Financing the European Trade with Asia in the Early Modern Period: Dutch Initiatives and Innovations

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One of the principal outcomes of the great discoveries of the closing years of the fifteenth century was the rise of a pre-modern world economy. It was the almost simultaneous discovery of the Americas and of the all-water route to the East Indies via the Cape of Good Hope that had brought the three potential constituent segments of this economy, namely Europe, the New World and Asia, together for the first time. By providing a wide range of goods for both Europe and the New World, and by absorbing in return an important segment of the New World output of silver, Asia played a key role in the creation and the subsequent successful functioning of this global network of exchange.

The principal agencies instrumental in the running of the Euro-Asian commercial network in the early modern period were the European corporate enterprises - the Portuguese *Estado da Índia* in the sixteenth, and the Dutch, the English and the French East India companies in the seventeenth and the eighteenth centuries. A certain amount of Euro-Asian trade was also carried on by private European traders, though it would seem to have been quantitatively significant only in the case of the Portuguese private traders. The seventeenth century was marked by a fundamental change in the character of the Euro-Asian commercial encounter. The 'Asian trade revolution', to use the terminology of Niels Steensgaard, of the early seventeenth century, however, consisted only to a certain extent in the Portuguese 'redistributive enterprise' giving way to the pursuit by the Dutch and the English companies of rational and productivity-maximising commercial policies. From

the vantage point of India, the 'revolution' consisted even more in the extension of the trading links established by the Europeans to all major segments of coastal India, an enormous increase in the volume and value of their trade in the subcontinent in the course of the century, its diversification to include a whole range of new trade goods for the European and various Asian markets and, perhaps most important of all, the manner in which the procurement of goods for trade was organised.

But if between the sixteenth and the eighteenth centuries, Euro-Asian trade witnessed profound changes in a variety of directions, its central characteristic feature remained unchanged. This was the necessity for the Europeans to pay for the Asian goods overwhelmingly in precious metals. This particular phenomenon 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.[1] But perhaps a more convincing explanation of this phenomenon is the inability of Europe to supply western products with a potential market in Asia 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 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 Asian, and particularly 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. The only major item Europe was in a position to provide to Asia was precious metals. The growth of the Euro-Asian trade, therefore, was critically dependent upon an increase in the availability of these metals. In

[1] See, for example, Rudolph C. Blitz, 'Mercantilist policies and the pattern of world trade,1500-1750,' *Journal of Economic History*, 27 (1967), pp. 39-55.

this context, the working of the South American silver mines and the enormous import of American silver into Europe during the sixteenth and the early seventeenth century was a development of critical significance. Although the American silver initially arrived in Spain, a large part of it eventually found its way to Amsterdam, mainly via Hamburg. In fact, from the early years of the seventeenth century onward, the Dutch were the undoubted masters of the European bullion trade and Amsterdam the leading world centre of the trade in precious metals.[2] It is an indication of the international standing of this city as a market for precious metals that the English East India Company also obtained a large part of its requirements of these metals in Amsterdam. An important implication of this "bullion for goods" model of Euro-Asian trade was that as far as the Europeans were concerned, the profit from the trade was derived almost entirely from the sale of Asian goods in Europe rather than also from the sale of European goods in Asia.

The bullion-based character of the Euro-Asian trade is brought out unambiguously in the overwhelming domination of precious metals in the exports of each of the principal European corporate enterprises to Asia. One of these enterprises, however, went a step further and significantly augmented the purchasing power taken from Europe by resources raised in Asia itself. This enterprise was the Dutch East India Company (VOC), by far the largest carrier of Asian goods into Europe well into the eighteenth century. This paper analyses the principal mechanisms evolved by the Company to enhance its resource base in Asia during the seventeenth and the eighteenth centuries. A part of this enhancement essentially represented only a change in form in so far as the equivalent of the resources raised in Asia had to be reimbursed in Europe. The Company resorted to this method, which was later emulated by other enterprises also, essentially in the interest of both greater convenience and reduced risk of loss on the way in physically transporting the precious metals to Asia.

[2] J.G. van Dillen, 'Amsterdam als wereldmarkt der edele metalen in the 17de en 18de eeuw,' *De Economist*, 72 (1923), pp. 538-550, 583-598, 717-730.

But a large part of the resources raised in Asia represented not a transfer but sums of money earned there essentially through a highly organised and effective participation in intra-Asian trade. The Dutch East India Company was the only European enterprise to undertake this major innovation.

1. The unquestioned domination of precious metals in the total export bill from Europe comes out unambiguously in the case of each of the major European corporate enterprises engaged in the trade with Asia. In the case of the English East India Company, for example, treasure accounted approximately for between 65 and 90 percent of the total value exported to Asia between 1601 and 1760.[3] In respect of the French *Compagnie Perpetuelle des Indes* (1725-69), this proportion varied between 55 and 86 percent.[4] The story was not very different for the Dutch East India Company. The goods the Company exported to the East included woollen, silk and other textiles manufactured mainly at Leiden, and non-precious metals such as lead, iron, vermilion and mercury, besides sundry items such as wines and beer. Since the Company's accounts do not permit a clear-cut distinction between the cost of these goods and that of the equipment and consumption goods also sent along, a systematic analysis of the proportion that trade goods (and by implication, precious metals), formed of the total exports is not feasible. But some information available for the eighteenth century in respect of the Amsterdam chamber alone suggests that this proportion was usually between 10 and 20 percent.[5] The information base for the seventeenth century is much more fragmentary. But on the whole, it would seem to suggest a somewhat higher average figure for this century. According to the information available in the *Generale*

[3] Calculated from K.N. Chaudhuri, *The English East India Company: the Study of an Early Joint-Stock Company, 1600-1640,* (London, 1965), Table II, p. 115 and *The Trading World of Asia and the English East India Company, 1660-1760,* (Cambridge, 1978), Appendix 5, Tables C1 and C4, pp. 507,512.

[4] Calculated from Philippe Haudrère, *La Compagnie française des Indes au XVIIIe siècle 1719-1795,* (Paris, 1989), vol. 4, Tables IIE and F, pp. 1196-98.

Missiven, there were even some years in the second half of the seventeenth century when the value of trade goods exported matched that of the precious metals.[6]

The data on the Dutch Company exports of precious metals refer in fact to the totals of the allotments made to individual chambers each year, but these corresponded closely to the actual amounts exported. The decennial totals are set out in Table 1.

Table 1. The export of precious metals (coined and uncoined) by the VOC to Asia, 1602-1794

(Decennial totals in million florins rounded off to the nearest thousand)

1602 - 10	5.207	1700 - 10	39.275
1610 - 20	10.186	1710 - 20	38.827
1620 - 30	12.360	1720 - 30	66.030
1630 - 40	8.500	1730 - 40	40.124
1640 - 50	9.200	1740 - 50	38.275
1650 - 60	8.400	1750 - 60	58.958
1660 - 70	12.100	1760 - 70	53.542
1670 - 80	11.295	1770 - 80	48.317
1680 - 90	19.720	1780 - 90	47.896
1690 - 1700	28.605	1790 - 94	16.972
		Total	573.789

Source: J.R. Bruijn, F.S. Gaastra and I. Schöffer, *Dutch-Asiatic Shipping in the 17th and 18th Centuries* (The Hague, 1987), vol. I, table 39, p. 187.

[5] J.R. Bruijn, F.S. Gaastra and I Schöffer, *Dutch-Asiatic Shipping in the 17th and 18th op. cit.*, p. 183.

[6] This assumes that the term *koopmanschappen* (merchandise) has been used carefully to include only trade goods. (F.S. Gaastra, "The exports of precious metals from Europe to Asia by the Dutch East India Company, 1602-1795" in J.F. Richards (ed.), *Precious Metals in the Later Medieval and Early Modern Worlds*, (Durham, 1983), p. 461.

It will be seen from the table that a relatively high figure of f. 12 million had already been reached by the decade 1620-30. The big increase took place from about 1680 with an all-time peak of f. 66 million being reached during 1720-30. A generally very high level was maintained throughout the second half of the eighteenth century. It should, of course, be realised that the decennial totals smooth out enormous annual fluctuations so characteristic of the entire period. To take an extreme example, the decade 1740-50 with an annual average of f. 3.82 million included a year such as 1742-43 when the figure was no more than f. 1.6. million, and the preceding one of 1741-42, when it was as high as f. 7 million. [7]

2. In addition to the goods and precious metals they made available, the Directors of the Dutch East India Company also authorised the factors in Asia to raise resources locally, the equivalent of which would be duly reimbursed in the Netherlands to the rightful claimants. This arrangement was referred to as "assistance received from Holland" (*secours uit het lieve vaderland*) and amounted in the course of the seventeenth century to a modest f. 30 million. The situation, however, had altered radically by the eighteenth century when the sum under this head amounted to a whopping f. 207 million.[8] In order to put the latter figure in perspective, one might note that over the same period, the value of the precious metals exported by the Company to Asia amounted to f. 448 million (Table I).

The "assistance received from Holland" consisted of several components. Until the middle of the eighteenth century, the principal source of funds the Company tapped in Asia was its own employees desirous of transmitting funds home. The source of these funds, in turn, was essentially two-fold: money made locally

[7] J.R. Bruijn, F.S. Gaastra and I Schöffer, *Dutch-Asiatic Shipping*, vol. I, table 46, p. 240.

[8] Femme Gaastra, 'De Verenigde Oost-Indische Compagnie in de 17de en 18de eeuw: de groei van een bedrijf. Geld tegen goederen', *Bijdragen en Mededelingen betreffende de Geschiedenis der Nederlanden*, 89 (2), (1976), pp. 244-72; Femme Gaastra, 'Private money for Company trade: the role of the bills of exchange in financing the return cargoes of the VOC', *Itinerario*, 18, 1 (1994), pp. 65-76.

through clandestine private trade and funds smuggled in from the Netherlands to take advantage of a higher exchange rate. The latter was done either on the employees' own account or on that of others against a fee. In the latter half of the eighteenth century, a part of the individual savings made available to the Company factors had taken on a legitimate character. This was the result both of the partial opening up of the intra-Asian trade to the Company servants as well as of the setting up of the Opium Society which enabled the employees to participate in the opium enterprise legally. With the English take-over of Bengal in the 1760s, the situation with respect to that province changed dramatically. An important source now tapped by the Company was the servants of the English East India Company anxious to remit home their enormous savings made in a variety of ways under the new dispensation. The efforts of the Company's factors in Bengal in this regard were supplemented by those of the Directors in Amsterdam at whose initiative an altogether new arrangement for getting hold of a part of these funds was worked out.

Until the middle of the eighteenth century, an overwhelming bulk of the transactions with the Company's own employees were carried out at the eastern headquarters of the Company at Batavia, though, in principle, the factors in Bengal and Sri Lanka were also authorised to carry them out. The mechanism was indeed quite simple. Against cash received, the factors issued a bill of exchange to the employee concerned. The latter, in turn, could carry it home in person if he was returning at the end of his engagement, or send it to a relative, an agent, or a banker, who would claim reimbursement on his behalf from the Amsterdam or another Chamber of the Company. In addition to the principal amount, the Company also paid interest at the rate of 4 percent per annum for the period that it had held the amount with itself. Another attraction from the point of view of the employees was the large differential in the exchange rate used. At the beginning of the eighteenth century, a silver ducaton could be bought in Holland at 63 stivers and converted into a bill at Batavia at 78 stivers, involving a net profit of 24 percent in addition to the 4 percent

interest. It was this particular consideration that encouraged the smuggling out of large sums of money from Holland with the express intent of making it available to the Company at Batavia against bills of exchange. In 1735-36, for example, a sum of as much as f. 4.5 million is believed to have been smuggled out. In 1740, the Directors issued instructions that the exchange rate at Batavia be reduced to 72 stivers. Three years earlier, the Company had also stopped paying interest.[9] The transaction was nevertheless still quite profitable and large sums of money continued to be smuggled out of Holland.

The mechanism of raising resources in Asia by issuing bills of exchange redeemable in Holland witnessed substantive modifications in the second half of the eighteenth century. For one thing, from 1745 onwards, bills presented in the Netherlands for payment were honoured only after the auction of the return cargo had been completed. This procedure was modified yet once again in 1760 whence two thirds of the obligations were discharged after the autumn sales and one-third after the spring sales. In the 1760s and the 1770s, a limit was also prescribed on the amounts that Batavia and other factories in Asia could accept against bills of exchange in the course of a year.[10] In 1763, for example, the limit for Batavia was put at f. 2 million which was subsequently raised in 1778 to f. 3 million. The most important development of the period, however, was the emergence of Bengal as a major source of funds for investment in the procurement of the return cargo. This money came from the Company's own employees, but much more importantly, it came from the servants of the English East India Company, who were experiencing an unprecedented phase of prosperity (acquired largely through the use of unethical means) in the wake of the English Company take-over of the province. In 1768, the English East India Company had imposed a limit of £ 70,000 on the value of the bills it would itself issue besides fixing the rate of exchange at the highly disadvantageous figure of 2 shillings to a rupee. This

[9] Femme Gaastra, "Private money for Company trade".
[10] Femme Gaastra, "Private money for Company trade".

made the VOC a highly attractive alternative. The administrative mechanism followed in the dealings with the English servants was not very different from that followed in respect of the dealings with the Company's own servants except that in many instances of dealings with the English servants, the Dutch director of the Bengal factory collected an unauthorised commission on the deal. The most notorious of the directors in this respect was one Johannes Mathias Ross. Also, quite often, individual English servants bought bills not only in respect of their own remittances but also on behalf of fellow servants. Probably the most important of such agents was one William Paxton who bought twelve bills in 1778/79 amounting to f. 130,521 on behalf of nine clients.[11]

From about 1770 onward, the process of raising resources in Bengal through the medium of bills of exchange was marked by an important innovation. In addition to the usual mechanism of funds being collected in Asia through bills of exchange issued locally, the Directors of the Company now also began operating at the European end. This was done by negotiating in Amsterdam the procurement of bills of exchange drawn by Englishmen resident in England on their correspondents in Calcutta, directing the latter to pay to the local Dutch Company factors the sum of money specified in the bill. Many of these Englishmen had earlier bought bills from the Dutch Company factors in Bengal and were now on the other side. The transactions in these bills were intermediated by some of the leading Anglo-Dutch banking firms such as Hope and Co. and Pye Rich and Wilkieson who guaranteed timely payment against them. During the 1770s, this particular method became an important avenue for raising resources in Bengal. In a transaction entered into with Pye Rich and Wilkieson in 1773, for example, the Directors bought four such bills, each of the value of f. 125,000. The rate of exchange agreed upon was 26 stivers to a rupee. In the

[11] Femme Gaastra, "British capital for VOC in Bengal: private fortunes and financial transactions by servants of the Dutch and English East India Companies in Bengal, C. 1760-1790", in Om Prakash and Denys Lombard (eds.), *Commerce and Culture in the Bay of Bengal, 1500-1800*, forthcoming.

event of the bills not being honoured in Bengal, the banking firm was liable to pay a 12 percent compensation to the Company. The payment due to the firm against the bills was to be made only after the receipt of information that the money had in fact been collected in Bengal.[12] The Directors were able to negotiate such a favourable package evidently because of the large sums of money waiting in Calcutta for being remitted home. The parties interested in effecting the remittances were not particularly keen to use the offices of the English East India Company for the purpose for reasons that are not hard to fathom. This arrangement, however, did not last very long and for all intents and purposes was terminated following the outbreak of the Fourth Anglo-Dutch War in 1780.

Looked at from the point of view of the Dutch East India Company, the large amount of resources raised in Asia through the mechanism of bills redeemable in Europe and issued to its own employees or to that of the English India Company essentially represented a device to minimize the risk of loss of treasure by shipwreck while being transported from Europe to Asia. But the unusually large premium in the form of a differential rate of exchange offered in respect of funds smuggled into Asia from Europe can perhaps be fully rationalized only in terms of the highest ranking officials in the Company's hierarchy, perhaps including the Directors themselves, collaborating with the employees in Asia in defrauding the Company. The precise nature and the mechanism of this highly probable process of collaboration, however, remains unclear.

If we shift the focus from the Company to the regional economies in Asia where the Company conducted its trade, the various mechanisms of raising resources through bills of exchange need to be distinguished from each other. Bills bought in Asia against money smuggled in from Europe were exactly at par with precious metals imported by the Company itself in so far as both represented a net addition to the availability of precious metals and

[12] Femme Gaastra, "British capital for VOC in Bengal".

consequently the supply of money in the regional economies concerned. But this was not the case in respect of bills bought against sums of money made through a clandestine or legitimate participation in intra-Asian trade. Matters got even worse in respect of the bills bought by the employees of the English East India Company. Not only were the funds used for the purpose made in India, but as Peter Marshall has described graphically, these were made by resorting to all forms of unethical and illegal use of the English East India Company's, and by extension of the English factors', newly acquired political leverage in the province.[13]

3. If the raising of resources in Asia by issuing bills of exchange was a device the Dutch East India Company resorted to in common with the other major European corporate enterprises functioning in the East, an extensive participation in intra-Asian trade was a feature unique to the VOC. Also, if the bills represented only a mechanism facilitating the transfer of purchasing power from Europe to Asia, participation in intra-Asian trade was a device to earn huge sums of money, partly in the form of precious metals, constituting a substantial net addition to the total purchasing power in Asia available for investment in goods for Europe.

In so far as the crown had initiated and then sustained for a while the Portuguese involvement in intra-Asian trade in the early part of the sixteenth century, one could perhaps discern in the Portuguese case some kind of a precedent for the Dutch Company involvement in Asian trade. But after a brief phase of active participation, the crown had withdrawn from the trade to become basically a dispenser of patronage through the concession system. More importantly, there was no specific commercial strategy involved in the way the Portuguese crown had gone about participating in the intra-Asian trade. By and large, the Portuguese had simply become yet another group to participate in an existing framework of trade, and initially at least operated with the

[13] P.J. Marshall, *East Indian Fortunes: The British in Bengal in the Eighteenth Century* (Oxford, 1976).

assistance of and in collaboration with Indian and other Asian merchant groups. The Dutch pattern of involvement in intra-Asian trade, on the other hand, had a definitive logic behind it besides involving the forging of important new commercial links across the Indian Ocean and the South China Sea.

The starting point of Dutch participation in the trade of the East Indies was, of course, the procurement of pepper and other spices for the European market. They realized 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. The 1602 merger of the pre-companies into the United Company was only the 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 Amboyna and Ternate agreements obliging the producers 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.

The control exercised by the Company on the Spice Islands enabled it to procure spices other than pepper at incredibly low prices. This ensured a very high rate of gross profit on these spices, often exceeding 1,000 percent. Before the arrival 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 Acheh and other places in Indonesia, but its acute business instinct drove it to their source, the Coromandel coast, where four factories were established between 1606 and 1610 covering both the northern and the southern stretches of the coast. Gujarat, on the west coast of India, the other major Indian region supplying textiles to the

Indonesian archipelago, was reached in 1618 with the establishment of a factory at Surat. Within a few years, subordinate factories had been opened at Cambay, Broach and at Agra in Northern India. 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.

It is important to realize that the idea of extensive participation in intra-Asian trade had originated not with the Company's Board of Directors, the Heren XVII, but with the officials at the Company's eastern headquarters established at Bantam in 1609 and shifted in 1618 to Jacatra, renamed Batavia in 1621. The driving force behind the project was a remarkable man, Jan Pietersz. Coen, who was named governor-general of the East Indies in April 1618 at the young age of 31 years. The way Coen went about the whole thing displayed a remarkable grasp of the realities of Asian trade. He devised a carefully worked out strategy and followed it up with great tenacity. In 1619, he sent to the Directors a blueprint of the Company's intra-Asian trade: cloth from Gujarat (obtained against spices, other goods and Spanish rials) to be exchanged against pepper and gold in 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 to obtain 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 trading network – "a little water to prime the pump". 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, expressed their inability to do much in this regard and Coen realized that resources for the development of intra - Asian trade had to be found largely 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 Gujarat 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 be obtaining them through trade. By far the most important Asian producer of precious metals at this time was Japan. The discovery and working of new silver mines in the sixteenth century had turned Japan into the second largest producer of silver in the world next only to the Spanish American mines in the New World. In addition to its own output, Asia also received considerable quantities of the New World silver through trade. In addition to the lots brought in by the Portuguese and the European companies via the Cape of Good Hope, large quantities of this silver also reached the Red Sea and the Persian Gulf region via the Levant. Another route through which American silver reached Asia was the galleon trade between Acapulco and Manila. Since the Manila trade, controlled by the Spanish, was out of the reach of the Dutch, the two principal areas of interest to them were Japan and the Middle East.

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. The Dutch initially tried to obtain Chinese goods in the Indonesian archipelago and the Malay peninsula. Indeed, the establishment of trade relations with places such as 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 them. The principal commodities procured by the Company in Taiwan were Chinese silk and silk textiles for the Japanese market. A part of the silver obtained from Japan in exchange for the Chinese goods was then invested not only in getting the next round of silk in Taiwan but also gold needed chiefly for the crucial Coromandel trade. Gold was procured in Taiwan rather than directly in Japan until the former was lost to the forces of Coxinga in 1662. This was done chiefly to take advantage of the very different gold silver parity in the two places until 1637 favouring the procurement of gold in Taiwan. From 1641 in any case the export of gold from Japan was banned. This was a sequel to the 1639 closure of the country to all foreigners except the Chinese and the Dutch, the latter being required in May 1641 to move to the islet of Deshima off Nagasaki harbour.

In the meantime, efforts had been going on to further widen the supply base of the raw silk and the silk textiles required for the Japan trade. From the early 1640s on, Bengal emerged as a major supplier of raw silk for Japan. Ever since 1615, the factors at Coromandel had been trying to find a foothold in Bengal, which at that time was looked upon basically as a potential source for textiles, sugar and saltpetre. But in so far as the Bengal goods could be procured at Coromandel itself, where they were regularly imported by the Indian merchants, the efforts to establish a factory in Bengal lacked intensity and seriousness of purpose. It was only after the factors at Agra drew Batavia's attention in 1630 to the import by Indian merchants of a large quantity of relatively inexpensive raw silk from Bengal into Agra each year and enclosed a sample of the product with their report that the requisite urgency was imparted to the Bengal project. The expulsion of the Portuguese from Hugli in 1632 helped. A factory was established at Hariharpur in Orissa in 1633, and another at Hugli in 1635. Bengal raw silk was included in the Dutch cargo for Japan for the first time in 1640 and soon became a major constituent item of this cargo.

Efforts to reach the other major Asian source of precious metals, namely the Red Sea and the Persian Gulf region at the other extremity of the great arc of Asian trade, had also been initiated quite early, using the Company's establishment at Surat as the base. As early as 1616, attempts were made to establish trade relations with Mocha. But in 1624, following problems arising out of the seizure of two ships belonging to the port of Dabhol, the Company had no option but to abandon the factory for good. As far as Persia was concerned, a factory was established at Gombroon in 1623. Initially, Persia was in fact a net absorber of precious metals rather than a net supplier. The principal item procured there at this time was raw silk in exchange for goods such as pepper and other spices, Japanese copper and Indian textiles, and precious metals. Between 1622 and 1634, several of the ships from Holland were sent directly to Surat and Persia with fair amounts of capital. In 1624-25, for example, three of these ships carried f. 600,000 to these factories, constituting nearly one-third of the total precious metals sent to Asia that year.[14] But this pattern lasted only for a brief while, and from 1643 on Persia emerged as a net supplier of silver abassies and gold ducats, which were smuggled out on a regular basis, often by concealing them in cavities made into the bales of raw silk.[15] The resultant loss in the value of silk was evidently an acceptable price to pay for getting hold of the silver and gold coins. From a comparatively modest sum of f. 235,000 in 1642-43, the value of these coins came to exceed a million florins in 1649-50. The average annual value of the coins smuggled out over the following decade was f. 660,712.[16] But over the rest of the seventeenth century, the sums involved were extremely modest, if they were at all positive, and it was only around 1700 that for a

[14] F.S. Gaastra, "De VOC in the 17de en de 18de eeuw; de groei van een bedrijf. Geld tegen goederen", p. 261.
[15] K. Glamann, *Dutch Asiatic trade, 1620-1740*, (Copenhagen, The Hague), 1958, p. 120.
[16] F.S. Gaastra, "The exports of precious metals from Europe to Asia," Appendix 4, Table 1.

few years, Persia again became a major – in fact the most important – provider of precious metals in Asia.[17]

What the above analysis establishes quite definitively is that by about the middle of the seventeenth century, the Dutch East India Company had become a major participant in intra-Asian trade with trading links all along the great arc of Asian trade. The crucial role played by this trade in the overall commercial strategy of the Company was summed up neatly by the Heren XVII in 1648 as follows: "The intra-Asian trade and the profit from it are the soul of the Company which must be looked after carefully because if the soul decays, the entire body would be destroyed."[18] Three years later, the Directors even expressed the hope that at some point it would be possible for Batavia not only to finance the exports to Europe (which in 1650-51 amounted to f. 2.49 million) wholly out of the profits from intra-Asian trade, but also to send to them in addition some Asian precious metals. Although such extravagant hopes were never realized, the fact remains that through the seventeenth century, participation in intra-Asian trade was of great advantage to the Company. Note that between 1640 and 1688, the invoice value of the return cargo from Asia amounted to approximately f. 150 million as against f. 120 million worth of precious metals and goods exported to Asia over the same period. Thus about 20 percent of the return cargo represented the profits from intra-Asian trade. Considering that the total proceeds from the sale of the return cargo amounted to f. 420 million, the sales value of 20 percent of the cargo would amount to f. 84 million. This amount was more than sufficient to cover the sum of f. 67 million paid out as dividend by the Company over the period.[19]

The expansion of trade into vitally important areas was

[17] The average annual sum exported between 1700-01 and 1703-04 was f. 873, 560 (calculated from F.S. Gaastra, "The exports of precious metals from Europe to Asia", Appendix 4, Table 2, p. 475).

[18] Algemeen Rijksarchief (ARA), Heren XVII to Batavia, 22.9.1648, Verenigde Oost-Indische Compagnie (VOC) 317, f. 120vo.

[19] F.S. Gaastra, *Bewind en Beleid bij de VOC. De Financiele and Commerci(le Politiek van de Bewindhebbers 1672-1702 Commerciele* (Zutphen, 1989), p. 205.

critically dependent on the growing availability of precious metals, a large amount of which was found through the greater part of the century within Asia. Evidence available in the Company's archives, including the "General journals kept by the Bookkeeper-General at Batavia for the period 1700-01 to 1789-90" enables one to partially reconstruct the resource flows to the Indian factories over the two centuries of the Company's trade in the region. The findings are summarized in Table 2. It need hardly be emphasized that there are significant gaps in the information available. The non-availability of the regional distribution on a systematic basis of the origin of the precious metals the Company brought into Gujarat and Bengal during the seventeenth century is only one of these. Even when such a distribution is available for the eighteenth century, and in the case of Coromandel also for the seventeenth, the degree of precision one can achieve is limited. This is because the precious metals exported from Batavia included lots received from Holland as well as from sources within Asia. The figures in column 5 of the table, therefore, constitute only the lower limit of the amounts originating within Asia. But even if one took into account only the figures in this column, the overwhelming role of Asia in the precious metals brought into Coromandel right through 1680 is established conclusively. For Bengal, the occasional and non-systematic information available also underscores the important role of Asia, particularly Japan, in the mix of precious metals sent to the region in the seventeenth century. Finally, as far as Gujarat is concerned, the available information suggests a pattern where the precious metals imported until the 1630s originated mainly in Holland, and thereafter increasingly in Japan and the Middle East. The domination of Japan was particularly marked between 1638-39 and 1644-45, as was that of Persia over the following fifteen years or so.[20]

The two key factors that enabled the Dutch to achieve an

[20] H.W. van Santen, *De Verenigde Oost-Indische Compagnie in Gujarat en Hindustan 1620-1660*, (Leiden, 1982), Table 2, p. 37.

Table 2. Value and regional distribution of precious metals imported by the VOC into India, 1640-1785

Year[1]	COROMANDEL					GUJARAT					BENGAL					MALABAR				
	1[2]	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
1640-50	1,846,411 (8yrs)	NA	zero	36.8	63.2	700,500 (6yrs)	87.6	NA	NA	NA	NA					NA				
1650-60	1,755,449 (5yrs)	NA	zero	24.4	75.6	438,000 (3yrs)	61.8	NA	NA	NA	NA					NA				
1660-70	1,482,339 (4yrs)	NA	zero	36.3	63.7	66,872 (10yrs)	15.2	NA	NA	NA	1,225,741 (7yrs)	87.7	NA	NA	NA	NA				
1670-80	1,882,547 (1yr)	NA	zero	24.0	76	zero (10yrs)	zero	zero	zero	zero	1,090,386 (6yrs)	77.8	NA	NA	NA	NA				
1680-90	NA					17,935 (10yrs)	3.1	NA	NA	NA	1,167,630 (10yrs)	74.6	NA	NA	NA	NA				
1690-1700	NA					zero (10yrs)	zero	zero	zero	zero	2,120,169 (10yrs)	85.1	NA	NA	NA	NA				
1701-02	905,929	73.7	zero	84.2	17.8	zero	zero				2,046,197	82.9	zero	62.0	38.0	81,198	50.2	zero	100.0	zero
1711-12	1,012,326	75.4	zero	100.0	zero	zero	zero				2,979,992	87.1	zero	100.0	zero	12,923	7.1	zero	100.0	zero
1722-23	1,180,714	75.4	zero	100.0	zero	1,502,875	85.1	zero	100.0	zero	3,884,482	95.5	zero	100.0	zero	zero	zero			
1731-32	561,689	58.8	zero	77.8	22.2[3]	zero	zero				1,781,999	84.9	zero	100.0	zero	zero	zero			
1741-42	zero	zero	zero			200,582	53.0	zero	100.0	zero	4,735,089	90.7	zero	68.3	31.7 (Colombo/de)	870,167	69.3	zero	71.0	29.0 (Colombo/de)
1751-52	1,005,067	42.2	zero	73.0	27	99,094	19.8	zero	zero	100.0 (Persia)	4,729,994	86.6	7.6	88.4	3.9	422,362	54.4	zero	5.3	94.7 (Surat)
1761-62	1,370,763	78.1	zero	100.0	zero	zero	zero				2,634,282	86.3	11.5	88.5	zero	150,000	23.0	zero	zero	100.0 (Surat)
1770-71	1,330,185	71.6	39.1	39.0	21.9	zero	zero				397,183	55.9	83.3	16.7	zero	179,335	83.6	zero	100.0	zero
1784-85[4]		zero	zero			zero	zero									zero	zero			

Note:
[1] Until 1700, the figures are on an average annual basis.

[2] Explanation of numbers heading columns:
1. Value of treasure imported in florins. The figures in parenthesis in this column for the period 1640-1700 refer to the number of years in a decade for which information is available.
2. Proportion of treasure to total value imported (%).
3. Proportion of treasure directly imported from Europe (%).
4. Proportion of treasure imported from Batavia (%).
5. Proportion of treasure imported from the rest of Asia (%).

[3] This is the amount of bills of exchange (wissels) issued at Coromandel and honoured by Sri Lanka.
[4] The funds invested in Bengal during this year were raised by issuing bills of exchange locally which were payable in Europe.
NA stands for not available.

Source: For the seventeenth century, the figures for Coromandel are based on information available in T. Raychaudhuri, *Jan Company in Coromandel, 1605-1690*, (The Hague, 1962); for Gujarat in V.B Gupta, *The Dutch East India Company in Gujarat Trade, 1660-1700: A study of Selected Aspects*, unpublished Ph D. Thesis, University of Delhi, 1991, and for Bengal in Om Prakash, *The Dutch East India Company and Economy of Bengal, 1630-1720*, (Princeton, 1985). The eighteenth century evidence is from the "General Journals kept by the Bookkeeper-Generaal at Batavia for the period 1700-01 to 1789-90" ARA, *Boekhouder-General Batavia (BGB)*, 10751-10801.

enviable position in intra–Asian trade during the seventeenth century were the spice monopoly and the exclusive right to trade with Japan. The spice monopoly provided the Company with a staple item of trade in demand all over Asia and entailing an extraordinarily high rate of return. The Japan trade brought in large quantities of precious metals, mainly silver until 1668 and gold thereafter. The relative position of Holland and Japan in the matter of the supply of precious metals is set out in Table 3.

What this table suggests quite unambiguously is a clear and substantial lead for Japan between the late 1630s and the end of the 1670s. There were two further advantages associated with the procurement of precious metals in Japan as compared to Holland. In the first place, the Japanese supplies were obtained in exchange for commodities that were themselves sold at a good profit. Second, the cost per unit of silver procured seems to have been lower in Japan. If one assumed that the value that the factors in Batavia assigned to a *tael* of Japanese *schuit* silver in their books correctly

Table 3. The Dutch East India Company's import of precious metals from Holland and Japan into Batavia, 1621-1699. (Annual average in florins)

Period	Holland	Japan
1621-1624	1,215,000	157,924
1628-1632	1,240,000	–
1633-1636	1,075,000	921,044
1637	1,000,000	3,029,550
1640-1649	940,000	1,518,871
1650-1659	840,000	1,315,121
1660-1669	1,200,000	1,454,913
1670-1679	979,500	1,154,148
1680-1689	1,972,000	298,383
1690-1699	2,691,000	228,952

Source: The years included in the table are those for which information regarding Japan is available. Until 1637, the figures for Japan are based on Oscar Nachod, Die Beziehungen der Niederländischen Ostindischen Kompagnie zu Japan im Siebzehten Jahrhundert, (Leipzig, 1897), Appendix, Table E, pp. cc vii - cc viii. The figures for 1621-1624 are given in Nachod directly in florins but those after 1624 are in teals. The rate of conversion used here is the same as that used by the Company: 615 stivers to a teal until 1636 and 57 stivers to a teal for 1637. The figures for 1640-1699 are based on Kristof Glamann, Dutch-Asiatic Trade, Table III, p.51, who based himself on Nachod and other sources. Until 1662, the imports from Japan were entirely in silver, and from 1668 entirely in gold. For the period 1660-1669, the component of gold in the average annual figure of f. 1,454,913 was f. 406,902 (or 28 percent). The figures for Holland have been calculated from Bruijn, Gaastra, Schöffer, Dutch-Asiatic Shipping, vol. 1. Appendix 4, Table 46 with one year lag.

represented its cost price, the cost of the Japanese silver works out to be 24.75 percent lower that in Holland until 1636 and 35.58 percent lower thereafter.[21] One might also add that, in addition to the precious metals, Japan also provided large quantities of bar copper which sold at a good profit in both Asia and Europe.

In the course of the last quarter of the seventeenth century, however, things became increasingly difficult for the VOC in Japan.

[21] Om Prakash, *The Dutch East India Company and the Economy of Bengal 1630-1720*, (Princeton, 1985), p. 21.

As table 3 shows, there was a steep decline in the Dutch import of precious metals from Japan from about 1680. This was the cumulative outcome of the ban on the export of silver in 1668, the introduction of the appraised trade system in 1672 and of the limited trade system in 1685, and finally the debasement of the gold koban in 1696 with its gold content being reduced from 85.69 to 56.41 percent without any reduction in its silver price of 6.8 taels.[22] In the absence of a major alternative Asian source of gold, the Company did continue to procure small quantities of gold koban occasionally until the middle of the eighteenth century, but the critical role of Japan in promoting the Company's intra-Asian trade had come to an end in 1696.

The declining volume as well as the profitability of intra-Asian trade in precious metals was perhaps an important element in the changing fortunes of the Company in the matter of the profitability of the intra-Asian trade in general as between the seventeenth and the eighteenth centuries. It has been estimated that while in the seventeenth century as much as 90 percent of the total income earned by the Company in Asia was derived from trade, the proportion came down over the eighteenth century to around 60 percent, the remainder of the income being contributed by items such as taxes and tolls.[23] Of course, as the work of de Korte on the Company's finances shows, the eighteenth century also was not a homogeneous unit in this respect. Indeed, in the course of the century, the Company's Asian income from trade (*generale winsten*) fluctuated a great deal with a significant and irreversible decline being registered only from 1768-69 onward. The average annual income earned by the Company from Asian trade, calculated on a decennial basis, was over f. 4 million during the first four decades of the century, over f. 6 million during the 1740s and the 1750s, f. 4 million during the 1760s, and a little over f. 2.5 million during the 1770s and the 1780s.[24]

[22] Om Prakash, *The Dutch East India Company and the Economy of Bengal*, Ch. 5.
[23] F.S. Gaastra, *De Geschiedenis van de VOC*, (Zutphen 1991), p. 133.

Another index that suggests a relatively declining participation by the VOC in Asian trade is the lower absorption rate of shipping coming in from Holland into intra-Asian trade in the eighteenth century. The relevant information is summarized in Table 4. Before we draw our conclusions from the table, however, it might be useful to note the limitations of this data base. For one thing, the absorption rate in the Asian trade worked out on the basis of the difference between the number of ships (and the volume of tonnage) arriving into and leaving Asia would overstate the real absorption rate for several reasons. In the first place, by virtue of its age or for other reasons, a ship might simply be pulled out of service after arrival in Asia. It would then not be included in the shipping returning to Europe, but at the same time would not have been available for use in intra-Asian trade. Also, of the shipping pressed into service in Asia, a certain amount was not used for purposes of trade but for patrolling, armed combat and so on. Besides, in the eighteenth century, the apparently high absorption rate of the 1780s is likely to have been related to the problems in sending ships back to Europe because of the Fourth Anglo-Dutch War. An acute shortage of sailors would have produced a similar result in the 1790s. On the other hand, in so far as the Company occasionally bought vessels in Asia which were used exclusively in intra-Asian trade, the absorption rate suggested by the table would understate the real absorption rate of shipping in Asian trade. In the absence of the relevant information, the bias in neither direction can be corrected, though perhaps it was not particularly pronounced in either and was in part at least self-cancelling. The other

[24] J.P. de Korte, *De Jaarlykse Financiele Verantwoording in de Verenigde Oost Indische Compagnie*, (Leiden, 1984), Appendix 10. The precise average annual figures on a decadel basis were as follows:

1700/01-1709/10 *f.* 4,192,286
1710/11-1719/20 *f.* 4,487,979
1720/21-1729/30 *f.* 4,287,878
1730/31-1739/40 *f.* 4,514,343
1740/41-1749/50 *f.* 6,081,362
1750/51-1759-60 *f.* 6,267,012
1760/61-1769/70 *f.* 4,086,227
1770/71-1779/80 *f.* 2,537,701
1780/81-1789/90 *f.* 2,768,002

problem with the data pertains to the fact that the ships permanently absorbed in intra-Asian trade might very well have had very different working lifespans depending partly upon which stage of their life they had been kept back in Asia. This would necessarily leave a certain margin of error in the conclusions drawn from the table.

Subject to these limitations, the main conclusions suggested by the table are as follows. In terms of the absolute number of ships

Table 4. Dutch/East India Company shipping arriving at and leaving Asia, 1602-1794

Years	No. of ships arriving in Asia	Tonnage arriving in Asia	No. of ships leaving Asia	Tonnage leaving Asia	Proportion of arriving ships absorbed in Asia	Proportion of arriving tonnage absorbed in Asia
1602-10	69	33,370	47	20,100	31.9	39.8
1610-20	114	55,410	46	26,590	59.6	52.0
1620-30	130	50,960	68	35,280	47.7	30.8
1630-40	154	62,640	72	38,890	53.2	37.9
1640-50	165	100,950	92	73,740	44.2	27.0
1650-60	196	118,341	102	84,200	48.0	28.8
1660-70	228	125,186	115	79,313	49.6	36.6
1670-80	218	142,289	129	91,975	40.8	35.5
1680-90	196	126,619	133	98,165	32.1	22.5
1690-1700	223	138,827	145	100,697	35.0	27.5
1700-10	271	180,620	188	133,437	30.6	26.1
1710-20	297	220,074	240	182,164	19.2	17.2
1720-30	353	272,103	308	243,314	13.7	10.6
1730-40	363	270,095	290	221,205	20.1	18.1
1740-50	307	246,565	215	170,155	30.0	31.0
1750-60	287	276,295	234	227,650	18.5	17.6
1760-70	288	287,845	223	222,450	22.6	26.7
1770-80	287	287,190	231	230,670	19.5	19.7
1780-90	288	233,850	197	144,093	31.6	38.4
1790-94	106	84,943	85	66,370	19.8	21.9

Source: Calculated from J.R. Bruijn, F.S. Gaastra, I. Schöffer, *Dutch-Asiatic Shipping*, vol. 1, tables 35 and 36, pp. 174-176.

absorbed in Asian trade there was a decline from 744 in the seventeenth century (98 years) to 640 in the eighteenth (94 years). In terms of tonnage, however, the volume had gone up over the same period from 305,642 tons to 518,072 tons. But in relative terms, the decline between the seventeenth and the eighteenth centuries is unambiguous and fairly significant in terms of both the number of ships as well as the volume of tonnage. Thus the proportion of ships absorbed in Asian trade came down from an average of 44 percent in the seventeenth century to 23.5 percent during the eighteenth. The corresponding values for the volume of tonnage were 32.1 percent and 22 percent respectively. A relative reduction in participation in intra-Asian trade between the seventeenth and the eighteenth centuries, however, does not by any means detract from the exceptionally important role that such participation played in enhancing the net resource base of the Company in Asia for investment in goods for Europe without imposing a corresponding burden on the Board of Directors at home.

4. The Euro-Asian encounter over the three-hundred year period between 1500 and 1800 had at its heart a fast-growing volume and value of trade between the two continents. While Asia provided an increasingly diverse range of goods over this period to Europe, the latter continued to be obliged to pay for these goods overwhelmingly in the form of precious metals which were physically transported in large quantities to Asia. A supplementary mechanism devised was to raise resources in Asia mainly from the European Company employees against bills of exchange which were subsequently redeemed in Europe.

By far the most innovative of the European corporate enterprises engaged in Euro-Asian trade during the seventeenth and the eighteenth centuries was the Dutch East India company. In the matter of the raising of resources in Asia through the mechanism of the bills of exchange, for example, the Board of Directors of the Company managed to raise large sums of money in Bengal in the second half of the eighteenth century by securing the

intermediation of leading Anglo-Dutch banking firms in the transactions. But what put the Company in a class by itself was its participation in intra-Asian trade on a truly large scale as an integral part of its overall commercial strategy. More than anything else, it was this particular strength of the Company that enabled it to dominate Euro-Asian trade well into the eighteenth century.