Planning for the Short Haul:
The Formation of Wartime Commercial Policy
In times of war, why do belligerents continue to trade with each other? There are two countervailing forces that affect this decision. On the one hand, conventional wisdom in economics holds that states have absolute gains from trade. Therefore, economic considerations should push states to engage in mutually beneficial trading relationships, regardless of the security environment. In other words, states should always trade with the enemy. On the other hand, conventional wisdom in international relations holds that trading with a security adversary has negative security externalities. A state can use these benefits from trade to increase its military capabilities which, in turn, can be used in the war effort against the state it is trading with. Thus according to security considerations, states should never trade with the enemy.

Empirically, it is possible to see wide variation in the choices states make about their wartime commercial policy. Some states chose to continue their trade throughout the war, for example India and Pakistan in the Kargil War (1999) or Yugoslavia and Croatia in the War of Bosnian Independence (1992). Other states chose to cut off trade immediately at the start of the war, for example India and Pakistan in the Second Kashmir War (1965) or England and Argentina in the Falkland Islands War (1982). Yet other states start off trading with the enemy only to change course during the war and sever the commercial relationship in the middle of the conflict, as for example occurred in the Iran-Iraq War of 1980. Given the empirical variation in the choices available to states and the absolute predictions provided by the literature, trading with the enemy remains an unexplained phenomenon in political science.

Figuring out when and why belligerents continue to trade during a war is an important question of political science literature, as well as security policy. One of the most pressing security concerns today is the possibility of conflict between the United States and China. Optimistic projections that such a conflict could be forestalled by the economic interdependence
between these two nations are based on the erroneous assumption that states do not trade while at war with each other. If fact, if the conditions favor Chinese and US continued trade during a potential war, state leaders will need to look to alternative means in order to prevent the escalation of such conflict. Likewise, this project would be able to explain why the current violent and destructive conflict in Ukraine has left the coal trade between the eastern and western parts of the country completely intact, and why it is non-state affiliated actors who are seeking to stop such trade.

Overview of the Theory

Each product that is traded between two nations creates security externalities for both nations. However, when focused on the immediate war, a state would care about different aspects of these security externalities as they affect their own security and as they affect the security of their opponent. Specifically, when considering the security externalities for the opponent, the state would focus more on how quickly the opponent can convert gains from trade into military capability. Whether it is access to additional resources or access to additional revenue that comes from trade, if the domestic production or tax collection processes are particularly slow, the opponent will not be able to use the gains from trade to affect the war at hand in a timely manner. The more efficient the opponent is at converting gains from trade into military capabilities, the more dangerous it is to provide the opponent with such fodder. On the other hand, when it comes to the security of one's own state, the focus is on the amount of revenue that can be extracted from the trade. Since a state has to be concerned about its security beyond the immediate war, interruption to the revenue stream can affect long term security objectives of the state.

The content of trade between any two belligerents can be mapped out into these two aspects:

Gowa 1994; Gowa and Mansfield 1993
The time it takes the opponent to convert gains from trade into military capabilities and the amount of revenue the state receives from the gain from trade. Based on this, two guidelines for the formation of a state's wartime commercial policy can be determined. First, if the opponent will not have time to convert the gains from trade into military capabilities before the war is over, a state can allow trade in this product to continue. Conversely, if the opponent can derive a military benefit for the immediate war from trade in a specific product, a state is more likely to sever trade in this product. Second, if a state making the commercial policy is unwilling to bear the cost of losing trade in a specific product, it will likely allow trade in this product even if such trade will benefit the opponent militarily. On the other hand, if it is willing to bear the costs of losing the gains from trade from a specific product, it is more likely to sever trade in this product (provided there is reason to sever the trade).

Table 1: Dimensions of Trade Relevant to the Wartime Commercial Policy

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The rest of this paper proceeds in four sections. The first section discusses the externalities of trade, or how a state can benefit militarily from trade. The second and third sections delineate the two dimensions of trade which lead to state's preferences over wartime commercial policy. Both begin with an explanation of the relevant aspect of security externalities, followed by a description of the threshold that determines the cutoff point beyond which trade in the product will be severed, and concluded with the accompanying implication for wartime commercial policy preference. The final section presents the case study of the Crimean
How Does a State Benefit Militarily from Trade?
level of military capabilities. Thus adding to the total revenue available to the opponent is not as important if the opponent never has a chance to use it for this specific war.

When considering how security externalities could affect the state itself, it is the continuity of flow in 'security' items and revenue that could be invested into the war effort that is of concern. Since a state has chosen to enter the international market, there are gains from trade accruing to the state. Prohibiting trade requires giving up these gains, one of which is increased income for the state. Losing some aspects of trade will therefore affect the state's total revenue and its future ability to invest in the security of the state. When considering the positive security externalities, it is the impact on the revenue of the state that is most important.

Time to Convert Gains into Military Capabilities

When considering security externalities from trade as they accrue to the opponent in a conflict, a state's main concern is whether the opponent will be able to use the gains from trade to increase its immediate military capabilities and alter the outcome on the battlefield in their favor. However, security externalities are not instantaneous. It takes time for a state to convert their gains from trade into products that will be useful in the war effort. Even the simple action of shipping armaments to the battlefield takes time. In order to set wartime commercial policy a state compares its beliefs about the speed of the opponent to bring gains from trade to the battlefield to their perception of the length of the conflict. If a state believes that the opponent would require more time than the conflict will last in order to benefit militarily from trade in a specific product, it will permit the continuation of trade in this product. On the other hand, if the state believes that the opponent would be able to extract security externalities from trade in a specific product before the war is expected to end, such trade would directly benefit the opponent's ability to shift battlefield outcomes. In this case, the state would seek to prohibit trade in this product.
Time to the Battlefield

What is common across all the security externalities of trade is that they are time-sensitive. Even in the quickest case of an opponent's government directly importing weapons, it would still take time for these weapons to be transported to the battlefield. Each product that is imported by or exported to the opponent can be placed on a scale based on how long it takes the opponent state's government to convert the gains from trade in this product into military capabilities.

The time it takes to deliver products necessary for war to the battlefield is a function of several processes – transportation, transaction, production and taxation. Transportation time deals with how long it takes the supplier to deliver the order to the state as well as the time it takes the state to transport the products to the battlefield where they can be used to influence the course of the war. Transaction time refers to the amount of time it takes to place an order with an existing supplier in the foreign state or the time it takes to negotiate a new contract with a different supplier. Production time measures the length of time it takes to manufacture a specific product, either by the third party supplier or the domestic economy. Finally, taxation time has to do with the efficiency of the opponent's government in generating revenue, that is the amount of time it takes the opponent's government to place the revenue from trade into its coffers.

Not every product has immediate relevance to the war effort; however, trade in each product can eventually be converted into something relevant to the war effort. This conversion takes additional time, but given a long enough state of war, all trade will provide gains that will...

Trade partners generally will want to avoid the risky delivery to the battlefield directly. Where the government does not purchase these products directly, this would also include the amount of time it takes the government to repurchase, or to confiscate, products from the domestic merchants. The time it takes to redirect resources from civilian to military production would also increase the transaction time. This would include the amount of time it would take the domestic economy to convert imported intermediary goods into finished products. This includes import taxes, export taxes, taxing the manufacturing process that involves imported products.
help ameliorate the opponent's military capabilities.

What matters most in the formation of a state's wartime commercial policy is how much time it takes before the gains from trade in a specific product start increasing the military capacity of the opponent.

One more aspect can contribute to the estimation of how long it takes before an opponent starts accruing security externalities from trade – strategic stockpiling. Stockpiles serve the function of pushing further in time the start clock of when gains from trade in the stockpiled products start to carry externalities. In terms of security externalities stemming from the import of stockpiled supplies, the gains from trade do not start accruing until after the stockpile has run out.

Two issues with such a clean cut formulation of time to the battlefield might become immediately obvious. First, the gains from trade will accrue to the government over time. Some funds will become available sooner; other will take longer to be collected. Second, it would be a herculean effort to determine with any degree of precision the time it takes for all of these processes to occur in a state, especially a foreign state. It should, however, be remembered that this scale is perception based. It doesn't really matter how efficient, to the second, the opponent is – how fast it can purchase arms from a third party, how quickly it can convert a car factory into a tank factory, how long it takes the opponent to manufacture a bullet, etc. What matters is the approximation a state makes about the length of these processes. If a state believes its opponent to be inefficient in terms of fiscal capacity, it would assume that it takes it longer to convert the gains from trade into military capabilities than a different state that is more efficient in its taxation practices.

The different products that make up the trade between two belligerents can be ranked based on the approximate time it takes for a state to convert gains from trade into military capabilities.
The actual and estimated amount of time to the battlefield will depend on the factors outlined above and the efficiency of the state in question; however, some general patterns can be deduced. Import by the opponent of finished military goods should have the shortest time to the battlefield. Import of intermediate products used in the manufacture of finished goods with no relevance to the battlefield should have the longest time to the battlefield because it would require the conversion of the intermediate product into the finished good, the sale of the finished good and the use of the received funds (as well as the funds from taxation) for the purchase of products directly related to the war effort. Anything to do with export of products by the opponent would depend on the fiscal efficiency of the opponent. Trade in products that have a quicker time to the battlefield is more dangerous for a state because the opponent will be able to use it against the state in battle sooner.

Threshold: Perception of the Length of War

In order to determine if trade in a specific product should be continued during the war or if trade should be severed, the threshold cutoff point is determined by the perception of the length of war. There are a number of considerations that a state can rely on to calculate an expected length of war. One such factor is the balance of capabilities between the major belligerents. A state in possession of what it believes is an overwhelming amount of capabilities, will likely perceive its victory to be quick. A state believing itself to be on the weaker side, capabilities wise, will likely expect to fight a lengthy war.

Another factor is the development of new technology or new strategies that are believed to give a state an edge in fighting the war. For example, the Germans in WWII developed a rapid mobility strategy utilizing tanks which increased their confidence of a quick victory.

The third possibility is the use of analogy or
learning from previous conflicts.

If a state is facing a war that seems similar in conditions to a war in recent memory, it is likely that the past war will influence the perception of the length of the coming one.

The perception of the length of war can, and frequently does, change as the war progresses. States can overconfidently assume that the war would prove short and would have to update their perceptions as their initial assessment proved mistaken. Likewise, since states have incentives to misrepresent their relative strength, a state might overestimate the opponent's strength and plan for a longer war than necessary. As soon as hostilities state, the state would update its perception to a shorter campaign.

Implication for Wartime Commercial Policy: Time

If the gains from trade for a specific product will not be converted into military capabilities until after the war is expected to end, a state would have little reason to sever trade in this product. Continuing to trade with the opponent in such a product would not help the opponent on the battlefield, thus there would be no military benefit to severing trade. However, there would be a cost to such an action as it would entail losing out on the gains from trade that accrue to the state formulating this commercial policy. With no benefit and certain cost, a state will prefer to continue trade in such a product.

On the other hand, if the gains from trade for a specific product will allow the opponent to increase its military capabilities before the war is expected to be over, a state is much more likely to prefer severing trade in this product. In this situation there are clear military benefits to severing trade with the opponent – that is, to deny the adversary the military gain. The state formulating the commercial policy will also suffer a cost from severing trade. However, since war acts as a focusing mechanism, the implications of all policies for battlefield outcomes have

Posen 1986; Kier 1992; Long 2008

Fearon 1995.
to be prioritized. Up to a certain threshold, a state will absorb the cost of severing trade if it comes with the benefit of preventing the opponent from shifting the outcomes on the battlefield.

Revenue from Trade

Precisely the same security externalities that are a hindrance to a state when they accrue to the opponent can be helpful to a state when they accrue to it. The additional products, income and increased specialization and productivity of the economy are beneficial to a state, and each commercial policy decision would have an effect on whether or not these benefits have to be foregone. While assessing the benefits of trade for the opponent it was the speed of conversion of gains from trade into military capability that mattered most, when assessing the benefits of trade for the state itself, it is the continuity of funds to be steadily channeled towards security that matters most. Thus all products traded between two belligerents can be placed on a scale based on how much revenue it contributes to the state, as such revenue can be a potential future investment into the war effort. In order to set wartime commercial policy a state has to consider its willingness to bear costs associated with severing trade, that is the loss of revenue from trade and therefore the marginal loss of investment into the security of the state. If a state is willing, and when taken to the extreme, able to bear the cost of losing trade in a specific product, it can cut off this trade when this becomes necessary. However, if the state is unwilling, or at the extreme case, unable to bear the cost of losing trade, it will continue to trade even when this trade contributes to the opponent's military capabilities in the current war.

Impact of Trade on Security

Different products have differing levels of impact on the security of a state. A product's relative importance to the economy of the state is associated with a level of revenue that the state receives from trade in this product and the product's circulation in the domestic economy. This ultimately impacts the amount of investment the state can make into its military capabilities. For
conceptual clarity, the actual scale presented here will be measuring the amount of revenue that will be lost if trade in a specific product is to be severed.

Products that can be bought from multiple suppliers or sold to multiple buyers will have a minimal impact on the revenue of a state. A one-time switching cost will be required to change trading partners from the opponent in a given war to a neutral third party, but trade in the product will continue to add to the state coffers.

A prohibition on trade in products that have close substitutes, likewise, would not cause a large change in the revenue of a state. There would be a slightly larger switching cost required as it is not only the trading partner that is being altered but the product itself. However, trade in the substituted product should provide a similar level of revenue for the state. If products are neither substitutable nor have alternative trading partners, a prohibition on trade will carry a corresponding loss for state revenue relative to the volume of trade that exists in this product as well as the rate of taxation at various points in the economy.

The amount of revenue lost can be ranked, in abstract terms, based on the number of points at which a specific trade product can be taxed – import tax; corporation tax, if the item is involved in a domestic production chain; export tax; personal tax, if it is imported and sold by individual merchants; sales tax, if sold domestically after import, etc.

Where a specific product falls on this scale is therefore a function of the domestic structure of the economy and will be different for each state. If a state chooses not to tax trade at all, then it is only the product’s circulation in the domestic production chain that would impact its effect on revenue. If a state is mostly funded through the receipt of foreign aid, then none of these calculations matter at all and all of the state’s trade would have no effect on security (with

It is possible that trade in some products can bring in a sizable share of a state’s revenue, but being entirely substitutable, does not cause a large decrease in a state’s revenue if trade is severed. The quality of the product coming from the new source as well as the price might be affected, but the effect on the revenue of the state is marginal compared to severing trade outright.
Likewise, there should be changes over time in regards to where a specific product would fall on the scale for the same state. As economies adjust to market pressures, states discover new technologies and change their comparative advantages, certain products will become more or less important to the economy. This will affect how much revenue they provide to the state and thus their placement on the scale.

On average import of finished products should bring less revenue per product than import of inputs into a value added production chain. The export of products should fall somewhere between import of finished goods and import of inputs on the scale of state revenue. First, export of goods can be taxed as they leave the state. Also, if the export of these products were to be prohibited and there is no alternative buyer of these goods (either domestic or international), this might in the long term cause the production of these goods to stop, depriving the state coffers of tax revenue from this activity. In general, products that require domestic production should be contributing more to state revenue than products that do not.

This scale of the amount of revenue that would be lost to a state if trade in a specific product were to be severed can be easily seen as a scale of the impact of a product on the security of the state. The greater the revenue loss from a prohibition in trade, the less a state can potentially invest into its military capabilities. However, the import of products directly related to the war effort should be disproportionately elevated in significance beyond the effect they have on the revenue of a state

For example, in 1913 the UK had a comparative advantage in exporting iron and steel, but by 1937 this was no longer the case. It comparative advantage shifted to the export of electricals. Crafts and Thomas 1986

While this general ranking assumes an efficient economy, this assumption is not necessary for the theory. In an inefficient economy, items would be ranked differently, but a general ranking of products in terms of their effect on state security is still possible. At least until WTO rules removed this possibility.

This is conditioned by the tax rates associated with the different processes in the economy as well as the volume of trade in this product.
in order to better approximate a scale of the impact of trade on security. These items also have an additional, direct effect on the security of the state as they serve to increase military capabilities. While requiring inputs for military production from the opponent will definitely condition the decision to go to war, it does not necessarily prevent it. A state could calculate that it can win the war with its stockpile of existing arms and ammunition, and would find no reason to avoid war on the economic grounds of the necessity of continued trade. This calculation would affect a state's willingness to bear the costs of losing trade, which the next section will address.

Threshold: Willingness to Bear Costs

The threshold cut off point for this dimension is the willingness of the state to bear the cost of cutting off trade in a specific product. Put differently, is the state willing to suffer a marginal reduction of future security in order to make the current war marginally easier to win. This threshold is a choice that the state makes for each war, not a set level. In some wars, a state would be willing to suffer more for victory that in others. This threshold draws the distinction between products which are absolutely essential to the functioning of a state – likely inputs to the value added export industries of the state – and products which are beneficial for the state but are not essential. As discussed previously, trade in items of immediate relevance to the war effort are much more likely to be closer to the top of the scale measuring the impact of trade on security and are thus more likely to fall above the willingness to bear cost threshold.

There are some benefits to trade that are harder to quantify, but that could still play a role in a state's determination of the willingness to bear the costs of losing trade in a specific product. These are things like access to future market share in a specific country or the relative gain compared to a third party that is currently excluded as a supplier to a particular trading partner. The extent to which a state values these benefits would affect how much the state cares about the
The willingness to bear costs can change throughout the war and generally varies with the scale of the war. As the war increases in intensity, comes closer to total existential war, states become more willing to bear the costs for victory. The increase in intensity could be driven by any number of reasons – fear of state death, ideological fanaticism driving the total destruction of the enemy, normative commitment to total victory, all lead to a greater willingness to sacrifice in order to win. The threshold could also move in the opposite direction. If the war becomes less intense, states could become less willing to bear the costs of severing trade. For example, when additional allies join the fighting and victory seems assured, each individual ally might be less willing to sacrifice certain aspects of their trade.

In fact, the willingness to bear costs showcases a third type of security externality of trade that hasn't been examined by the literature previously.

If the war lasts long enough, certain products necessary for the war effort face shortages. These products might be leaving the country because the world price for them is higher than the domestic price, which could be indicative of the fact that the state is unwilling to lose trade in these products since they provide a high enough benefit for the state. However, if the domestic shortages become an insurmountable problem, the state will face a situation where it will chose to prevent the export of these items abroad to ensure that they are available for military use. The benefit of severing trade – providing your own army with the products it needs – start to outweigh the costs of severing trade, moving certain items from above the threshold (i.e. unwilling to lose trade) to below the threshold.

Implication for Wartime Commercial Policy: Cost

If a state is willing and able to bear the cost of losing trade in a specific product, then trade in this product can be severed if it becomes necessary. When trade in such a product...

The first was the direct effect of gaining products and currency from trade. The second was the indirect effect of increased specialization and efficiency.
contributes to the military capabilities of the opponent and risk altering the outcome of the war, the benefit of cutting off trade would outweigh the costs.

On the other hand, if a state is unwilling, or unable, to bear the cost of losing trade in a specific product, then trade in this product is likely to continue, even if it contributes to the capability of the opponent. Certain products are so integral to the functioning of the economy, that a loss of trade in them would decrease state revenue to such an extreme that the state would lose its ability to persecute the current war much less assure its survival after the war is over. A state simply cannot afford to stop such trade even if it helps the opponent, since its loss would hurt the state more.

Figure 1: Summary of the Argument

The process described above explains the formulation of one state's policy preference for trading with the enemy in times of war. A state weights the possibility of severing trade in products that can be converted by the opponent into military capabilities in time to affect effort against its ability to survive without such trade. Ultimately, it comes up with a list of

Level of Trade between Belligerents in War

Time to Battlefield

State Revenue

Willingness to Bear Costs

TWE—because unwilling to lose trade

No TWE

Perception of Length of War

TWE—because trade does not help opponent change outcomes on the battlefield

No TWE
Alternative Arguments
All three of the causal mechanisms provided by the economic interdependence literature depend on the assumption that trade is cut off during wartime. By far the most prevalent explanation in this literature is opportunity cost.

The trade lost during the war is the opportunity cost of fighting compared to peaceful conflict resolution; the higher the cost, the less likely the war to occur. Generally, this cost of war is operationalized with the full bilateral volume of trade between the two states, which implies that all bilateral trade is forfeit during a war. Some research has focused on determining which part of the bilateral trade actually constitutes a cost to the state; however, these studies also assume that all trade is cut off during a war even though only a portion of this lost trade constitutes a cost. The second causal mechanism of economic interdependence focuses on pro-trade interest groups, who seek to preserve their welfare gains by pressuring public officials to avoid military confrontations.

The logic behind this lobbying is that future war will cut off the trade these interest groups rely on. The third causal mechanism deals with credible signaling, where ending trade with a state sends a costly signal of resolve. Even under this causal mechanism, if two states have reached the point of war, it is assumed that there is no trade between them, as it would have been severed as a signal. Regardless of causal mechanism, economic interdependence comes with the absolute prediction that there should not be trade between belligerents in war.

The relative gains literature links economic gains to military advantage by the assertion that the more important relative gains are to states, the more likely a state is to cut off trading ties.

Scholars generally agree that wartime increases substantially the state's focus on relative gains. Oneal and Russett 1997; Reuveny and Kang 1998; Dorussen 1999; Anderton and Carter 2001; Barbieri 2002; Oneal, Russett, and Berbaum 2003; Keshk, Pollins, and Reuveny 2004; Glick and Taylor 2005; Krustev 2006; Benson and Niou 2007; Gartzke 2007; Aydin 2010; Hegre, Oneal, and Russett 2010; Copeland 2014.

Crescenzi 2003; Goenner 2010.


Morrow 1999; Gartzke, Li, and Boehmer 2001; Stein 2003; Kim 2013.

gains, leading to the conclusion that if these theories are extrapolated to wartime, they would likely predict no trade with the enemy in all wars. Linking relative gains concerns to the issue of trading with the enemy, Liberman claims that states are more concerned with relative gains vis-à-vis states that are near, powerful, offensively armed, and hostile, and adds that this effect is more keenly felt under bipolarity as opposed to multipolarity.

Morrow takes the argument a step further to argue that relative gains do not matter in peace time at all unless they are highly unequal or can be converted into military advantage in secret. Picking up on the bipolarity versus multipolarity strain of the argument, Gowa finds that states trade more with their allies than adversaries in bipolar systems because of relative gains. In multipolar system this effect disappears.

Given that the bipolar period of time studied did not involve direct war between the great powers, it is not certain how this argument will transfer to periods of war. Overall, the relative gains literature, if extended to cover periods of wartime, would likely lead to the absolute prediction that states do not trade with the enemy because wartime makes relative gains most important to states.

The last body of literature from which a hypothesis on trading with the enemy can be extracted is based in the economic gains from trade. At the very basic level, states receive absolute gains from engaging in free trade with each other. Given purely economic motives, trade with the enemy should continue – another absolute prediction. On the other hand, the decision to open the economy to free trade creates winners and losers in domestic politics, both advocating for their preferred policy outcome.
Crimean War Case Study

Three general patterns for state preferences in trading with the enemy can be extracted from the theory presented above. First, states should continue to trade in products when the negative security externalities will not have the opportunity to increase the opponent's military capabilities in the current war. Second, states should continue to trade in products that are deemed strategically important to the economy and long term security of the state. Third, as a corollary of the necessity argument, when states need to ensure adequate supply for their armies, they will prevent certain products from leaving the country and thus from being traded with the enemy. During the Crimean War (1854-56), the belligerents – France, Britain, Russia – considered the extent to which their trade created negative security externalities. Their initial preferences for a wartime commercial policy were created based on the needs of their economy with product level decisions for prohibitions on trade changing in conjunction with the perceptions of how the war was going.

Perception of the Length of War - Russia

The first military action of the Crimean War was Russian troops occupying the Danubian principalities Moldavia and Walachia. With only the Ottoman empires as an opponent, Russia could be confident of both a naval and a land victory. This belief was widely shared by the European powers, who feared this outcome. However, it would be difficult to claim that the Russian perception of war was a short conflict for two reasons. First, Russia was aware that the

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[33] The Crimean War between Russia and Turkey started in 1853, but England and France only joined in 1854. Turkey is not being examined here because its commercial decisions were not the sole purview of the Ottoman government.

[34] Badem 2010, 62.

[35] Lambert 2016, 47.
Concert of Europe would not allow it control of the Turkish Straits or the mouth of the Danube, much less substantial territory of the Ottoman Empire. Thus any gains of war would have to be forfeit at the peace conference despite the cost spent acquiring them. Second, the Russian ambassadors in London were informed that any attacks on Turkish ports, where European powers continued their commercial interactions, would provoke a British and French response. In a position of caution so as not to cause European powers to join the war and knowing that any gains would be forfeit at the end of the war, Russia did not want a military confrontations. The policy was to avoid the war – not to deal a decisive blow, not to stretch the war into a prolonged struggle, but to treat it as a coercive threat that should elicit a diplomatic solution in Russia’s favor. This changed when the British and French entry into the war became inevitable, and Austrian entry into the war a definite possibility. When inadvertent provocation was no longer an issue, the Russian army moved to siege Calafat in February 1854 and Silistria in March 1854. The goal was to gain some leverage in order to pressure a favorable diplomatic conclusion to the conflict. However, even this gamble had to be ended when Austria threatened to join the coalition against Russia. Following an Austrian ultimatum, Nicholas removed his forces from the Danubian principalities, before the British and the French armies even made it to the region. This act satisfied the Austrian aims and effectively gave them the ability to choose neutrality for the rest of the war. Despite the fact that the stated British and French war aims were also satisfied, the allies decided to attack Sevastopol on the Crimean Peninsula. Faced with two great powers as opponents, Russia believed the war would turn into a long struggle. There were still memories of what occurred the last time Russia had to stand alone against the...
entire continent.

The failure to strike quick victories against the Western troops as they just landed in Crimea and the subsequent failure to achieve a victory at the battle of Inkerman solidified the perception of a prolonged war.

Perception of the Length of War - Britain and France

The British and the French went through a similar arc in their perception of the Crimean War. The allied commanders agreed that with the Turks striking from one side, and the French and English troops striking from the other, the Russians could be swiftly destroyed.

While the perception of the length of war was short, this particular campaign never occurred. Before the British and French troops had a chance to engage in any military action, the Tsar ordered a withdrawal from the principalities. The war could have ended at this point as the inciting incident that started the conflict was officially resolved. However, the French and the British wanted war and had settled on a Crimean campaign to achieve their military victory. The proposed British plan was based on striking a decisive blow by taking Sevastopol.

Sevastopol was the center of Russian sea power in the Baltic and it was assumed that removing the Russian naval power would remove its coercive ability on Turkey. Furthermore, it was assumed that the fall of Sevastopol would force the Russians to immediately sue for peace.

The French wanted a quick victory as Louis Napoleon was anticipating a change in the French public opinion against the war; his opposition continually stressed the idea that the British are dragging the French into a war that would not benefit it.

He bought into the British strategy as the method of accomplishing a quick victorious blow to the Russians.


Curtiss 1979, 327.

Curtiss 1979, 296.


Figes 2011, 196.

Lambert 2016, 115.

Figes 2011, 154.
The allies planned to finish the Crimean campaign by Christmas. This was reflected by the level of preparation that went into the offensive. There were no plans made for wintering in Sevastopol. The British soldiers were in their parade uniforms, designed for summer. In fact, the warm supplies that were sent to Crimea by November 1854, and were destroyed in the November 14th hurricane, were prepared by concerned British citizens. The French were slightly better prepared and provided their soldiers with sheepskin. While they were envied by the British, it was hardly enough for a Russian winter. Likewise, there was little thought given to providing proper shelter to the troops – tents let in water both from the rain and the standing water in the camp.

The perception that the Crimean campaign would be brief ended by November 1854. The battle of Inkerman on November 5 was the crucial turning point. On the eve of the battle there were expectations that a renewed bombardment of Sevastopol would allow the allies to storm the fortress and win their quick victory. However, the disastrous battle of Inkerman severely exacerbated the limited manpower problem of the allied troops. They were forced to abandon any plans of attacking the fortress and to focus instead on siege tactics. In addition to losing men in battle, more men and many supplies were lost in the November 14th hurricane, which claimed 21 ships filled with medical equipment, warm supplies for the winter, food and ammunition.

After this point, there is evidence of the British preparing for a long term struggle on the peninsula. The British camp was located about 10 kilometers Balaklava where the British ships landed and had access to supplies. Throughout the first phase of the war, the allies had to

47 Badem 2010, 187.
48 Figes 2011, 280.
49 Figes 2011, 281.
50 Curtiss 1979, 327.
51 Fletcher and Ishchenko 2004, 277.
struggle to transport supplies from the ships to the battle camp as there were not good roads and carts. In November, the British government made plans to construct a railroad from Balaklava to the British camp. Construction material started to arrive by the end of January 1855 and the railroad was finished by the end of March, quickly solving the logistical problems of supply.

The costly – both in terms of funds and time – investment shows a change in perspective towards a long term strategy.

Initial Commercial Preferences of the Allies

After war became inevitable, both countries analyzed their economies to determine what effect severing trade would have. France came to the conclusion that “if commercial relations with Russia were momentarily suspended, our supplies should not suffer much.”

Out of the main commodities that France imported from Russia – cereals, oilseeds, wool, brass, raw tallow, linseed, hemp, pitch and tar – with the exception cereals and flaxseeds, Russian products were considered to be of limited importance in foreign purchases.

The first five of that list had higher stocks at the beginning of 1854 than existed at the beginning of 1853. The stock of linseeds at the beginning of 1854 stood at 39% of the yearly consumption, with foreign countries (excluding Russia) being capable of making up another 23% of yearly consumption.

Thus a stock that would last France two-thirds of a year was assumed to be enough to survive what was expected to be a short break in commercial relations with Russia. As far as cereals were concerned, the French believed that their current stock of cereals would be insufficient, if new arrivals were to cease.


French National Archives, F/12/8998 24 Feb 1854, Minister of Commerce to Minister of Foreign Affairs.

Ibid.

French National Archives, F/12/8998, “Commerce entre la Russie et la France” Attached to letter from Minister of Commerce to Minister of Foreign Affairs from 24 Feb 1854.

Ibid.
towards domestic consumption, but were re-exported.

Thus, the French were at the very least confident that they would not suffer domestically for want of grain, and hoped to make up for any potential losses with cereals imported from the United States.

Based on such an assessment, France believed it would be able to weather a break in commerce with Russia. There was, however, one complication. As trade with Russia at the time worked mostly on a system of capital advances to ensure produce was brought to ports by the time navigation was possible, French merchants found themselves in the position where they had already paid for Russian goods, but would be unable to ship them to France because of the starting war. This problem was aggravated by the fact that there were not enough French ships wintering in Russian harbors to ship all of the products back to France.

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Britain faced an entirely different situation. Their industry needed Russian produce, which was at the time of higher quality and of more favorable price, in order to remain competitive on the world stage. Russia supplied 17% of the grain Britain imported and a high proportion of bristles, flax, hemp, flax, hides, linseed, tallow and raw wood.

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57 French Diplomatic Archives 422QO18, 7 April 1854, pp16-7, Minister of Foreign Affairs to the Emperor.

58 French National Archives, F/12/8998, 25 March 1854, Merchants to Minister of Commerce.

59 While the payment for the purchase occurred prior to the war, and thus not technically trade with the enemy, shipping the products to France would be problematic as goods of Russian origin would be considered legitimate prize.

60 F.G. Terner 1858, 100.

61 Anderson 1967, 256.
It was often pointed out that Britain was an important customer for Russia, absorbing nearly half of Russia's European exports and this could be exploited by the British to damage Russian commerce. However, the argument that turned out to be more persuasive to the British government was that allowing Russia to sell its produce to all neutral countries but not to Britain would undercut British competitiveness since Britain would have to purchase more expensive goods of lesser quality, while the competition would be able to purchase cheaper, higher quality Russian produce.

Therefore, for Britain the challenge was to craft a policy that would put economic pressure on Russia, as a means of winning the war, while at the same time allowing British merchants to continue to import Russian produce.

Why Trade with the Enemy? The Declaration of the Rights of Neutrals

At the same time, both countries understood that they would need to settle on a unified commercial policy, because anything short of that would interfere in their ability to prosecute the war.

The first element of rectifying the needs of the two allies played out in the declaration of the rights of neutrals. Both countries were interested in not offending any potentially neutral state and giving them a reason to enter the war on Russia's side. But that is where their traditional views on the issue parted. In the previous wars, it had been France's policy to determine the legality of commerce by the origin of the ship. Neutral ships, even those carrying enemy products, were allowed to pass; enemy ships, even those carrying neutral property, were considered legitimate prizes of war. The English policy focused more on the origin of the goods. If enemy products were found on neutral ships, they were seized; on the other hand,
neutral products found on enemy ships were not. The English also abided the rule that a neutral country could not in a time of war engage in trade that would be new for that country, which prevented neutrals from engaging in coastal trade to help the belligerent move products and information from port to port.

Given their situation at the beginning of the war, it was most important for the French to make sure the British accepted the principle that the flag covers the merchandise as well as permit neutrals to trade between Russian ports. If the British agreed to safeguard Russian goods on neutral ships, the French would be able to hire neutral ships in order to export the Russian produce they had already paid for from Russia. The British, however, were not particularly interested in allowing this principle. Through the middle of March 1854, the Office of the Committee of Privy Council for Trade maintained that Russian goods even on neutral ships would not be respected and Russian goods purchased at a neutral port would be considered illegal purchase.

In order to ensure the agreement from the British government on the principle that the flag covers the merchandise, the French had to accept the British principle that neutral property on enemy ships had to be returned to the neutral owners. Together these concessions set the basis for the declaration of neutral rights. Worded almost identically in both states, the
In return for conceding to France the policy for the rights of neutrals, Britain demanded that France agree to a strict blockade of all Russian ports. The blockade was the centerpiece of the British initial policy, which became ever more important as the British began to concede on the rights of neutrals. It was meant to put an end to the Russian merchant marine and to cut off Russian imports while at the same time allowing Russian exports out of the country. It was assumed that in order to avoid the blockade, commercial traffic would be redirected by land to the first open neutral port from where Russian products could be exported to their original destinations. However, not all products would be able to weather the increased price of land transfer; the lack of established infrastructure for commercial traffic over land was expected to hamper trade further. Thus, the blockade was meant to prevent Russia from exporting any bulky or expensive items like timber and coal, while allowing the export of primary materials that Britain needed like hemp, flax, oilseeds and tallow. In addition, it was hoped that British exports would be prevented from reaching Russia, thus inconveniencing the upper classes with the expected consequence of putting pressure on the Emperor of Russia to sue for peace.

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75 Clarendon Depository, c. 16, ff 647-656, 29 March 1854, Cowley to Clarendon.

76 British National Archives, F.O. 83/2280, 20 March 1854, Harding to Clarendon.

77 Anderson 1967, 248.

78 Which is exactly what Russia did. By July 5, a new tariff schedule was released specifically for the western European land border which reduced duties on twenty eight categories of raw materials and semi-finished goods and seventy nine categories of manufactured goods. “Высочайше утверженная роспись иностраннымъ товарамъ, съ коихъ по сухопутной западной границѣ понижаются установенныя общимъ тарифомъ 1850 года привозныя пошлины” # 28362 in Polnoe Sobranīe Zakonov Rossīĭskoĭ Imperīi - 1854 1855, 29:643. The Russian government also invested in improving the infrastructure between St. Petersburg and Memel, the first neutral port across the Russian border. Hansard, vol 136, House of Commons Debate, 20 Feb 1855, cc 1659-713.


80 Stepanov 2012, 19.

While the French had to acquiesce to a blockade in order to receive their favored version of the declaration of neutrals, a strict blockade presented a problem to their main commercial objective – removing Russian produce that was already purchased from Russian ports. The concession allowing neutral ships to carry Russian merchandise meant little if no ships were allowed out of Russian ports.

Two methods were attempted to circumvent this obstacle. First, the French presented an argument to the British for granting a grace period to Russian ships to finish their commercial affairs in allied ports and return to Russia safe from capture. France suggested that if the allies extend such a liberal policy towards Russia, that country would reciprocate by allowing French and British ships time to load Russian merchandise and leave the country.

Second, the French government favored a system of licenses, which would be granted to both friendly merchants and neutrals, allowing them to break the blockade when necessary. According to French designs, licenses would be given under four situations: 1. French and British merchants would be allowed to export from Russian ports, blockaded or otherwise, goods purchased before there was any knowledge of the war; 2. Neutral ships would be allowed to export from blockaded Russian ports goods they bought and paid for before the war; 3. Friendly nations and neutrals would be permitted to export grain that was already purchased from Russia; 4. French and British merchants would be able, in certain circumstances, to export primary materials necessary for the domestic industry.

The British agreed to institute a grace period for Russian ships, and the allies were rewarded with a reciprocal proclamation from Russia giving their ships six weeks to finish...
But the British government strongly opposed any licensing scheme, as it would interfere with their plans for a strict blockade. Trying to convince the French to abandon the scheme, they brought forth three arguments. First, remembering the chaos created by the licenses granted during the Napoleonic wars, it was widely accepted that licenses lead to deception and fraud and the creation of a black market for permissions to trade across enemy lines. Second, if licenses were to be sparingly given, while this does help control trade, it creates domestic monopolies based on which merchants received licenses and which did not. On the other hand, if licenses were given fairly and therefore indiscriminately, it would render the prohibition on trade useless. And, third, since the French had already agreed to a strict blockade, licenses to enter Russian ports could not be given anyway.

Ultimately, the French government agreed not to give out any licenses, while maintaining the ability to forestall and occasionally remove blockades from ports from which they needed to remove their merchandise.

British Wartime Commercial Policy

As soon as the joint allied policy was determined, members of government in both countries started thinking through how the mutual concessions would affect their own trade with Russia and the commercial objectives for the given war. In Britain, the President of the Board of Trade, Edward Cardwell pointed out that the inadvertent consequence of combining the set of concessions Britain made with a strict blockade would be throw all British-Russian trade into the hands of neutrals, thus damaging British interests at no harm being done to Russian interests.

To avoid this unfortunate consequence, the British government amended their initial declaration.
that had followed the precedent of previous wars in making trade with the enemy illegal. On April 15, a new Order in Council proclaimed that "all vessels under a neutral or friendly flag, being neutral or friendly property, shall be permitted to import into any port or place in Her Majesty's dominions all goods and merchandize whatsoever, to whomsoever the same may belong; and to export from any port or place in Her Majesty's dominions to any port not blockaded any cargo or goods, not being contraband of war, or not requiring a special permission, to whomsoever the same may belong."

With the exceptions of British ship being prohibited from entering Russian ports and all ships being prohibited from entering blockaded ports, trade with the enemy was legalized. Surprisingly, the French Ambassador in London conveyed to the British Minister of Foreign Affairs that the French had no objections to the British measure authorizing trade with the enemy. The French, however, would not follow suit because the "French legislature leaves the prohibition of commerce with the enemy almost without sanction."

At the end of September 1854, with the war starting in earnest and with the expectation of the immanent fall of Sevastopol and the possibility of a larger campaign against Russia, some members of the Cabinet believed a reassessment of the trade policy was in order. The debate centered on James Wilson, the Financial Secretary of the Treasury, and Edward Cardwell. Wilson, and others who thought that the trade with Russia should be cut off, focused mainly on the argument of absolute loses. It was widely cited that more than half of Russia's export trade would be affected if commercial relations were severed, compared to only six percent of British trade.

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88 "British Order in Council, in furtherance of Her Majesty's Declaration of March 28, 1854, respecting the Trade of Neutrals and British Subjects" in British and Foreign State Papers 1855, 46:49.

89 This restriction was created in the interests of the British vessels since their safety in Russian ports cannot be guaranteed. British National Archives, War Office, W.O. 106/45, "Enquiry regarding Trading with the Enemy, Historical Summary" p 43.

90 British National Archives, F.O. 27/1038, 19 April 1854, Walewski to Clarendon. The same is reflected in a telegraph Cowley sent to Clarendon on 15 April 1854. FO 27/1012.
Therefore, it was argued, Britain would be much better off than Russia if trade was prohibited. Instead of allowing trade with the enemy, the proposed British strategy was to cut off Russian imports into Britain entirely, to be accomplished either through a prohibitive tariff on goods of Russian origin or requiring a letter of origin for imports into Britain. It was expected that Britain would be able to easily find alternative suppliers of the primary material it traditional received from Russia, while Russia would be left suffering a huge loss.

On the other hand, Edward Cardwell defended the position that trade with the enemy should be continued. He stressed that looking solely at absolute losses due to a break in commercial relations missed the point. Britain, being a manufacturing nation, had a different relationship with commerce than Russia, as an agricultural nation. For Russia losing this trade is a question of profit only, for Britain it is a question of competitiveness on the world markets and survival of domestic industry.

During the Committee in Council meeting on October 30, Cardwell's argument triumphed. The decision was approved by the Cabinet, whose members viewed Wilson's proposal with reluctance and approved of Cardwell's defense of the original policy.

Overall, the British government formed its commercial policy based on the assumption that the majority of trade with Russia did not carry any significant security externalities. When the opponents of the trade with the enemy policy brought up the argument that trade with Russia carries with it the potential for increasing the Russian military capacity, the supporters were quick to shut it down. The opponents claimed that any capital that the British merchants sent to secure next year's produce from Russia, amounting to around ten million pounds, would
immediately be invested into the war effort by Russia. [95]

Supporters of the policy immediately countered with the point that the portion of this investment that actually reached the Russian government was completely insignificant. [96]

While some domestic actors in Russia were profiting from the trade, the Russian government was not able to take advantage of this in order to increase its military capability to prosecute the current war. [97]

However, not all trade with Russia was placed in the same category of holding no security externalities. Before the war even began, the British prevented the export of several marine engines to Russia – marine engines that were almost finished and destined for nearly completed Russian ships. [98]

When explaining the necessity for this measure, the Prime Minister stated that it is important to check the export of military stores that had the potential to increase Russia's military capabilities for the current war. [99]

This action stands in contrast to the permission given to British and French merchants to withdraw Russian merchandise that had already been paid for before the war. While the marine engines were already paid for by Russia, they were nevertheless prohibited from leaving the country (and in fact England later placed them in ships it used to enforce the blockade. [99])

It was not only the marine engines that were prohibited from reaching Russia. On February 18, 1854 – still six weeks before war was officially declared to Russia – the export of arms, ammunition gunpowder, military and naval stores as well as articles “judged capable of being converted into, or made useful in increasing the quantity of, military or naval stores, that is to say marine engines, screw propellers, paddle-wheels, cylinders, cranks, shafts, boilers, tubes [95]

——— [96] Ibid, Mr. J. L. Ricardo.
——— [99] Ibid.
for boilers, boiler plates, fire bars, and every article, or any other component part of an engine or boiler, or any article whatsoever, which is, can or may become applicable for the manufacture of marine machinery" was prohibited from Britain.

When the Committee of the Privy Council became inundated with letters from merchants asking if they need licenses to export arms to countries that were nowhere near Russia, the Cabinet refined the prohibition to make it much more targeted – only gunpowder, saltpetre, brimstone; arms and ammunition; marine engines and boilers and component parts thereof were prohibited.

Marine engines and other components of ship were only prohibited from going "any place in Europe north of Dunkirk, or to any place in the Mediterranean Sea east of Malta." That is to either one of Russia's ship construction yards.

After the initial list of items that were not allowed to be traded with Russia (or its immediate neighbors) was established, the list was amended at times that closely track changes in the military course of the war. (See Appendix A). As the perception of the war changed towards a protracted struggle, additional materials required for shipbuilding and manufacture of arms were added to the list of prohibitions. In the formulation of the Orders in Council, these products were accompanied with the description of "capable of being converted into or made useful in increasing the quantity of military and naval stores."

The orders were also geographically scoped. Whenever the British did not want specific items from reaching the Baltic theater, the order would read "any place in Europe north of Dunkirk." Such prohibitions generally targeted items necessary for naval construction.

If the British did not want the items...
to reach the Black Sea theater, the order would read “any place in the Mediterranean Sea east of Malta.”

These items tended to be useful in manufacture of arms and gunpowder.

When the war stretched long enough for the British military to burn through all of their military stocks and to start straining the potential to resupply, the tenor of the Orders in Council changed. Suddenly, the reason for the prohibition of export was because items can be “used in the manufacture of military and naval stores.”

The scope of the prohibitions also changed, products were not allowed reach any foreign country. The focus was no longer or the potential of the enemy to increase its military capability, but on the ability of the British army to have access to the supplies it needed to continue fighting the war.

French Wartime Commercial Policy

The French reassessment of their commercial war, after the negotiations with Britain, looked nothing like the British process. The government was fairly satisfied with the concessions they received as they achieved most of their initial objectives. Through the Declaration of the Rights of Neutrals and the six week grace period, the French merchants were given the time to charter ships for the export of products bought in Russia before the declaration of war. And having gotten the concession from the British that allowed them to selectively remove blockades from certain Russia ports, that trade that could not have been completed during the days of grace was still given a chance to continue. Mostly this helped French merchants export timber, purchased before the start of the war, from the ports of the White Sea.

When considering how to handle the potential new wartime trade with Russia, the French government adopted their own method for obviating any potential security externalities of trade with the enemy. Following a plan laid out by the Foreign Minister, France altered its tariff.

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109 French National Archives, F/12/8998, 4 May 1854, Minister of Foreign Affairs to Minister of Commerce and 21 June 1854, Minister of the Marine to Minister of Commerce.
110 For the products that were supplied by Russia in peacetime and that were used as raw material in French industry, alternative sources or substitutes were found. For example, it was suggested to import flax from Belgium and the Germanic states; wool from Algeria and Turkey, wood from the United States and Austria. Flaxseeds that were destined for the production of oil were to be replaced with sesame seeds. Trade with these alternative suppliers and in substitute products was then made substantially easier by altering the import tariffs that were previously prohibitively expensive. Thus while the cost of importing Russian products was increasing – due to the increased cost of transportation created by the blockade of Russian ports – the cost of importing similar products from other sources was decreasing.

Initially, the French government focused on primary materials used in French manufacturing. (See Appendix B) The specificity of the changing tariff structure reflects this. For example, the Imperial Decree of 29 April allowed the temporary duty free import of raw tallow provided it will be used in France for the manufacture of candles or of stearic acid, and then again only if these products were to be exported.

Additionally, the import taxes on items that were previously imported from Russia were lowered when imported from French colonies or non-European countries. For example, on May 10th, 1854 the import duty in raw wool from South Africa was lowered by forty percent. On June 19th, 1854, the duty on wool cotton coming from the French colonies was eliminated.

111 French Diplomatic Archives, 422QO18, 17 April 1854, “Note pour le Ministre, sur le commerce entre le France et la Russie, et sur les mesures à prendre pour atténuer les conséquences de l'état de guerre.”


decreased, more reductions on tariffs were made to incentivize the replenishment of these stocks.

Amazingly, the French government had to be reminded by the British in order to prohibit the export of arms and ammunition from France towards the enemy.

When the imperial decree was published, it showed that the French government had a much wider conception of items that related to the war effort. Of the five categories of products that were prohibited from reaching the enemy, two corresponded to the British prohibition – (1) arms and (5) all things to do with machinery for building ships. In addition to this, the French added, "(2) Lead, sulfur, saltpeter, flints, fulminating powder capsule, wooden rifle, projectiles and ammunition of any kind; (3) Articles relating to clothing, camping, equipment and military harnesses; (4) horses."

During the course of the war, only one item was added to this list – sodium nitrate on April 16, 1854.

On December 8th, 1854, after it was clear that the siege of Sevastopol would be a long endeavor, the French intensified their prohibition on the export of arms. Whereas before the prohibition prevented arms and ammunition and the rest from leaving the territory of the French Empire, after December the items could not be transported within the empire.

As was previously mentioned, the French were always conscious of the possibility of having to restart trade with Russia during the war for reasons of necessity. They built this option into the licensing system that was proposed to the British government.

While the licensing system was not accepted, the necessity to open trade with Russia did come about. The French government was particularly concerned about the grain trade, the export of which was prohibited from Russia at the beginning of the war. On November 29th, 1854, the French government...
followed suit and by imperial decree prohibited the export of grain and flour until July 31, 1855. However the memory of the political repercussions from the famine of 1847 was strong, and the French government was anxious to prevent even the rumors of a potential shortage. Thus as soon as the allied fleet started the campaign in the Azov Sea, the French became interested in trying to export the grain that was stored in the ports there.

Although the military campaigns were not the most successful, the French government was able to persuade the British to open the blockade on the Azov Sea to merchants carrying grain. This was done in parallel with Russia beginning to grant licenses to neutral merchants to export grain, despite the general prohibition on such action.

Russian Wartime Commercial Policy

As the allied powers had hoped, Russia reciprocated the initial commercial decisions taken by Britain and France. On April 16, 1854, a declaration by the Russian Ministry of Finance was published in a supplement to the Commercial Gazette laying out the Russian policies towards the enemy belligerents. A six week grace period was extended to all French and English merchant vessels and safety assured to all ships with papers showing that they were laded before the grace period was over. Russia, likewise, adopted the principle that the flag covers the merchandise, with the exception of contraband. Unlike the allied governments, Russia reserved the right to consider the entire ship a legitimate prize of war if it carried contraband.


120 Anderson 1967, 248.

121 French National Archives, F/12/8998, 22 June 1855, “Note pour le Ministre.”

122 French National Archives, F/12/8998, 1 Oct 1855, Minister of Foreign Affairs to Minister of Commerce.

123 April 6th by the Julian calendar used in Russia. Since the Gregorian dates were used thus far, the dates for Russian policies have also been converted to the Gregorian calendar.

124 The grace period was set to start on April 25th in the Black Sea, Azov Sea and Baltic Sea. In the White Sea the grace period started from the day navigation was open. British National Archives, Board of Trade, B.T 1/512, 16 April 1854, “Translation of Russian Decree on Initial Commercial Policy Towards Belligerents.”
And most significantly, Russia legalized trade with the enemy: "English and French goods, even should they belong to subjects of Great-Britain or France, will be allowed to be imported under neutral flags into our Ports in accordance with the usual Custom House tariff regulations, without any hindrance on our part."

Even though enemy belligerent ships were not welcome in Russian ports, enemy belligerents' goods were. In preparation for the war expanding to include an additional two belligerents, the Russian government prohibited the export of gold coin from the country.

In part this helped the government fund the war effort; in part it was a response to the domestic panic over the inflation the war would bring. People demanded specie as opposed to the credit notes.

On March 1st, 1854, Russia prohibited the export of grain through Odessa and all Black Sea and Azov Sea ports until September 1st, 1854.

This had a significant effect on the trade in grain, as 71% of Russian grain left the country through those ports.

Still affecting only trade leaving the southern ports of Russia, the prohibition was extended indefinitely on September 19th.

In the first year the prohibition on the export of grain, the reason was solely for war related reasons.

To forestall any potential domestic unrest, the Russian government needed to ensure the hardships of war do not affect the food prices. Preventing grain from leaving the country accomplished just that – the abnormally high supply within the country depressed the price to

The allied governments' policy was to confiscate the contraband only, unless more than 75% of the ship's cargo was contraband. British National Archives, F.O. 26/1014, Extract from the Moniteur, "Divergences entre les déclarations francaise et russe au sujet du droit des neuters."

British National Archives, Board of Trade, B.T 1/512, 16 April 1854, "Translation of Russian Decree on Initial Commercial Policy Towards Belligerents."

"О воспрещеніи, впредь до усмотрѣнія, вывоза за границу Россійской золотой монеты, моремъ и сухопутно" #27965, 11 March 1854 in Polnoe Sobranīe Zakonov Rossīĭskoĭ Imperīi - 1854 1855, 29:224.


"О воспрещеніи вывозить хлѣбъ за границу изъ Одесскаго и всѣхъ Черноморскихъ и Азовскихъ портовъ" #27934 in Polnoe Sobranīe Zakonov Rossīĭskoĭ Imperīи - 1854 1855, 29:186.

F.G. Terner 1858, 59–60.

"О воспрещеніи вывоза хлѣба за границу" # 28530 in Polnoe Sobranīе Zakonov Rossīĭskоĭ Imperīи - 1854 1855, 29:758.

Nifrontov quotes a report by the Ministry of Foreign Trade saying that the grain limitation was made for war related reasons. A. S. Nifrontov 1971, 78.
such an extent that outside of the immediate field of battle, the price of grain was lower during the war than in peacetime.

133 The prohibition on the export of grain of November 26, 1855 becomes more extreme with grain no longer being allowed to leave the country through the European borders, including Poland.

134 The wording of this decree specifically states that the additional measures are "due to the scarcity of the current crop year".

135 In fact the harvests of both 1854 and 1855 provided lower than normal yield.

The next part of the Russian commercial policy during the war was to prevent the import of weapons and ammunition into the Caucasus area. On September 3rd, 1854, when it was clear that the allies intended to continue the war and to take it to Crimea, in other words when Russia started thinking of the war as a long one, Russia moved to prevent certain products from entering the battlefield in that region of the Empire. This was done in a rather obscure way. The imperial decree forbade the import into the region, by land or by sea of any products that were "forbidden for import into the Transcaucasian Black Sea Ports by the general tariff of 1850."

136 Of the items that were prohibited from being imported in these ports, the majority were different classifications of weapons and ammunition.

137 Of course, there was also tea, animal skins, and lottery tickets. But overall, the effect of the imperial decree was to prevent weapons and ammunition of any sort from reaching the battlefield.

Other than keeping guns away from the battlefield, the focus of Russia's commercial policy during the war was to prevent specific items necessary for the army from leaving the

133 British National Archives, War Office, W.O. 106/45, "Enquiry regarding Trading with the Enemy, Historical Summary" p 52.

134 With the exception of wheat.

135 "О воспрещеніи вывоза хлѣба за границу" # 29819 in Polnoe Sobranіе Zakonov Rossійskой Imperіи - 1855 1856, 30:673.

136 "О недозволеніе ввозить въ Закавказскій край нѣкоторые иностранные товары" #28524 in Polnoe Sobranіе Zakonov Rossійskой Imperіи - 1854 1855, 29:756.

country. On August 24th, 1855, all cloth was prohibited from being exported through the European land border.

On January 4th, 1856 it was declared that meat, in any form of preparation could not leave through the European border.

During this time, the complete list of items that could not leave the country became: sheep wool, all meat, cloth (through European borders), cattle, horses and pigs (through western land border), grain wine and spirits (from Bessarabia, and two other provinces), ropes and cables, all fabric (from Black sea ports and Danubian ports), hay (through north-western border).

These items were necessary to supply the Russian army, thus the state endeavored to make sure they stayed in the country. According to a report by the Russian Ministry of Foreign Trade, "During the war, the items that were forbidden from leaving our country to European nations were those that were required in large quantities for our army or those that the enemy might need for theirs."

The focus was on making sure the Russian army was not lacking for supplies and that the enemy was not getting these supplies instead of the Russians.

Conclusion

All of the belligerents involved in the Crimean War structured their wartime commercial policy in order to address the security externalities of trade. England sought to maximize its access to the necessary raw materials it imported from Russia to ensure its commercial competitiveness, and thus an uninterrupted stream of government revenue which could be invested into the security of the state. At the same time, when Britain determined that trade of specific products could increase Russia's military capacity in the current war, it restricted the flow of these products to Russia. France avoided the security externalities of trade by

138 "О воспрещеніи вывоза простаго сукна всѣхъ цвѣтовъ" # 29584 in Polnoe Sobranīe Zakonov Rossīĭskoĭ Imperīi - 1855 1856, 30:545.
139 "О воспрещеніи вывоза всякаго рода мяса по всей Европейской границѣ Имперіи" # 29979 in Polnoe Sobranīe Zakonov Rossīĭskoĭ Imperīi - 1855 1856, 30:748.
141 Quoted in A. S. Nifrontov 1971, 80–81.
restructuring its economy to make trade with Russia unprofitable to its merchants. However, when it became necessary to import grain, France did not hesitate to allow trade with the enemy, putting domestic stability ahead of military victory as a priority. The Russian government, starting with the assumption that it was facing a long and difficult struggle against two great powers, focused on ensuring domestic supply for the necessary items of war, whether this necessitated importing them from abroad or preventing them from leaving the country.

It should be noted that in the formation of wartime commercial policies, pressure from domestic interest groups did not play much of a role. As was explained above, Britain's initial policy was to prevent their merchants from importing the merchandise they had already purchased in Russia. Through the negotiations with France and the creation of the Declaration of the Rights of Neutrals, the British government actually prioritized neutral merchants to those that make up the domestic constituency. Only after neutral merchants were given the right to facilitate an indirect trade between Britain and Russia were the interests of domestic merchants even considered, and then only in so far as such trade facilitate in increasing government revenue. To the extent that domestic trade interests were given a role in the formation of wartime commercial policy, it was only to occasionally provide specialized knowledge in how to define product boundaries. For example, when the British government prohibited the export of round bars to Russia, merchants had a chance to explain that the security externalities Britain was worried about came from only a specific subset of round bars, not all of them – thus the prohibition was amended to prohibit the export of round bars from 5/8 to ¾ of an inch in diameter.

Likewise, the formation of wartime commercial policy in France was not made at the behest of domestic trade interests. While France did want to help its merchants import products
that were already purchased from Russia at the start of the war, this was driven by state concerns that Russia would benefit from trade twice. Once because it was already paid for the merchandise, and again because it could use the items that would no longer be allowed to be shipped to France. Further, in agreeing with Britain not to issue licenses during the war for any reason, France took a stance that expressly prevented its merchants from engaging in preferential trade. Overall, during the Crimean war, the wartime commercial policy was formulated largely based on concerns over security externalities of such trade.
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<td>Date</td>
<td>Prohibiting the export of:</td>
<td>Region Targeted</td>
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<td>30 Nov, 1854</td>
<td>lead, nitrate of soda, blue lias, Portland cement, “or any article commonly used in the manufacture of marine cement”</td>
<td>any place in Europe north of Dunkirk</td>
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<tr>
<td>2 Jan, 1855</td>
<td>Rescinding order of Nov 30</td>
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<tr>
<td>7 Aug, 1855</td>
<td>sulphate of potash and muriate of potash</td>
<td>any place in Europe north of Dunkirk, or any place in the Mediterranean Sea east of Malta</td>
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<tr>
<td>7 Aug, 1855</td>
<td>rivet iron, angle iron, round bars, rivets, strips of iron, sheet plate iron, Low Moor plates</td>
<td>any place in Europe north of Dunkirk, or any place in the Mediterranean Sea east of Malta</td>
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<tr>
<td>28 Aug, 1855</td>
<td>Rescinding the order prohibiting the export of iron east of Malta</td>
<td></td>
</tr>
<tr>
<td>30 Aug, 1855</td>
<td>Altering the product description of Aug 7</td>
<td>rivet iron, angle iron, rivets, strips of iron, Low Moor and bowling plates, sheet plate iron exceeding ¼ of an inch, and round bars of from 5/8 to ¾ of an inch diameter</td>
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<td>20 Sept, 1855</td>
<td>Rescinding previous order - nitrate of soda and lead can now be shipped east of Malta</td>
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<tr>
<td>20 Sept, 1855</td>
<td>chlorate of potass</td>
<td>any place in Europe north of Dunkirk, or any place in the Mediterranean Sea east of Malta</td>
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<tr>
<td>1 Nov, 1855</td>
<td>saltpeter, nitrate of soda, sulphate of potash, muriate of potash (chloride of potassium), and chlorate of potash</td>
<td>All foreign countries</td>
</tr>
<tr>
<td>27 Dec, 1855</td>
<td>saltpeter, nitrate of soda, sulphate of potash, muriate of potash (chloride of potassium)</td>
<td>British possessions in North America, including West Indian Islands</td>
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<tr>
<td>28 Dec, 1855</td>
<td>Rescinding order to prohibit export of chlorate of potass</td>
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Appendix B: French Changes in Tariffs in 1854

4 Mar, 1854 Allows duty free import of colored tartar crystals for export after conversion to cream of tartar or crystalline tartaric acid.

4 Mar, 1854 Change of import tax on cachou – import from countries beyond Cape Horn on French ships is free

22 Mar, 1854 Opens the ports of Boulogne and Calais to import shawls of foreign origin to be embroidered in France

22 Apr, 1854 Removes export tax on manure

29 Apr, 1854 Allows temporary duty free import of raw tallow for export after conversion to stearic acid or candles

6 May, 1854 Oil of all kinds, except fish oil, will be charged the same import tax as raw tallow

10 May, 1854 Lowers the import tax on raw wool coming from South Africa

13 Jun, 1854 Change of import tax on turmeric root – import from the India on French ships is free

19 Jun, 1854 Removes import tax on wool cotton from the French colonies

26 Jun, 1854 Removes import tax on molasses-spirit from French colonies

24 Jun, 1854 Extends the exception until 31 Dec 1854 of navigation taxes for flour, rice, potatoes, and dry vegetables (Original exception made on 5 Sept and 3 Dec 1853)

1 Jul, 1854 Temporary permission to import iodine to be refined into potassium iodine

19 Aug, 1854 Lowers or removes the import tax on vanilla and beet, as well as wood satin, root and wood barberry, scented wood, sassafras, exotic reeds, pods and seed dye, oak apple, iron ore, stone marble, potass if imported by French ships from outside of Europe

5 Oct, 1854 Increase the import tax on salted meat

5 Oct, 1854 Increase the import tax on liquor wines in barrels

9 Oct, 1854 Extends the exception until 31 July 1855 of navigation taxes for flour, rice, potatoes, and dry vegetables

25 Oct, 1854 Removes import tax on medical plants if imported on French ships from outside of Europe.

6 Nov, 1854 Removes import tax on cinchona bark if imported on French ships from outside Europe

29 Nov, 1854 Prohibits the export of grain and flour until 31 July 1855

20 Dec, 1854 Provisionally changes an import tax on sugar, raisins and molasses

20 Dec, 1854 Reduces the import tax on animal fat of all sorts; fish oil from foreign fishing; olive oil, seed oil, palm oil, coco oil, touloucouna oil, illipe oil; sesame seeds, poppy seeds, rape seeds, flaxseeds; candles, stearic acid