OMAR PRAKASH CHOUHAN

# The Dutch East India Company and the Economy of Bengal, 1630-1720

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THE DUTCH EAST INDIA COMPANY
AND THE ECONOMY OF BENGAL, 1630-1720

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*Om Prakash*

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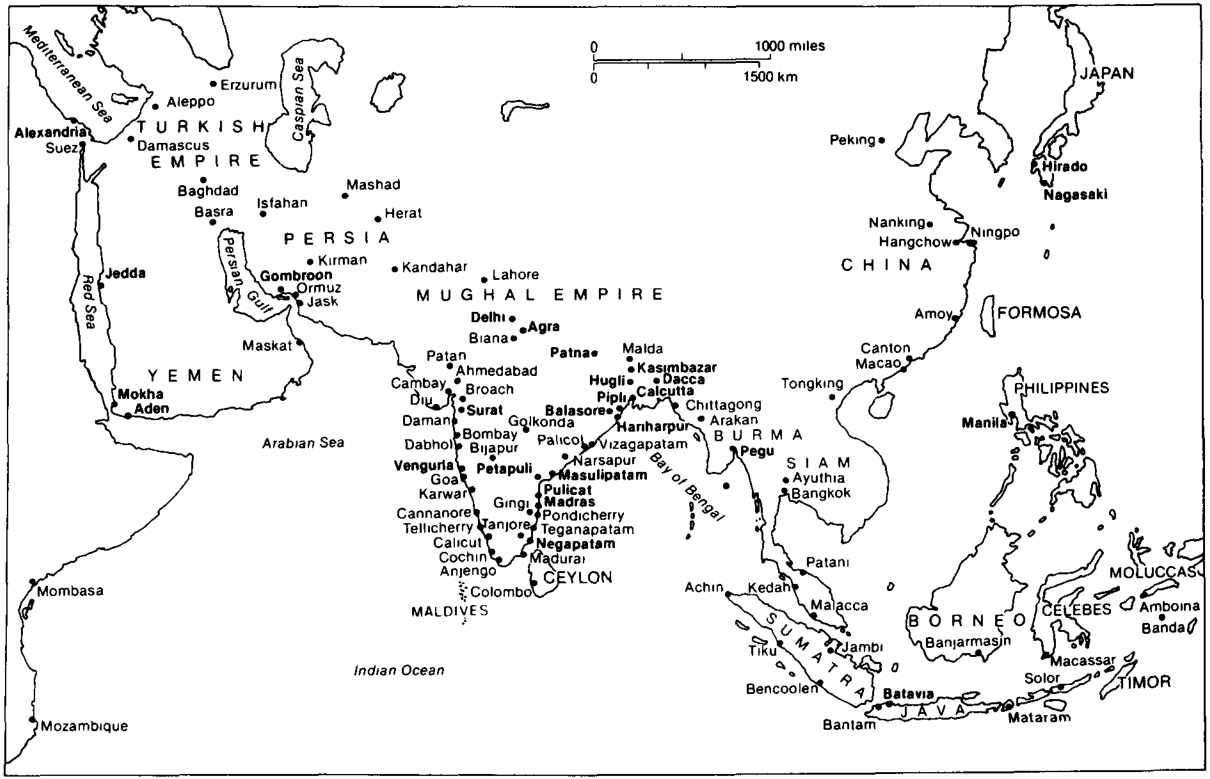
July 1983

## ABBREVIATIONS

| | |
|---|---|
| B. | The Batavia Council of the Dutch Company |
| B.M. | British Museum |
| F.R. | Factory Records |
| G.M. | Generale Missive (General letter from the Batavia Council to the Board of Directors of the Dutch Company) |
| H. | The Hugli Council of the Dutch Company |
| K. | The Kasimbazar Council of the Dutch Company |
| K.A. | Koloniaal Archief |
| L.B. | Letter Book |
| N.A. | Not available |
| O.C. | Original Correspondence |
| P. | The Pipli Council of the Dutch Company |
| XVII | The Board of Directors of the Dutch Company |
| f. 20v | means folio 20 verso |
| f. 20-v | means folios 20 and 20 verso |
| P.B., etc. | means communication from the Pipli Council to the Batavia Council, etc. |

# THE DUTCH EAST INDIA COMPANY AND THE ECONOMY OF BENGAL, 1630-1720




Important Trading Centres in Asia in the 17th and 18th Centuries

# INTRODUCTION

The discovery of the Cape route to the East Indies and the growing import of American silver into Spain are generally recognized as the two major forces behind the rise of a premodern world economy in the sixteenth century. The implications of these developments for the economic history of Europe have long been recognized. But these were evidently of crucial importance for the economic history of Asia as well. Until the late eighteenth century, when much of Asia was brought under effective European domination, the growing involvement of a number of Asian countries in world trade had profound—and, with some exceptions, generally favourable—effects on their economies and societies. During the seventeenth and the eighteenth centuries, the principal agencies that engaged in large-scale trade from Asia were the so-called chartered monopoly companies operating from a number of countries in northwestern Europe. The most important among these were the Dutch and the English East India companies established in 1602 and 1600, respectively. The present study deals with the trading operations of the Dutch East India Company in Mughal Bengal between 1630 and 1720. A particular concern of the study is an analysis of the implications of the Company's trade for the economy of the region.

The Indian economy of the seventeenth century was predominantly agrarian in character. Though the absence of data for the period makes it impossible to assign precise values to the sectoral origin of output and the occupational distribution of the work force, there can be very little doubt that the agricultural sector accounted for an overwhelming proportion of both the total output and the total employment in the economy. By the same token, the bulk of the state revenue was provided by this very sector in the form of land revenue. Each of the other two sectors, the nonagricultural sector producing manufactured goods and the services sector (including the trade sector), was much smaller, though obviously no precise estimate of their respective sizes is possible. But although this conventional form of analyzing the structure of an economy has its uses, it would be misleading to measure the contribution of a particular sector to the efficient functioning of the economy by its size so defined. This was particularly so in the case of the Indian subcontinent with respect to both manufacturing and trade.

The most important constituent of the manufacturing sector in the

Indian economy was that producing textiles. These ranged from painted or printed coarse cottons to the most exquisite Dacca muslins and the celebrated gold embroideries of Gujarat. The production for the market was organised mainly on the basis of contracts between merchants and weavers, specifying the quantity to be supplied, the price, and the date of delivery. The contract system was a variant of the standard European putting-out system insofar as in the Indian system, raw materials were provided by the merchants only rarely. A highly developed and sophisticated credit organization contributed to the efficient working of this system. Merchants could raise short-term loans at remarkably low rates of interest and could transfer money from one place to another by using the *hundi.* The *sarrafs* who ran the credit and the banking structure were also indispensable to the working of the currency and the monetary system. The Mughal coinage system, with its uniform imperial standards of weights and measures, was imposed throughout the empire over dozens of local monetary systems. Centrally appointed functionaries of the imperial mints accepted bullion or coin from local *sarrafs* or other private individuals. The system of free minting ensured that the Mughal coins retained their high degree of fineness without any known debasement for nearly two centuries.

The organization of commercial manufacturing was also closely linked to the network of trade in and from the subcontinent. The pattern and extent of specialization achieved in manufacturing production was contingent upon the movement of large quantities of raw materials and intermediate goods as well as finished products, often over long distances. A well-known example of large-scale interregional trade in raw materials is that between the east and the west coasts. During the seventeenth century, the bulk of the raw silk needed for the flourishing silk textile industry of Gujarat was obtained from Bengal in exchange for, among other things, cotton needed by the extensive cotton textile industry in the latter region. Cotton was, of course, a relatively low-value bulk item, and a part of it was carried by the land and river route via Agra. Ordinarily, this would not have been done unless the cost of movement, including that by land where *rahdari* duties might be payable at a number of points, had been kept within reasonable limits. Indigo, also used in textile manufacturing, was another raw material extensively traded. The two major areas of production of this item in northern India were Biana near Agra and Sarkhej near Ahmedabad.

There was also a flourishing interregional trade in finished textiles as well as other consumption goods. The textiles that entered trade included both the superior varieties and the relatively coarse and inexpensive cotton ones. Foodgrains and other agricultural goods figured in this trade, as well.

The trade in foodgrains was occasioned by the existence of clear-cut food surplus and deficit areas. For example, Bengal was perennially a surplus area, whereas Gujarat often needed grains brought from outside the region. *Banjaras* moved foodgrains by land on pack oxen, and a substantial volume of trade in food was also carried on by river and by sea.

Partly because of its location at midpoint, but more because of its capacity to put on the market large quantities of relatively inexpensive and highly competitive manufactured goods, the Indian subcontinent played a central role in the structure of Asian trade. Equatorial Asia, rich in different types of vegetation, spices, and drugs, had traditionally been a major buyer of coarse cotton textiles manufactured in India, among other goods. Malacca, the most important port in the region, also handled a substantial amount of reexport trade from the area to countries such as China. In the south, the trading partners of India were Ceylon and the Maldive islands. The exports to these areas consisted primarily of coarse cotton cloth, foodgrains, and other provisions. In the west, a large amount of trade was carried on between the Indian ports, particularly those on the western coast, and the ports in the Red Sea and the Persian Gulf. Although foodgrains and other goods, including expensive silk and fine cotton textiles, did enter this trade, an overwhelming part of the total Indian exports to the region was accounted for by coarse cotton textiles intended for mass consumption. The principal goods imported from the Malay peninsula and the Indonesian archipelago were spices and drugs, elephants, and nonprecious metals such as tin. Ceylon supplied a variety of items such as cinnamon, areca nuts, conch shells, and elephants, but the only item imported from the Maldive islands were small seashells known as *cauris*. The Red Sea and the Persian Gulf paid for imports from India mainly in precious metals, and only to a small extent in goods such as rose water, dates, and horses. It might be noted that this pattern of trade would seem to establish the standing of India at this time as among the most advanced and cost-competitive "industrialized" countries in Asia. At the same time, it puts in grave doubt the validity of Jacob van Leur's characterization of Asian trade as consisting mainly of trade in luxury goods.

The composition of the Indian import bill held significant implications for the economy. For one thing, in view of the negligible domestic production of precious metals, the coinage systems in the subcontinent overwhelmingly depended for their supplies of these metals on the imports from the Red Sea and the Persian Gulf. The crucial importance of this particular dimension of foreign trade was fully appreciated by the Mughals, as is evident from the lower import duties imposed on these metals than on ordinary trade goods in Mughal ports such as Surat. Copper, the third coinage metal, was also imported in important quantities. Finally, the *cauris* imported from the Maldive islands traditionally constituted an important medium of exchange for small transactions in Bengal and other areas.

The silver imported into Surat and other ports on the west coast of India from Mocha and Gombroon was partly of European origin, and had travelled to these ports via the Levant in payment of Asian spices and other luxury goods. The Euro-Asian trade via the Levant was of great antiquity and substantial value. Goods of Chinese, Japanese, Malay, Indonesian, Indian, Ceylonese, and Middle Eastern origin were assembled through a series of commercial transactions involving a host of mercantile groups and communities. They were then carried either via the Red Sea to the Levantine port of Alexandria or via the Persian Gulf to Aleppo and Tripoli in Syria. The caravans carrying these goods across Egypt or across Iraq and the Syrian desert were obliged to pay a protection cost to the authorities controlling the particular route taken.

The discovery of the Cape route at the end of the fifteenth century provided a major potential institutional change in the structure of Euro-Asian trade. The import of goods into Europe via the Levant was now supplemented by direct shipments calling at Lisbon. Europe at this time was not in a position to offer price-competitive goods to Asia. The Asian spices and other luxury goods it wanted, therefore, had necessarily to be paid for mainly in precious metals. The funds provided by the Casa da India to the Estado da India initially consisted of West Indies and West African gold.[1] By the middle of the sixteenth century, however, official shipments of treasure from Lisbon were an important conduit for the New World silver pouring into India. The Portuguese also participated in intra-Asian trade and, beginning in 1560, supplemented the supplies of American and European silver with large amounts of Japanese silver. It must nevertheless be emphasized that the Portuguese kept the exploitation of opportunities opened up by the Cape route to a minimum. They concentrated their energies largely on the redistributive potential of their armed presence in the Eastern waters. Hence their attempts at redirecting Asian shipping and the continued prosperity of the trade via the Levant.

A proper integration of the Indian economy into the premodern world economy with its economic centre in northwestern Europe had to wait until the seventeenth century. It was only with the growing use of the Cape route that a multilateral trading pattern on a world scale became important, and the full implications of the American silver mines for the

[1] The Casa da India could broadly be defined as the department of the state in Lisbon in charge of foreign trade with Asia. The Estado da India (State of India) was governed from Goa by a royally appointed viceroy and his council and comprised all Portuguese possessions in Asia and the East Coast of Africa.

Indian and other Asian economies began to be realized. The agencies that carried this out were the chartered monopoly companies. The most important among these were the Dutch East India Company, chartered in 1602 (which for a number of decades was the largest trading company in the world), and the English East India Company, which had been founded two years earlier. The companies represented a major institutional innovation over their predecessors, the Portuguese, and concentrated on exploiting the Cape route. They successfully integrated the functions of a sovereign power with those of a business partnership: the new joint stock company represented a fusion of public and private interests within a technically superior organization. By adopting specific policies in relation to stocks, pricing, and the mode of the disposal of their goods, the companies, to use the terminology of Steensgaard, made impressive gains in the transparency and the predictability of the markets in which they operated.

Both the Dutch and the English companies started out in Asia looking mainly for pepper and other spices. But soon enough, India acquired a key role in the trading strategy of each of the two companies, though for different reasons. In the case of the Dutch Company, this role derived from its growing participation in intra-Asian trade. It has been estimated that by the mid-seventeenth century, nearly half of the Company's ships that left Europe remained in Asia to be used in intra-Asian trade. The principal goods the Company procured in India included finished manufacturing goods such as textiles of all varieties, intermediate goods such as reeled raw silk, and, to a smaller extent, raw materials such as saltpetre and indigo. Like other foreign traders, the Company adapted itself quite well to the requirements of the well-organized and reasonably efficient structure of production and procurement that it discovered in the areas of its operation in the subcontinent.

The purchasing power the Company brought to India consisted partly of goods of both European and Asian origin, but an overwhelming proportion consisted of silver and gold bullion and coins that were converted into the local currencies. This fact conditioned to a significant extent the nature and the magnitude of the impact of European trade on the Indian economy and society. Since it would seem that the companies' trade was not instrumental in depriving the Indian producers of alternative markets for their output, an increase in their own demand for textiles and other goods evidently involved a substantial expansion in domestic output. In the absence of labour-saving technological change, this, in turn, led to a rise in total employment. At a more general level, of course, the companies' trade had much wider ramifications for the economy and the society of the subcontinent.

Within the subcontinent, there were substantive regional variations in regard to the intensity of the European companies' involvement in trade and economic activity. From the last quarter of the seventeenth century on, when the "invasion" of the European market by the Indian textiles inaugurated a new phase in the history of Indo-European trade, Bengal was by far the most important theatre of company activity not only in the subcontinent but in the whole of Asia. At the turn of the eighteenth century, the Bengal region—roughly defined to include the territory now covered by Bangladesh and the Indian states of West Bengal, Bihar, and Orissa—provided nearly 40 percent of the average annual value in Asian goods the Dutch Company sent to Holland. More than half of the total value in textiles the Company exported from Asia was in the form of Bengal textiles. The picture was not too different in the case of the English East India Company. Indeed, writing in 1730, Alexander Hume, the chief of the Ostend Company, described the Dutch and the English as the greatest foreign traders in Bengal.

Long before the Bengal textiles and silks had become important for the European market, the Dutch Company had carried on an extensive trade in Bengal goods all over Asia. Among the northwestern Europeans, only the Dutch engaged in intra-Asian trade on a large scale. In addition to bringing in substantial profits, this trade supplemented the supplies of precious metals obtained from home by supplies obtained within Asia. And by the middle of the seventeenth century, Bengal had become the single most important supplier of cargo shipped from Batavia to Japan, which was by far the most important Asian source of precious metals.

The period over which the Dutch Company's trade in Bengal is discussed in the present study extends from the early 1630s, when a trading post was first established in the region, to about 1720. At the close of the period, the Company was still ahead of its English rival in terms of the total volume of trade carried on in the region, but if we consider only the value of the trade carried on with Europe, the English had surpassed the Dutch. Since the English Company's trade was among the most vital factors affecting the Dutch Company's fortunes as well as its trading strategy, the broad outlines of the English trade in the region have also been indicated. The scheme of chapters adopted in the study reflects its dual concern. While on the one hand it attempts an analysis of the Dutch Company's trade in the Bengal region in the wider framework of its trading strategy in Asia and Europe, on the other it examines the implications of the integration of Bengal's economy into the premodern world economy with special reference to the inflow of precious metals into the region. The reader will thus find himself shuffled back and forth between the Company and the economy of Bengal.

# · 1 ·

## THE COMPANY IN ASIAN TRADE

The Dutch East India Company was founded in 1602 by a charter granted by the States-General, the national administrative body of the Dutch Republic.[1] During the last quarter of the sixteenth century—and particularly since the closure, in 1585, of Seville and Lisbon to vessels from Holland—the Dutch had been actively engaged in trying to reach the Asian sources of spices and other luxury goods and contest the Portuguese monopoly of the Cape route.[2] In April 1595, the Amsterdam-based "Company of Far Lands" (Compagnie van Verre), which was the first among the so-called "precompanies' (*voorcompagnieën*) and which had managed to raise a capital of *f*. 290,000, sent out four ships to the East Indies under the command of Cornelis de Houtman. One of the ships was lost, but the remaining three came back in August 1597 with a cargo of pepper, nutmeg, and mace. Another voyage was scheduled for the spring of the following year, even though the Company lamented that it had suffered a net loss on the first voyage. In the meantime, a number of new companies had been organized for trade with the East Indies. One of these was in Amsterdam, two in Zeeland, and another two in Rotterdam. The two Amsterdam companies were merged in 1598 and came to be known as the "Old Company." It was on the account of this company that eight vessels were sent out to the East in the spring of 1598. The profit of the voyage was estimated at around 400 percent.[3] By 1600, yet another four companies had been formed in the various provinces of the Netherlands. The inevitable result was an increase in the cost price of the pepper and other spices and a decline in their sale prices. To all those who realised the enormous potential of the East India trade, it was imperative that some-

[1] The Company was called "De Verenigde Oost-Indische Compagnie" (The United East India Company). In the literature, it is often referred to as the V.O.C.

[2] The Dutch actually devised a number of ways to circumvent the ban on the trade with Seville and Lisbon. The notaries in Amsterdam were adept at counterfeiting for Dutch skippers the passports issued by the port authorities of Hamburg, Lübeck, and Danzig. Dutch goods were also transported in ships flying foreign colours. Nevertheless, the volume of trade did suffer considerably, and for the merchants whose ships and/or goods were confiscated, the losses were catastrophic. J. H. Kernkamp, *De Handel op den Vijand, 1572-1609*, I (Utrecht, 1931), 201-202; Violet Barbour, *Capitalism in Amsterdam in the Seventeenth Century* (Baltimore, 1950), p. 15; G. Masselman, *The Cradle of Colonialism* (New Haven, 1963), p. 38.

[3] C. R. Boxer, *The Dutch Seaborne Empire* (New York, 1965), p. 23.

thing be done to curb the cutthroat competition among the various companies.

The initiative was taken by the Old Company which, on the strength of being the pioneer in the East India trade and the most important participant in it, petitioned the States of Holland in 1601 for a monopoly of all trade east of the Cape of Good Hope for a period of twenty-five years. The request was turned down, but it was instrumental in setting in motion other moves to eliminate competition among the various companies. The States-General was interested in having the various companies come together, not only because a financially strong United Company would be equipped to conduct the East India trade more profitably but also because it would be in a stronger position to face the combined opposition of the Portuguese and the Spaniards in the East Indies. Indeed, the East India Company could then be used as an instrument in the war against Spain and Portugal. Mainly through the mediatory efforts of Johan van Oldenbarnevelt, the various units agreed to come together, and the United East India Company was chartered on March 20, 1602. The Company was given the sole right for a period of twenty-one years to sail east of the Cape of Good Hope and west through the Strait of Magellan.[4]

Earlier, on December 31, 1600, the English East India Company had received a charter from the Crown. The two national monopoly companies introduced far-reaching changes in the organisation and structure of the seaborne trade between Europe and Asia. For the first time, trade with Asia was regarded as a purely economic enterprise with profit and loss as the ultimate measure of success or failure—and not, as in the case of the Portuguese, simply an activity engaged in by a "department of the State" without obligation to earn a profit. Although the Dutch East India Company was not as independent of the political authorities at home as was its English counterpart, and although there was often extensive cooperation between the Company and the Admiralty in the matter of ships and so on, nevertheless "there was never at any time a question of confusing the Company's and the Republic's separate economies."[5]

Although the organisational structure of the Dutch East India Company is well known, one or two key features bear repetition.[6] For one thing, even though the individual chambers of the Company enjoyed a certain

[4] Oldenbarnevelt was the Pensionary (chief advocate or representative) of the State of Holland. Masselman, *Cradle of Colonialism*, p. 149.

[5] Niels Steensgaard, *The Asian Trade Revolution of the Seventeenth Century* (Chicago, 1974), p. 136.

[6] See for example Kristof Glamann, *Dutch-Asiatic Trade 1620-1740* (Copenhagen/The Hague, 1958); Steensgaard, *Asian Trade Revolution*; and F. S. Gaastra, *De Geschiedenis van de VOC* (Bussum, 1982).

measure of autonomy insofar as they equipped—and received—their respective ships on their individual accounts, the real decision-making authority in all respects was centralised in the Board of Directors, known as the *Heeren XVII* (seventeen Gentlemen). Again, though the charter provided that a stockholder might withdraw his stock at the close of each decade, this clause was withdrawn even before the first decade had closed. Shares could be sold but no longer withdrawn, so that a permanent joint stock was guaranteed. Further, the procedure of election of the Directors ensured that they were not responsible to the stockholders. As Steensgaard has put it, "In relation to VOC the stockholder was like the owner of a government bond: he could dispose of his claim at whatever price he could obtain, but he could no more influence the Company's policy than the owner of the bond can influence the State's policy."[7] It might also be noted that, given the high price of the limited amount of land available and the heavy rate of land taxation, the favoured forms of investment in the Netherlands were shares in ships or mills and in fishing or trading voyages. It was, therefore, not very difficult to raise capital even under relatively adverse stockholding conditions.

## The Role of Bullion

During the seventeenth and eighteenth centuries, Euro-Asian trade was characterized by a chronically and significantly unfavourable balance of trade for Europe. This necessitated the movement of large quantities of precious metals to Asia to settle the accounts. Thus, of the total value of cargo sent out by the Dutch Company to the East Indies in 1615, goods accounted for only 6 percent, the remainder being in the form of precious metals. Eight years earlier, the only merchandise exported by the Company was some iron and lead, the value of which was too small to be mentioned in the relevant resolution of the Directors.[8] Even in the mid-seventeenth century, when significant amounts of precious metals were already being obtained within Asia, the proportion of bullion in the total export bill to the East Indies continued to be larger than that of goods. Thus, over the seven years 1651 to 1657, goods accounted for only 45 percent of the total of bullion and commercial goods received at Batavia.[9] Again, be-

[7] Steensgaard, *Asian Trade Revolution*, p. 129.

[8] M.A.P. Meilink-Roelofsz., *Asian Trade and European Influence in the Indonesian Archipelago between 1500 and about 1630* (The Hague, 1962), pp. 377-378 n. 149.

[9] Victuals and equipment have not been included in this calculation. Calculated from W. Ph. Coolhaas, ed., *Generale Missiven van Gouverneurs-Generaal en Raden aan Heren XVII der Verenigde Oost-Indische Compagnie* (The Hague, 1964, 1968), II, 481, 586, 744, 817; III, 78, 145, 208.

tween 1700 and 1750, commercial goods, together with provisions, equipment, ammunition, and so on accounted for only about a third of the total exports from Holland to Batavia.[10] The picture was not very different in the case of the English East India Company.[11] It should be obvious that if Europe had not been able to send out increasing quantities of bullion to Asia through this period, the trade between the two continents would not have attained such significant proportions.

The crucial role of bullion in the Euro-Asian trade of the seventeenth and the eighteenth century has sometimes been ascribed to the rigidity of consumer tastes in the East, which rendered the Asian markets for European goods extremely small and static. Alternatively, it has been suggested that the absorption of precious metals by India or China reflected the hoarding habits in these societies.[12] But perhaps a more convincing explanation of this phenomenon is the inability of Europe to supply Western products at prices that would generate a large enough demand for them to provide the necessary revenue for the purchase of the Asian goods. Europe at this time had an undoubted overall superiority over Asia in the field of scientific and technological knowledge, but as yet did not have the cost advantage that came with the Industrial Revolution in the nineteenth century. This put the Indian producers, with their considerably lower labour costs and a much longer history of sophisticated skills in handicrafts of various kinds, in a position of advantage over their European counterparts in the production of a variety of manufactured goods. This is reflected in a wide disparity in the price level in the two continents, commented upon by several Europeans in the eighteenth century. The only major item Europe was in a position to provide to Asia was precious metals. This dimension of Euro-Asian trade conditioned to a large extent the nature of the impact of this trade on the Asian economies.

Since Europe imported a large quantity of silver from the New World during the sixteenth and early seventeenth centuries, it possessed a stock of precious metals necessary for a steady growth in trade with Asia. And within Europe, Holland was in a particularly happy position in this regard. It is remarkable that even though the Dutch were not permitted to trade in Spanish ports from 1585 onward and, in any case, there was a general

[10] Ivo Schöffer and F. S. Gaastra, "The Import of Bullion and Coin into Asia by the Dutch East India Company in the Seventeenth and Eighteenth Centuries" in Maurice Aymard, ed., *Dutch Capitalism and World Capitalism* (Cambridge, 1982), pp. 222-223.

[11] K. N. Chaudhuri's figures show that over the period 1660 to 1760, the average proportion of treasure to total English exports to the East Indies was 74.8 percent. Calculated from *The Trading World of Asia and the English East India Company, 1660-1760* (Cambridge, 1978), Appendix 5, Table C.4, p. 512.

[12] For example, see Rudolph C. Blitz, "Mercantilist Policies and the Pattern of World Trade, 1500-1750," *Journal of Economic History*, 27 (1967), 39-55.

prohibition on the export of precious metals from Spain, a substantial proportion of the South American silver coming to Spain did eventually find its way to Amsterdam, mainly via Hamburg. This made the Dutch the undoubted masters of the European bullion trade and Amsterdam the leading world centre of the trade in precious metals.[13] It is an indication of the international standing of this city as a market for precious metals that the English East India Company obtained a large part of its requirements of these metals in Amsterdam.

Easy access to precious metals was a necessary but not a sufficient condition for their export to the East, for active mercantilist prejudice against the export of these metals could be a source of anxiety to the companies. Given the leading position of Amsterdam as a centre for trade in precious metals, however, this prejudice was far less vocal in Holland than it was in England. The only restriction that the Dutch Company had to contend with in the early stages of its trade was the prohibition against exporting precious metals in the form of bullion. In 1647, the States-General withdrew even this restriction, provided one-third of the amount exported was surrendered to one of the state mints or the Amsterdam Exchange Bank. In any case, practically throughout our period the export of foreign coins and of Dutch coins specifically intended for export—the so-called *negotie-penningen*—was freely allowed.[14]

## The Spice Monopoly

The Dutch realised from the very beginning that if the spice trade was to continue to be highly profitable, they must strive to gain control of both the total amount reaching Europe and the cost price in the Indies.[15] The 1602 merger of the precompanies into the United Company was only the

[13] J. G. van Dillen, "Amsterdam als Wereldmarkt der Edele Metalen in de 17de en 18de Eeuw," *De Economist*, 72 (1923), 541-550.

[14] It is, of course, true that in November 1701, when in the context of the impending War of Spanish Succession it was feared that the flow of American bullion would be cut off, the export of both bullion and the *negotie-penningen* was banned. However, in June 1702, the College of Admiralty was authorized to permit individual companies and merchants to export the *negotie-penningen* after examining the merits of each case. In this milder form, the restriction continued for several years, but had effectively lapsed long before the War of Spanish Succession came to an end in 1713 (van Dillen, "Amsterdam als Wereldmarkt," pp. 588-590, 594-596).

[15] The region producing the spices was designated as the "spice islands." These were Amboina, off the southern coast of Ceram; the Banda group in the Banda sea, south of Ceram; and Ternate and Tidore much farther to the north, off the coast of the large island of Halmahera. Amboina was the chief source of cloves; the others were the chief source of nutmeg and its derivative, mace. The Dutch Company's policy was to confine the production of cloves, nutmeg, and mace to Amboina and the Banda group, where local authority was weakest. Pepper, another major spice, was grown over a much wider area in the archipelago.

first step in this direction. The ultimate aim was to eliminate the rivals in this trade—the Portuguese, the English, and the Asian merchants. Between 1605 and 1609, the Company managed to wrest from the authorities in Amboina and Ternate agreements obliging the natives to supply their cloves exclusively to the Dutch. A similar agreement was concluded in 1605 with the Banda group of islands regarding the procurement of nutmeg and mace. The latter agreement was renewed after the conquest of the islands by the Company in 1621.[16] Although the agreement with the English East India Company in 1619 obliged the Dutch to permit the former to buy one-third of the total amount of spices available in the archipelago, the English found the accompanying obligation to bear one-third of the cost of Dutch garrisons in the area to be crippling, and as early as 1622, they were planning to withdraw from the spice trade.[17]

By the early 1620s then, the Dutch had acquired effective monopsony rights in nutmeg and mace. The case of cloves was somewhat more complex. There was a large-scale smuggling trade carried on between the producing areas and Macassar, enabling the English, among others, to obtain large quantities of this spice. Though from 1643 onward the Company had managed to reduce such smuggling, it was only after the conquest of Macassar in 1667 that the Dutch fully controlled the trade in cloves.[18] As for pepper—which was a substantially more important item of investment in the Indies than all the other spices put together—in spite of the availability of formal monopsony rights in a number of states in the region, the Company never acquired effective monopsony rights.[19] Pepper was,

[16] See the relevant contracts in J. E. Heeres, ed., *Corpus Diplomaticum Neerlando-Indicum*, I (The Hague, 1907), 31-33, 36-41, 50-53, 66-69, 160-161.

[17] D. K. Basset, "The Amboyna Massacre of 1623," *Journal of Southeast Asian History*, 1:2 (1960), 4-5.

[18] Ibid., pp. 8-12. The Dutch had in 1663 driven the Spaniards out of Ternate, which was the only other important source of cloves.

[19] In the mid-seventeenth century, pepper accounted for 50 percent of the total Dutch investment in the East, as against a mere 18 percent for the other spices. Even at the end of the century, the investment in pepper nearly equalled that in other spices. The ruler of Palembang conferred monopsony rights in pepper on the Company in 1642 and renewed them in 1662. The Achinese dominions of Tiku, Priaman, and Indrapoera in western Sumatra did so in 1649. The ruler of Indragiri signed a similar agreement in October 1664, but the Company had to wait until August 1681 before it succeeded in wresting monopsonistic rights in pepper from the ruler of Jambi, one of the major pepper-growing districts of Sumatra. The July 1643 agreement with Jambi had conferred exclusive buying rights in pepper jointly on the Dutch and the English, providing to the latter legal access to a major source of this spice. The English continued trading at Jambi until 1679, when their factory was destroyed in a Malay attack. The English also obtained substantial quantities of pepper at Benkulen, where it was smuggled in by native traders from Jambi and Palembang. In 1736, the *Heeren XVII* recorded that the English were importing as much pepper into Europe annually as was brought into Batavia from all the Dutch-controlled pepper districts in the archipelago.

it is true, more abundant and the cost price probably lower for the Dutch than for the English East India Company. But the Dutch Company had to incur substantial costs in maintaining the forts and the garrisons necessary to enforce its privileges in buying spices. It is, therefore, important that the limitations of the term "spice monopoly/monopsony" used in this study be realised.

The control exercised by the Company on the spice islands enabled it to procure spices at unusually low prices. This ensured a very high rate of gross profit, often exceeding 1,000 percent.[20] Before the advent of the Dutch, the spice growers had been used to exchanging their wares for Indian cloth, rice, and other necessities brought to them by Indian and other Asian merchants as well as the Portuguese. The Company could have obtained the Indian textiles—by far the most important medium of exchange in the spice islands—at Achin and other places in the archipelago, but its acute business instinct drove it to their source, the Coromandel coast, where a factory was established at Petapuli in 1606, and Gujarat, where regular trade was started around 1618 at the port of Surat. Thus began the Company's participation in intra-Asian trade, which in course of time assumed important proportions and became an object of as much concern as the Euro-Asian trade itself. The involvement of the Company in intra-Asian trade was facilitated by the spice monopsony available to it. Spices were in demand all over Asia, and provided the Company with an important source of purchasing power in areas where it sought trade, particularly because with its monopoly power, the Company was able to keep the selling prices at a fairly high level.[21]

## The Intra-Asian Trade

The high profitability and the crucial importance of the intra-Asian trade was evident to the Company soon after it first became involved in it. As

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Glamann, *Dutch-Asiatic Trade*, pp. 13, 89-90; *Corpus-Diplomaticum*, I, 380-386, 407-412, 528-531; II, 209-212, 280-285, 285-287, 291-297.

[20] Ordinarily, the purchase price was specified in the contracts themselves, and was invariably kept at a very low level. Even when this was not the case, the price paid was lower than the one that obtained during the Portuguese period. Thus, in Ceram, the price paid for cloves was 50 to 60 rials per *bahar*, whereas earlier the price had been between 70 to 80 rials per *bahar* (Meilink Roelofsz., *Asian Trade*, p. 214). See also Glamann, *Dutch-Asiatic Trade*, p. 93.

[21] Spices almost invariably constituted an important item sold by the Company in its various Asian factories. According to Meilink-Roelofsz., the "sales of spices formed the basis of Company expansion in other spheres of trade in Asia and were usually decisive when it was a question of continuing with a certain line of business or dropping it." In 1667, the gross profit on spices sold in Bengal was: cloves 710%, broken nutmeg 1,443%, and mace 903% (Meilink-Roelofsz., *Asian Trade*, p. 227; H. XVII.5.9.1667, K.A. 1156, f. 871).

early as 1612, Hendrik Brouwer, a future governor-general of the East Indies, described the Coromandel coast as the "left arm of the Moluccas and the surrounding islands because without textiles that come from there [the Coromandel coast], the trade in the Moluccas will be dead."[22] In his discourse dated January 1, 1614, Director-General Coen emphasized the strategic significance of the intra-Asian trade.[23] Four years later, Coen—now Governor-General—visualised a situation in which the entire Euro-Asian trade of the Company could eventually be financed out of the profits of its intra-Asian trade.[24] In 1619, Coen sent to the Directors a blueprint of the Company's intra-Asian trade: cloth from Gujarat (obtained against spices, other goods, and rials) to be exchanged against pepper and gold on the coast of Sumatra; cloth from Coromandel (obtained against spices, Chinese goods and gold, and rials) to be exchanged against pepper at Bantam; sandalwood, pepper, and rials to be exchanged against Chinese gold and goods, the latter also being used in exchange for silver from Japan. Finally, rials of eight could be obtained at Arabia against spices and other sundry items. Since the Company already had spices available to it, all that was needed to turn this blueprint into reality was an adequate number of ships and enough capital for some time to establish the intra-Asian trade—"a little water to prime the pump."[25] The Company already had a permanently circulating capital of between *f.* 2.5 and *f.* 3.5 million in the East Indies at this time, but Coen wanted more.

The Directors, however, would not have found it easy to meet Coen's demands. Though there were no serious problems with regard to the export of precious metals from Holland, there was a limit to the capital that the Directors were in a position to send to the East Indies. Whereas the total share capital of the Company was less than *f.* 6.5 million, its total debts in 1623 stood at *f.* 8 million. Although merchants of good standing could obtain credit in Amsterdam at between 3 and 4.5 percent, the Dutch East India Company in its early years had to pay as much as 6.25 percent.[26]

[22] *Corpus-Diplomaticum*, I, 154. The term Moluccas usually applied only to the spice islands to the north of Amboina but was sometimes used to describe the islands as a whole.

[23] H. T. Colenbrander, ed., *Jan Pietersz. Coen, Bescheiden Omtrent Zijn Bedrijf in Indie*, vol. 6 (The Hague, 1934), 451.

[24] "I am of the opinion that matters can be brought to a point that you will not be obliged to send any money whatever from Holland" (letter from Governor-General Coen to the Directors dated June 24, 1618. *Jan Pietersz. Coen*, I [The Hague, 1919], 348).

[25] Letter from Coen to the Directors, August 5, 1619, ibid., pp. 485-486.

[26] In their letter of August 9, 1624, to Pieter van den Broecke at Surat, Governor-General Pieter Carpentier and the Batavia Council wrote that of the total debt of *f.* 8 million, the Directors were trying to repay *f.* 4.5 million. Therefore, no more than two ships were sent by them to Batavia that year "with not a single rëal in cash" (K.A. 994, f. 297vo; Glamann, *Dutch-Asiatic Trade*, p. 34); Barbour, *Capitalism in Amsterdam*, p. 86.

Resources for the development of intra-Asian trade, therefore, had to be found partly within Asia.

In addition to pepper and other spices, the key commodity in Coen's blueprint was Indian textiles, which had to be paid for in Coromandel mainly in gold and in Surat mainly in silver. It was, therefore, imperative to establish trade relations with Asian sources of precious metals—whether they be themselves producers of these metals or obtain them through trade. Such places were China and, to a smaller extent, the west coast of Sumatra for gold, and Japan and Arabia for silver. The small quantity of gold available at Sumatra was of local produce, and the Company was already entrenched there. Arabia received its supply of silver mainly from Europe via the Levant. As early as 1616, attempts were made to establish trade relations with Mocha. Among other goods, Indonesian spices were sent there even at the risk of their being smuggled into Europe via the Levant, compromising the Company's European monopoly.[27] But the Company withdrew from Mocha in 1624, following problems arising out of the seizure of two ships belonging to the port of Dabhol on the west coast of India. The other major Asian sources of precious metals (besides the Philippines, which obtained South American silver from Acapulco but which was under the control of the Spaniards and, therefore, out of the Company's reach) were Japan and China.

A factory was established at Hirado in southwestern Japan in 1609. Although items such as fine quality cotton textiles, spices, sugar, lead, quicksilver, and musk could be sold in Japan, the principal items in demand there during the early period of Dutch trade were Chinese silk, silk textiles, and other Chinese goods.[28] The Dutch initially tried to obtain Chinese wares from ports in the China sea and the Malay peninsula where Chinese junks came in large numbers to trade. The establishment of trade relations with Patani and Siam, and later with Cambodia, Annam, and Tonkin was partly in the quest of Chinese goods. But success was limited, and attempts were made almost from the very beginning of trading relations with Japan to establish a trading post, by force if necessary, on the coast of China or its immediate vicinity. The efforts to blockade Chinese trade with Manila were followed by an attack on Macao in 1622 and the subsequent occupation of the Pescadores. But soon thereafter, in 1624, the Dutch were persuaded to move to Taiwan in return for an informal agreement that Chinese merchants would be allowed to go there to trade with

[27] Meilink-Roelofsz., *Asian Trade*, p. 224.

[28] Oskar Nachod, *Die Beziehungen der Niederländischen Ostindischen Kompagnie zu Japan im Siebzehnten Jahrhundert* (Leipzig, 1897), p. 130.

them.[29] The importance that the Company attached to the potential trade with China at this time is evident from the fact that large stocks of ready money were kept at Batavia "for the China trade," while important factories such as the ones on the Coromandel coast faced acute shortages of funds.[30] The principal commodities procured by the Company in Taiwan were, of course, Chinese silk and silk textiles for the Japanese market. A part of the silver obtained from Japan was then invested not only in getting the next round of silk in Taiwan but also gold. As indicated earlier, the yellow metal was needed for the crucial Coromandel trade. Until its capture in 1662 by the forces of Cheng Cheng-kung ("Coxinga" of the European accounts), Taiwan remained an important source of gold for the Company. All through this period, the Company obtained gold in Taiwan in exchange for Japanese silver, rather than procuring it directly in Japan. This was because until 1637, given the different gold/silver parity in the two countries, it was more profitable to buy gold in Taiwan. And from 1641 onward, the export of gold from Japan was banned.[31] However, when Japan's "era of seclusion" began in 1639, the Dutch were the only Europeans permitted to continue trading in the country.

The Company obtained trading rights in Persia in 1623. Initially, the most important item procured there was raw silk, but from the middle of the seventeenth century, the Company engaged in a thriving smuggling trade in Persian silver coins called *abbasies* and in "Moorish" ducats.[32] In Ceylon—the source of cinnamon—the Company obtained important commercial privileges practically amounting to a monopoly of the island's trade in return for a promise of armed assistance against the Portuguese.[33] The Company's quest for pepper took it to Malabar on the southwest coast of India. The first contacts were made as early as 1604, though a regular factory was not established there until 1647.[34]

Thus in the first few decades of its existence, the Dutch East India

[29] John E. Wills, Jr., *Pepper, Guns and Parleys: The Dutch East India Company and China, 1662-1681* (Cambridge, Mass., 1974), pp. 21-22.

[30] See, for example, letters from Governor-General Carpentier to van Uffelen at Masulipatam dated August 18, 1623, K.A. 992, ff. 131-vo; September 21, 1623, K.A. 992, ff. 137-vo; and March 16, 1624, K.A. 994, f. 208.

[31] The parity in Japan was 1:12, and in China 1:8 in the 1620s, 1:10 in 1635, and about 1:13 from 1637 onward. A. Kobata, "The Production and Uses of Gold and Silver in 16th and 17th century Japan," *Economic History Review*, second series, 18 (1965), 254; Nachod, *Niederländischen Ostindischen Kompagnie*, pp. 136-137, 357, and appendix 63D, p. cci.

[32] Glamann, *Dutch-Asiatic Trade*, p. 120.

[33] *Corpus-Diplomaticum*, I, 95-99; K. W. Goonewardena, *The Foundation of Dutch Power in Ceylon, 1638-1658* (Amsterdam, 1958), pp. 7-8.

[34] *Corpus-Diplomaticum*, I, 30-31; J. van Lohuizen, *The Dutch East India Company and Mysore* (The Hague, 1961), p. 11.