directing trade away from Danzig towards Stettin.⁸⁹ Prosperous Hamburg spent the period constantly bartering for its territorial integrity and weakening its commercial position in the process. In 1767, the city was able to maintain its territorial integrity, and gain additional islands in the Elbe, in return for forgiving 1.4 m rixdollars in debt to Denmark, and 200,000 in separate debt to the Duke of Holstein.⁹⁰

In this era of increasing state intervention in overseas commerce, naturalisation, or the gaining of citizenship, provided German merchants in the Baltic with a way to adapt to the emergence of political economy and benefit from the privileges negotiated by states. Britain’s attitude to naturalisation was in fact less open than many other European nations. Support for general naturalisation had its intellectual origins in the “populationism” of William Petty, and the belief that the wealth of a nation was derived from the number of “hands” it contained.⁹¹ This culminated in the Naturalisation Act of 1708, which opened British citizenship to any Protestant. However, this understanding clashed with many of the interests

⁸⁶ British Library [hereafter: BL], Add MS 6828, Letter from Mr Gibson to Sir Andrew Mitchell, dated Danzig, 13 I 1768.

⁸⁷ BL, Add MS 6828, Letter from Mr. Gibson to Sir Andrew Mitchell, dated Danzig, 13 I 1768.

⁸⁸ BL, Add MS 6828, Letter from Mr. Gibson to Sir Andrew Mitchell, dated Danzig, 26 V 1762.

⁸⁹ See W.O. Henderson, *Studies in the Economic Policy of Frederick the Great* (London: Routledge, 1963).

⁹⁰ BL, Add MS 6829, Letter from Mr. Ralph Woodford to Sir Andrew Mitchell, dated Hamburg, 23 I 1768.

⁹¹ For a detailed analysis of Petty’s theories of Labour, see Ted McCormick, *William Petty and the Ambitions of Political Arithmetic* (Oxford: Oxford University Press, 2009). See also Abigail Swingen, “Labour,” in: *Mercantilism Reimagined: Political Economy in Early Modern Britain and Its Empire*, eds. Philip J. Stern, Carl Wennerlind (Oxford: Oxford University Press, 2013).

represented in Parliament. The arrival of several thousand “poor Palatine” German Protestants having been seen as threatening English employment, naturalisation was restricted again in 1711, and the debate continued throughout the 18th century, though petitions to grant citizenship from individuals with clear skills to offer were frequently granted.⁹² In contrast, Catherine was not constrained by any form of representative process, and fully embraced the view that immigration, particularly by those with particular skills, was in the Empire’s interest. Most famously, Catherine encouraged migration of Germans to the Volga river basin, granting them specific commercial privileges.⁹³ German merchants could become naturalised Russian burghers, *Inostrannye gosti*, or trade under the rubric of a Russian merchant partner without difficulty.⁹⁴

Figure I. Share of Russian overseas trade conducted by merchants from the former Hanseatic towns of Hamburg, Lubeck and Rostock*

Year	Hanseatic Exports	Hanseatic Imports
64–66	12.9	15.3
68–72	8.3	12.1
73–77	10.5	7.7
78–79	9.2	9.1
83–87	1.2	2.9
88–92	0.1	0.1
93	0.0	0.1

* Figure compiled from statistic in Kaplan, *Russian Overseas Commerce*, 180–183.

The result was that while political economy became increasingly well-defined, nationality remained fluid to the benefit of older transnational networks. Before the 1766 treaty, German merchants increasingly sought to gain British citizenship. Several key figures in the British Russia Company were in origin Baltic Germans. As Anthony Cross has found in his study of the British in St. Petersburg, Baltic Germans who had become Anglican in order to gain British citizenship made up a significant portion of the Anglican church’s congregation.⁹⁵ Swallow’s predecessor as Consul, Jacob Wolff, was himself German in origin. He rose to prominence as part of the firm Shifner, Holden and Wolff, who were among the largest suppliers of naval stores to the Royal Navy. Matthias Shifner, by origin a German

⁹² See Daniel Statt, *Foreigners and Englishmen: the controversy over immigration and population, 1660–1760* (London: Routledge, 1995); William O’Reilly, “Strangers Come to Devour the Land: Changing Views of Foreign Migrants in Early Eighteenth-Century England,” *Journal of Early Modern History* 2/3 (2017).

⁹³ S. Wegge, “Eighteenth-century German emigrants from Hanau-Hesse: Who went east and who went west,” *Continuity and Change* 33/2 (2018): 225–253.

⁹⁴ See Kaplan, *Russian Overseas Commerce*, 169–175.

⁹⁵ Anthony Cross, *By the Banks of the Neva, Chapters from the Lives and Careers of the British in Eighteenth-Century Russia* (Cambridge: Cambridge University Press, 1997).

from Riga, was one of the most successful British merchants trading with Russia, having been naturalised during his time as an apprentice in London. His son, Henry, became a member of Parliament.⁹⁶ Samuel Holden, meanwhile, acted as a go-between between the Russian state and Russian mercantile apprentices in London.⁹⁷ The effect of Catherine's policies was even more significant. As seen in figure one, the amount of Russia trade conducted by merchants from the former Hanseatic towns collapsed over the course of the period. Kaplan's study of the St. Petersburg records, combined with much earlier work by Christoph Friedrich Menke in the Tallin archives, suggest that a significant proportion of the rise in "Russian" merchant activity can be traced back to this process of naturalisation.⁹⁸ In the 1780s, when relations between Britain and Russia broke down, this process reached its logical conclusion. In 1787, many of the British merchants in St. Petersburg, including some who were by origin Baltic Germans, left the Company to become Russian citizens. The moment was not unforeseen. As the then-Consul, Walter Shairp, pointed out to his Secretary of State in 1786: "the priviledge of burghership and naturalisation are so easily obtained in Russia."⁹⁹

Conclusion

The benefits to Britain of the 1766 treaty of commerce were largely the creation of commercial interests. It was they who defined what the British state and Macartney sought to achieve, understood what the Russian state would and would not be willing to accept, and guided the negotiations through to their ultimately successful outcome. British merchants in St. Petersburg were able to take advantage of their own knowledge of the Russian state and relationships with Russian officials to persuade Britain to make a "concession" on Russian shipping that they would themselves be able to benefit from. In this most important of trading relationships for British political economy, Britain allowed its political economy to be guided by commercial interests. It was not an entirely open process – notably, there was none of the frenetic public debate that accompanied some earlier commercial treaties.¹⁰⁰ Yet in general officials relied not on their own visions of systems of commerce but on the practical advice of merchants who were only too happy to help.

⁹⁶ Jacob M. Price, "Shiffner, Mathew," in: *Oxford Dictionary of National Biography*, 2011.

⁹⁷ Sommerset Heritage Centre, DD/HY/15/5/1, Translation of letter from Czar Peter of Russia and Alexey Makaroff to Samuel Holden concerning Russian apprentices in England, 1723.

⁹⁸ Kaplan, *Russian Overseas Commerce*, 189–193. Christoph Friedrich Menke, "Die wirtschaftlichen und politischen Beziehungen der Hansestädte zu Russland im 18. und frühen 19. Jahrhundert," PhD dissertation, Göttingen Universität, 1959.

⁹⁹ NA, FO 97/340, Walter Shairp to the Earl of Carmarthen August, 1786.

¹⁰⁰ The most extreme example of this was the defeat of the commercial clauses of the Treaty of Utrecht. See Perry Gauci, *Politics of Trade*, chapter 6.

They let themselves embrace positions on everything from the number of people mandated to adjudicate a bookkeeping dispute, to the minutiae of tariff payments. As a result, Britain was able to maintain a vital trading relationship for both its economy and its geopolitical position. This process of listening to and learning from commercial interests was fundamental to how Britain negotiated trade agreements, and the case of the Anglo-Russian commercial treaty demonstrates how it drove a focus on the specific commercial relationship, rather than grand geopolitical projects – there was never any meaningful suggestion, for example, that Britain’s commercial relationship with Russia be compromised or broadened to support efforts to create a wider “northern system” of alliances in the region. State political economy remained grounded in the economy as it was, and in facilitating what was seen as the beneficial trade of overseas merchants.

What is more remarkable is how transnational mercantile networks seem to have adapted to the new reality. Baltic Germans became British, or Russian, or both. The former Hanseatic towns, which had proudly maintained their independence for centuries, slowly became part of systems of international political economy without losing their influence. The merchants of Riga and Narva changed with the times. From the English records consulted in this article, the merchants of Hamburg, Danzig, Rostock and Lubeck seem to have behaved similarly, though there are clear limits to the extent to which English sources can come to any definitive conclusion on this point. The relationship between political economy and Baltic transnational mercantile networks is one that would benefit from further research. What the sources consulted here do suggest, however, is that it did not especially matter to commercial interests in the Baltic whether they supported, adapted to, or undermined political economy in the Baltic borderlands. They simply changed with the times and, as a result, more than likely profited by them.