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From Regional to Intercontinental Trade: The Successive European Trade Empires from the Sixteenth to the Eighteenth Century in Asia

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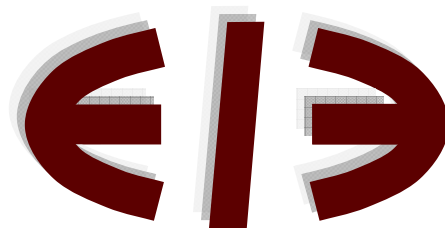
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From Regional to Intercontinental Trade: the Successive European Trade Empires from the Sixteenth to the Eighteenth Century in Asia

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Abstract

For a very long time, the areas available for continuous long-distance trade were limited to territories the size of Braudel's *Mediterranée* (1949). Whatever the commercial organizations (merchants in the Roman or the Fatimid Empires, the Hanseatic League, the Florentine Companies), their trade was not able to directly handle branches more than a month's sailing from their main base (in the best conditions).

During the three centuries after Vasco de Gama had reached India, European trading areas dramatically expanded to the shores of Asia, and a long period of harsh competition set the East India Companies of the main European powers of the time against one another. This paper intends to provide answers to two questions: what were the elements that allowed these companies to maintain transactions over such vast areas? And why were some of these companies far more successful than the others?

To answer these two questions we have available extensive literature covering the intersection of history, business and economy, generally focusing on one company or on a particular aspect of trade (Chauduri, 1978; Israel, 1989; Subrahmanyam, 1993; Ames, 1996). Our task will be to briefly review these sources, to extract information from them and to compare the economic adaptations and innovations that allowed these companies to be the greatest of their time.

Keywords: European Trade Empires; Estado da Índia; Dutch East India Company; English East India Company

JEL classification: B52; F02; N70

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1 Introduction

The first two centuries of the modern age were a period of intense globalization dominated by a fulgurant increase in Euro-Asiatic trade. From this period, the dominance of two world companies, the Dutch East India Company (*Vereenigde Oost-Indische Compagnie* (VOC)) and the English East India Company (EEIC), is well remembered. Their organizations, often poorly copied by their European competitors, were highly successful. To this pair of chartered companies, we must add the Portuguese *Estado da Índia*. Although the Portuguese *Estado da Índia* was not a chartered company, it has been noted by Disney (2009) that its mercantile *raison d'être* was established and understood at its very beginning by the Portuguese rulers². It was a talented precursor of the two companies which succeeded for the first time in going beyond regional trade and establishing viable intercontinental trade. It retained the upper hand in Asian trade, remaining unchallenged for a century. Through the differences between these three organizations and the elements they had in common, we are interested in explaining their successive rise and failure.

Setting boundaries for the economic supremacy of a particular organization is an interesting matter, because an organization may survive long after its heyday has faded away. This is the case for our three subjects of studies. The *Estado da Índia* was set up in 1505 and disappeared in 1961. While 1505 could effectively mark the beginning of the Portuguese supremacy in the Indian trade, 1961 obviously has no economic significance. Due to the importance of spices in the Indian trade, we choose the year 1609, when the Portuguese lost to the Dutch the Islands of Amboina, Tidore and Ternate. The VOC was set up in 1602 and dissolved in 1798. The year of the above-mentioned seizure of the spice Islands determines the beginning of its domination. Even if the Dutch company remained an important agent in the East Asian trade the first decades of the eighteenth century, we have selected the year 1711 as the end of its economic ascendancy. This year corresponds to the establishment of an EEIC factory in Canton which would give the English company a definitive advantage in the fast-expanding tea trade. The EEIC was set up in 1600 and ended its activity in 1858. During most of the eighteenth century, it ruled the sea and the trade between Europe and Asia. Once the company also began to rule a large part of mainland India, it lost most of its independence to the British government and its commercial objectives became minor ones compared with the task of administering its possession. So, we date the end of the EEIC's preponderance as being when the British parliament took definitive control over the company's finances in 1773.

These periods and the fate of each organization have been extensively studied individually (Chauduri, 1978; Israel, 1989; Subrahmanyam, 1993; Ames, 1996). However, to our knowledge, with the exception of Furber (1976), few studies have been done on the transition between the successive dominant trading powers. Moreover, Furber (1976) was more interested in the late period and the clash between English and French ambitions in India³. This paper is organized as follows: the second section recalls how difficult it was to maintain trade over a vast

²Disney, p. 43 "... Joao [Joao II, King of Portugal from 1481 to 1495] planned to divert as much as possible of the trade in spices and other valuables between Asia and Europe to an all-sea route controlled by Portugal."

³We did not include the French India Company in our comparison, firstly because it never attained a preponderant position in Asian trade and, secondly, as noted by Furber (1976), the most successful leader of the French India Company, Joseph-François Dupleix (1697–1763), saw the company mainly as an instrument of French prestige.

area before the sixteenth century, the third section describes through the differences and the similarities between the *Estado da India*, the VOC and the EEIC the reasons for their successive economic dominance. Section four discusses the importance of these reasons and provides a conclusion.

2 One thousand years of regional trade

Let us first specify what we mean by regional and intercontinental trade. In what follows, we do not consider a region as a subdivision of a nation/State but rather as a set of locations which have shared a common culture and authority during some period of their history. In this sense, from the beginning of the crisis period of the Roman Empire preceding late antiquity (234 AD)⁴ to the Mongol empire (1241) the western European region had never been in direct contact with India, South East Asia and China. This lack of direct contact did not mean that these regions did not have a vague knowledge of each other's existence or that commercial exchange did not occur, but this was through intermediaries: Parthian, Persian, Byzantine, or Arab. After the peak of Mongol invasions, some direct contacts were established between the Khan's court and some western European powers⁵ but it was not until the Portuguese had sailed around the south of Africa that direct regular trade relationships were established between western Europe and Asia. Before this period inter-regional trade existed (between Western Europe and Byzantium, North Africa and the region inhabited by the Rus) and the economy of some cities had flourished upon it (the cities/states of Italy and Germany: Venice, Florence, Genoa, and the members of the Hanseatic League). However, it is remarkable, as Braudel (1949) noted, how this trade, wherever it developed on a regular basis, was limited to the length of time needed to cross the Roman Mediterranean from west to east. In this sense, the rupture of the time pattern introduced by the western maritime powers was a defining moment in the history of trade.

3 Intercontinental trade: the successive dominance of the European trade powers

In what follows, we are going to present elements underlined by the literature as important in the development of the various European enterprises in Asia. These elements could be inner characteristics of our three organizations or external factors which have played a role in their fate. Firstly, we introduce elements which differentiated the *Estado da Índia*, the VOC and the EEIC in their course to economic dominance: the context of their origins, their organizations and the financial institutions which sustained their activities. As suggested by Furber (1976), these conditions help to explain why the Portuguese chose a Crown monopoly and why the Dutch and the English chose chartered companies. The organization of trade activities in Asia positively distinguished the EEIC from its competitors (Chauduri 1978); quite unique financial institutions helped the VOC to expand its trade for a century (Israel 1989). Secondly we explain the

⁴Alexander the Great's Empire and the subsequent Hellenistic realms from 323 BC to about 146 BC put central Asia and India in contact with the ancient Mediterranean world. Once the Roman Empire conquered Ptolemaic Egypt, a rich, continuous sea trade was put in place between the Roman world and India through Aden for two centuries.

⁵The voyages of Niccolò, Maffeo and possibly Marco Polo are famous through the latter's book: *Le Livre des Merveilles du Monde*. Other voyages followed in the fourteenth century: Odoric de Pordenone in 1318–1329, Jordanus in 1321–1330, Andrea di Nascio and Andrea di Savignone in 1336 (Jackson 2005).

similarities between the three organizations: the maritime technologies they used and the fact that Spanish policies strongly affected their behaviors. Maritime technological breakthroughs were first made by the Portuguese, but the oceanic maritime powers were soon able to compete with them (Disney, 2009b). Spanish policies induced changes in the advance of every power trading with Asia (Israel, 1989; Disney, 2009a).

3.1 The differences between the successive dominant European trading powers

3.1.1 Origins

The Portuguese Crown monopoly on trade with Asia resulted directly from a first phase of Portuguese explorations of West African coasts from 1418 to 1488⁶. These explorations, often accompanied by the installation of commercial outposts (*feitorias* or factories), were financed and organized at their very beginning by the third son of King Joao I of Portugal, Henrique (Henry the Navigator) (1394–1460). He was granted a royal monopoly on the trade with all the lands discovered beyond Cape Bojador, by his brothers Duarte and Pedro when they were regents of the Portuguese kingdom. Following Henry's death, the explorations and the trade monopolies were placed directly under the authority of the Portuguese Crown. Two remarks must be made here: firstly it is difficult to assess whether Portugal was a particularly rich kingdom at the beginning of the fifteenth century. It was only just emerging from a grave succession crisis. However, Joao I the founder of the royal House of Avis, had a systematic policy of endowing his children with large estates and preeminent offices. Hence a large part of the resources of the Portuguese kingdom were held by very close relatives of the Crown. Secondly, if not actually used, commercial companies must have been known in Portugal, mainly because numerous merchants from Italy – Florentines and Genoese – were active in Lisbon⁷. However, only the Crown seems to have been able to finance expeditions with no certainty of commercial benefit⁸. While, as we have already noted, the commercial goals of the exploration voyages were far more evident at the end of the fifteenth century, Portugal was by then already firmly committed to a commercial venture led by the Crown.

When the VOC was set up in 1605, the Dutch Republic was only twenty-four years old. As the Republic was founded on refusal of regal authority⁹, the creation of a Crown company was obviously not considered. As the Dutch state was mostly occupied in investing in its army and navy because of the war against its powerful former master, Spain, and as most of the discoveries had been already made by the Portuguese, it could not and did not have the need to closely manage trade with Asia. Moreover, as the merchants dominated the political scene in the newly founded republic, they were entirely ready to handle the task of establishing regular commerce with the East Indies. To do so, they turned to a structure which had been increasingly employed during the sixteenth century: the company. Several companies were set up between 1595 and

⁶Disney, pp. 30 and 38

⁷On the medieval companies, see Hunt94; on the presence of Italian merchants, see Disney, p. 126

⁸A certain aversion of commercial establishments to risky voyage will be demonstrated a century later by the VOC. The exploration expedition decided in Batavia and led by Abel Tasman (1603–1659) around Australia was not particularly welcomed by the directors of the company in The Hague.

⁹The signature of the act of abjuration marked the independence of the seven provinces forming the Dutch Republic from the Spanish King Philip II.

1602 to make the journey to the spice islands¹⁰. However, the multiplication of ventures made the profits resulting from each voyage fall inexorably¹¹. In 1602, the merchants behind the first expeditions took the decision to associate the various companies in one, with a monopoly over the trade east of the Cape of Good Hope. A long process took place to finalize the company's articles of association. It was long, taking from 1602–1605, because the company's decision-making structure had to reflect the equilibrium between the various provinces making up the Dutch republic. Finally, in 1605, the Dutch State issued a charter to the VOC, granting a monopoly on East Indies trade and, at the same time, guaranteeing access by every citizen of the Republic to the East India trade. To make this last right effective, company shares would be publicly traded on a stock market.

The establishment of English East India Company predates the creation of the VOC by two years. Over the last decade of the sixteenth century, the strong merchant community of London had lobbied the Queen's government to obtain a charter that would grant a monopoly on the trade between England and the East Indies. The necessity to obtain regal approval would have important consequences for the EEIC's first decades. Firstly, the charter granted by Queen Elizabeth in 1600 forbade the Company to trade with territories or ports in the possession of any Christian prince¹². This specification was deliberately made to avoid unwelcome strife for the Crown with the Spanish and Portuguese governments. The contrast with the charter of the VOC, stipulating that Spanish and Portuguese interests in the East must be hit wherever possible, could not have been greater. Secondly, over the following decades, the Crown would use the threat to withdraw the company's charter or to authorize another to trade with the East to extract money from it. Hence the sum paid by the company to Sir James Cunningham in 1618 as an indemnity for the money he invested in a scheme for a Scottish Indian company, the loan granted to King James I for finally having changed his mind about granting a charter to the Scottish project, or the sum paid to George Villiers, Duke of Buckingham and advisor to James I in 1624 as the Crown had not punished the commanders of two company ships for the attack on two fortresses possessed by a friendly European state, Portugal, in the Strait of Hormuz¹³. This practice would be continued until the end of the reign James II¹⁴. Thirdly, the company feared that too great an involvement from the King would have ended its capacity to choose its officers and impaired private property rights¹⁵.

3.1.2 Organizations

It seems obvious at a first glance that Portuguese trade with Asia, because it was managed directly by the Crown, should have been organized very differently from the trade of the two companies. In this sense, its organization was handled by Crown officers and was dual, formed by the *Estado da Índia* in charge of the administration of the Portuguese possessions – Crown-controlled factories and entrepôts – and the *Carreira da Índia*, the trades routes designed as Crown monopolies. However, as the sixteenth century went on, more and more space was allowed to private enterprise along the *Carreira*. Meanwhile, the VOC was particularly tough in

¹⁰ A total of fourteen fleets and sixty five ships were sent. Israel, p. 68

¹¹ Ibid, p. 68

¹² Chauduri, p. 29

¹³ Furber, p. 46

¹⁴ Chauduri p. 426

¹⁵ Chauduri, p. 31

enforcing its monopoly, as we are going to see. From several aspects - its geographical organizations in Asia, its centralization of decisions and its enforcement of monopoly power – the Dutch enterprise can be looked on an improved version of the operations carried out earlier by the Portuguese. In these various aspects, the English East India Company was quite different. Its main establishments were concentrated in India and China, there was no centralized decision-making point in Asia, and a fair amount of space was allowed to private trade. These three points, together with the growing taste of the European population for Indian calicos and Chinese tea, would have a strong influence on the shift of dominance in the Asian trade from the Dutch to the English enterprise. To detail these developments and differences, we will begin by detailing the geographical organization of the *Estado da Índia* and the companies east of the Cape of Good Hope.

The first Portuguese contact with India was established in Calicut on the Kerala coast by Vasco de Gama in 1498. Two years later, a first factory was installed by Pedro Alvares Cabral in Cochin, but it was under Afonso de Albuquerque that the Portuguese trade networks took possession of its main bases in Asia: he seized Goa in 1510, Malacca in 1511 and build a fortress in Hormuz in 1515. During the following sixty years, Portuguese possessions expanded: numerous cities on the west coast of India (Kollam, Chaul, Diu, Basseim) came under their control, factories and fortresses were build in Ceylon, Formosa and the spice islands, and Macao become a large colony (see Map 1). The Portuguese network was heavily influenced by its first encounter with India and the fact that pepper was available in the area of this encounter. It was centred close to the source of pepper at Goa on the west coast of India. If this city was well located for the Portuguese getting their hands on the trade of the Kerala and Gujarat coasts, it was a long way from the islands of Ambom and Ternate and from Japan. The first two islands were important because they were the locations of nutmeg and clove growing; access to Japan was strategic because its silver bullion was used to buy Asian goods. This is why Melaka, located right in the middle of the route from Goa to the spice islands and to Macao and Formosa, was a vital stop for reaching these remote places. During the first phase of their expansion, the Crown tried not only to directly control every aspect of the intercontinental trade, but also the most lucrative lines of what was called the country trade, the trade between the different regions of Asia. Crown monopolies were imposed not only on pepper but also on gold, silver, cloves, nutmeg, mace, cinnamon, ginger, silk and pearls¹⁶. However, this system was complex and difficult to entrench, particularly where the Portuguese presence was slight. After the 1540s, many monopolies were abandoned – cloves in 1539, pepper east of Colombo in 1545 – and the captains of Crown ships were allowed to ship private cargoes. Finally, in the 1560s, Crown ships were replaced by privately owned vessels on the intra-Asian *Carreira*, private merchants paying a certain sum to obtain the right to be the sole shipper on a particular route for a certain period of time. In fifty years, the Portuguese trade system had shifted in East Asia from a global monopoly handled directly by the Crown to a private-Crown partnership.

When the Dutch penetrated in the Asian seas, they cautiously avoided the main Portuguese strongholds and headed directly for the sources of spices, where they know their grip was weak. To do so, they experimented with a direct route through the Indian Ocean from South Africa to South Asian islands, passing south of India. In 1605, they captured Amboina, Tidore and Ternate. They built a stronghold at Banda Neira in 1609, at Jakarta – renamed Batavia in 1619 – and at Pulicat on the east cost of India 1613. In less than fifteen years, the Dutch enterprise had laid its hands on the main supplier of clove, nutmeg and mace and on the

¹⁶Disney, p. 150

alternative source of pepper offered by the island of Sumatra. They had also eliminated Portuguese and English competition from the South East Asian islands and had installed their first country trade route between the south-east coast of India and the spice islands in order to exchange Indian cotton for spices. From this moment onwards, the company's first objective would be to strengthen its monopolies on spices and to weaken its competitors. Between 1640 and 1668, they wiped out the Portuguese power in Ceylon and sized the monopoly on cinnamon; they captured Portuguese fortresses in south-west India and hence became master of the two main sources of pepper; they broke the resistance of Malacca and put strong pressure on the smuggling activities based in the area around it. At the end of mid-1660, the VOC entirely controlled country trade between the various Asian regions and intercontinental trade between Asia and Europe (see Map 2). The monopoly power of the company was organized through two hubs: Batavia in Asia and Amsterdam in Europe, the efficiency of the former depending on a extensive bureaucracy, and the occasional use of brute force, and on a general entrepot and an innovative, thriving merchant community in the latter. Unlike the Portuguese, the Dutch company was continually seeking to enforce its monopoly power. The production, transfer and the distribution of Asian trade was entirely under the company's control: spice trees were uprooted in order to control the quantity produced, company ships were used to transport goods and the company directed the distribution of Asian goods during an annual sale in Amsterdam.

While the EEIC entered in the Indian Ocean at the same period as the VOC, its expansion was far less aggressive. There were some victorious fights against the Portuguese but the English company's business was always limited in its operation in the spice islands by the expansion of the Dutch. Mostly, the EEIC was present where the competition between European nations was maintained by a strong local ruler and where the VOC was rebuffed. At the beginning of the eighteenth century, the English presence was the most strongly perceived in Bombay, Madras, Calcutta and Canton (see Map 3). These places were not particularly well located for the spice trade, but they were at the core of the region of calico and tea production. In Europe, the consumption of these goods was rapidly increasing, particularly in comparison with a relative stagnation of spice consumption. In addition, unlike its competitor the EEIC was not participating to the Asian country trade. This is not to say that the company captains or the ships rented by the company were not participating this trade – on the contrary there was strong incentive for a captain to do so – but it was not under the banner of the EEIC. The reason for this exception may be that smuggling activities were possible for English captains without the company being involved. This had an important effect on the VOC's business: the more English captains there were available, the more breaches of its various monopolies there were.

3.1.3 Financial Institutions

Whatever the organization, financing the silver bullion needed to trade with Asia was often a problem. It was partially solved for the *Estado da Índia* and the VOC by involvement in the country trade with Japan and access to its silver bullion when Spanish silver was insufficient or inaccessible. However, to advance this bullion, financial institutions were required. The Portuguese were relying on New Christian, Genoese or Florentines private bankers. The origins of these private banking activities went back to the end of the Middle Ages and were not specifically related to the development of the East Indian trade. In Amsterdam, financial institutions like the Amsterdam Exchange Bank, started in 1609, or the Amsterdam Loan Bank, started in 1614, were set up to facilitate trade for Republic's merchants. These two institutions, supported by the city of Amsterdam, helped to create a climate of confidence in the trade

established in the United Provinces¹⁷. Interest rates were particularly low and consequently the VOC merchants were able to buy the goods they needed on Asian market well in advance of their competitors, a fact that aroused repeated complaints from the factors of the EEIC¹⁸. It was only with the accession to the English throne of William III that the institutions developed in Amsterdam were introduced in England. They were taken to a new dimension, as the bank created was to be the Bank of England. After the merger of the new and old East Indian Companies, the Bank would develop very close ties with the EEIC and allow it to borrow money at a very favourable rate. At the time when trade supremacy was shifting from the VOC to the EEIC, the EEIC was able to borrow as much money as the VOC at similar rates.

3.2 Points in common

3.2.1 Maritime technologies

The development of maritime technologies was essential to the foundation of direct commercial relations between the East and Europe. During the fifteenth century, the shipbuilding industry made important progress on the Iberian Peninsula. This progress resulted in the design of the caravel – a lightly crewed vessel, solid in the strong Atlantic winds. It was with this kind of ship that the Portuguese explored the coast of West Africa and circumnavigated the Cape of Good Hope to India. Once the trade route from the West to India was established, two new types of vessel were designed: the carrack, a far more spacious ship than the caravel, designed to transport large cargoes but more difficult to manoeuvre and, in the first decade of the sixteenth century, the galleon, which was a successful attempt to combine some qualities of the caravel and the carrack. Throughout the sixteenth century, the other Atlantic countries were rapidly catching up with the advances made by the Portuguese and the Spanish, particularly the English and the Dutch, with the development of faster, lighter galleons.

Knowledge about maritime routes and coastal civilizations was also slowly spreading during the sixteenth century. Cartographers were drawing maps with clear details of the coast of Africa for the princes of the European and Ottoman courts at the beginning of the sixteenth century¹⁹, and travel literature written by Portuguese traders/explorers was translated²⁰. In addition – and this is a fact not sufficiently stressed in the literature - the knowledge of ocean sailing accumulated by the seafaring communities must have played a particularly important role. With the very low literacy rate of this period, this knowledge could not be easily disseminated, and most of it must have been transmitted by contact established between mariners. Seafaring, or it would be more appropriate to say oceangoing, communities in Portugal were used to fish or to organize passage for troops off the Portuguese and North African coast during the fifteenth century²¹. Mariners for the first explorations and the subsequent trade adventure to India came

¹⁷ Israel, p. 78

¹⁸ Furber, p. 188

¹⁹ The Portuguese Fernao Vaz Dourado (1520–1580), the Fleming Gerardus Mercator (1512–1594) and Abraham Ortelius (1527–1598), or the Ottoman Piri Reis (1465–1554).

²⁰ For example, the *Livro de Duarte Barbosa* (1516) by Duarte Barbosa (?–1521) translated into Italian in 1556, the *Coloquios dos simples e drogas da Índia* (1563) by Garcia de Orta (1501–1568) translated into Spanish and Latin in 1578. Or, more importantly, the book written by Jan Huygen van Linschoten in Dutch *Reysgeschrift van de Navigation der Portugaloyzers in Orienten* on the Portuguese maritime trade route, published in 1595

²¹ Disney, p. 142: "Portugal also developed a capacity to move substantial military forces by sea using sailing ships.

from these coastal communities²². Moreover, as the sixteenth century was entering in its second half and the demand for more qualified mariners to crew the *Carreira da Índia* was increasing, a constant shortage of manpower developed²³. Mariners from North Atlantic European countries were employed on the Portuguese vessels. A transfer of the tacit knowledge about the routes, the dangers and also the opportunities lying beyond the Cape of Good Hope is likely to have happened between mariners of various origins.

Taking into account the importance of tacit oceanic knowledge could also throw a new light on the divergence of views between the supporters of Braudel (1979) and Israel (1989) about the rise of the Dutch power. For Braudel (1979), control by the Dutch of bulk trade in Europe was preparing the dominance of the Dutch economy over Europe trade throughout the seventeenth century. It was a consequence of the long-term movement from a Mediterranean-centered world to a North European-centered one. Israel (1989) rightly noted that the dominance of the Dutch merchant marine over bulk shipping was established long before the surge of Dutch power, and moreover it was never an absolute control of this trade. Rather than the bulk shipping industry in itself, it is surely more the case that the knowledge gathered by the sailors from the maritime provinces of the Low Countries, and the extent of this industry, which provided an essential precondition to the subsequent success of the United Provinces. The share of the population of the Low Countries concerned in maritime activities was surely greater than that in any other European country at time: the vessel used to transport bulky goods (salt, timber, grain) and the herring busses used to fish in North Atlantic waters were heavily manned. In addition, the mariners on these ships were used to staying at sea for long periods. There were other important seafaring communities in Atlantic Europe (obviously in Portugal, England or France) but no population had enjoyed such a concentration of maritime knowledge and no population was so singled-minded about maritime activities.

A final point illustrates the importance of human capital. A interesting question is why the great empires that the Europeans have been in contact with did not try to emulate their technologies. First of all, none of these Empires (Ottoman, Mughal, Chinese) – perhaps with the exception of one (the Japanese Shogunate) – were oceanic powers. As has been underlined by Subrahmanyam (1993), the Asian trade was a trade of three seas: the Arabian Sea, the Gulf of Bengal and the China Sea. Even at the edge of two great oceans, there was no community used to ocean seafaring, and, moreover, there was no need to develop the technologies making it possible to stay away from the coastline in rough waters for a long time. The most important knowledge was to know how to handle the wind in the monsoon season. It is also worth remembering that the European market had very little to offer to Asian traders. If there was a lack of incentive from the point of view of Asian traders, the military incentive was far from tenuous. The Ottoman Empire could provide two examples: firstly there were some strong attempts to impede European trade and, secondly, that these attempts were not successful without oceanic knowledge. At the time the Portuguese made their first contact with India, the Ottoman Empire was at its height. Traders of the Sublime Porte were worried about the entry of an aggressive new player in their trade with the west coast of India. To counter the Portuguese, a naval expedition was decided on in 1507. The outcome was the Battle of Diu. In this battle, the Ottoman galleys were largely

This capacity made serious campaigning in North Africa possible – and without it the famous Ceuta expedition of 1415 could not have been mounted."

²² Even the greatest admiral, Vasco de Gama (1460–1524) came from the small port city of Sines on the south-eastern Coast of Portugal.

²³ *Ibid*, p. 144

overcome by the Portuguese *caravela redonda*. One hundred years later, privateers hoisting the gold crescent banner attacked English and Spanish vessels in the Atlantic, they raided Reykjavik and were seen from the shores of Virginia. These ships, although operating under the colors of the Ottoman Empire, were commanded and manned by European renegades. The most famous were Simon de Dancer operating from Algiers, Jan Janszoon operating from the Moroccan Port of Salé and his vice-admiral Mathys Van Bostel Oosterlinch. All of three were born on the shores of the northern or southern Netherlands and had acquired great experience of ocean navigation before sailing from north Africa .

3.2.2 Spanish policies

During the sixteenth century, Spain was the sole superpower. Through its financial largesse and the extent of its possessions it had a say in most of the affairs of the world. Spain would play a crucial role in the decay of the Portuguese trading system, in the ascent and the dawn of the Dutch Imperium and in the rise of English power in the East.

With the exception of the Philippine Islands from 1571, the Spanish kings had little interest in Asia and were globally respectful of the terms of the treaty of Tordesillas (1494) and Zaragoza (1526), which divided the world between the two realms of the Iberian peninsula. However, in 1580, after two reigns which failed to provide an heir to the Portuguese throne, Philip II of Spain claimed and succeeded in obtaining the Portuguese succession. The two kingdoms were not merged but associated, each keeping its specific features but with a sole king in charge of the affairs of the two countries. This association would last until 1640, when Portugal regained its independence. Although Philip II stayed two years in Lisbon after being crowned king of Portugal and envisaged installing his court in the city, he soon returned to Madrid. From this moment, Philip and his successors seem to have envisaged the association of the two countries in the continuation of their previous policies, policies which were centered on Spanish interests. This fact would have several consequences. Under Portuguese kings, the *Estado da India* ranked among their two main concerns, the other being the Brazilian colonies. For the King of Spain and Portugal, it came behind the administration of his possessions in Europe and on the American continents. Portugal would also be engaged in wars it would have surely not have fought as an independent country. These wars would have dramatic consequences on the Portuguese trade in Asia. Finally, Portuguese human and physical capital was dispersed between Portugal and Spain and its possessions: numerous merchants from Lisbon were extending but also re-establishing their activities in Seville and Antwerp, many of the most able servants of the Portuguese administration, who could have served in the *Estado da India* or in the Brazilian colonies, were serving Philip II in Madrid; admirals, ships and sailors which could have protected the *Carreira* were fighting wars in Europe.

The best way to embody these points is through the conflicts pitting Spain against its rebel provinces in the Low Countries, the future Dutch Republic. Warfare in the Low Countries had begun during the reign of Philip II. His son Philip III decided to revert to the policy introduced by his father of all Spanish and Portuguese possessions blockading traders from the rebel provinces. As the maritime provinces of the Republic were mainly living off providing a general entrepôt and trade platform between southern and northern Europe, the blockade was aimed at depriving the provinces of their main sources of revenue. Trade between the Iberian peninsula, the Mediterranean and the Low Countries effectively decreased, as is shown by the number of ships from the Low Countries calling in the Iberian ports during the years of blockade (see Table 1).

Table 1: Direct voyages from the Iberian Peninsula to the Baltic, 1620–1641

Year	Total for all nations	Dutch	Year	Total for all nations	Dutch
1620	105	91	1630	28	3
1621	61	36	1631	64	10
1622	56	2	1632	30	6
1623	99	3	1634	55	25
1624	86	2	1636	43	18
1625	40	0	1637	39	10
1626	36	0	1638	66	27
1627	22	1	1639	64	41
1628	9	0	1640	30	14
1629	14	0	1641	56	34

Source: Bang, Tabeller, pp. 218–340

It was now far more difficult for Portuguese spices unloaded in Lisbon to reach the North European markets²⁴ but this was far from the worst effect on Portuguese interests in India. Cornered by the Spanish blockade and forced to give up a large part of the non-rich maritime trade it normally handled, the young republic could only engage itself more heavily in the rich trade. As we have seen in 1602, the VOC was founded with the help of the Dutch State with the clear objective of attacking Spain and Portugal's power, prestige and revenues in Asia. There followed the systematic attacks on Portuguese possessions in Asia until the twelve-year truce we have described. During the truce period, Portuguese trade through the *Carreira da Índia* surged again. But, once the truce ended, the VOC became even more dedicated to destroying the Portuguese power in Asia, and extended its operation far beyond 1640, when Portugal was freed from Spanish influence.

The impact of Spanish policies on the English trade with Asia was less dramatic but still notable. For similar reasons to the Dutch company, the EEIC was founded in 1600. Its first developments were made also at the expense of some Portuguese positions but to a far lesser extent than the VOC. Moreover, a peace agreement was reached in 1623 between the EEIC and the *Estado da Índia* which was globally respected. An interesting point is that the trading communities in London were certainly less bold in developing their activities east of the Cape of Good Hope during this period. As England was at peace with Spain when Spain was still at war with the United Provinces, the trade between northern Europe and the Mediterranean area was almost free of Dutch ships. London merchants which were generally as interested in the Asian trade as in the Mediterranean, gained a great deal from these markets due to the Spanish blockade. England gained more in Asia from the outcome of the war between Spain and Portugal for the latter's independence. After 1640, Portugal was desperate to reach alliances with powerful European kingdoms to counter the Spanish pressure on its frontier. In 1654, England reached a

²⁴ It can be added that the almost unending period of war against the protestant republic during the Habsburg domination of Portugal was not only bad for the East India trade but also for Portugal generally. One of the main exports from the Portugal homeland was salt from the region of Setubal. This was used by the Dutch herring fleet to salt its fish. This trade was completely stopped.

treaty with Portugal which give the English merchants the right to trade freely and advantageously in all Portuguese ports and possessions²⁵. In addition, a few years later in 1662, England received Bombay as a dowry for the marriage of Princess Catarina of Portugal with Charles II²⁶. The island, next to Surat, was leased by the crown to the EEIC. These elements strengthened the position of the EEIC in India and East Asia in the middle of the sixteenth century²⁷. In 1702, the War of the Spanish Succession began, setting France and Spain against the maritime powers – England and the Netherlands – and Austria²⁸. Charles II, last descendant of the Spanish branch of the Habsburgs, died without a heir and two candidates claimed the succession – Philippe d'Anjou backed by France and chosen on his deathbed by Charles II and Leopold I, favored by the maritime powers. Although England and the United Provinces were on the same side during this war, the conflict contributed to the shift of power from the Dutch to the English. As pointed out by Israel (1989): "The Dutch, forced to concentrate their spending on their army, were deeply uneasy at seeing Britain become more and more dominant in the naval war."²⁹ The Dutch busy strengthening their southern frontier, never filled the gap again, the dominance of the British navy and army being demonstrated in India four decades later when a Dutch naval expedition sent to Hugli was easily defeated.

4 Discussion

To conclude this paper, let us first recapitulate the elements which played a role in the rise and failure of each successive European enterprise in Asia. The rise of Portuguese power in the East was primarily due to an unprecedented series of explorations of the West African Atlantic coast and numerous innovations in the maritime sector aimed at facilitating these explorations. They were organized and managed by a Portuguese Crown motivated by a mixture of economic, political and religious incentives. It is difficult to imagine that a private, commercially motivated enterprise would ever have achieved the same long-term operation, largely because of the very low immediate financial return easily extractable from these voyages. But, although the Portuguese Crown was an efficient tool in establishing the first direct intercontinental trade between Western Europe and Asia, it seems to have been far less efficient in directly running a trade monopoly. During the second half of the sixteenth century, Portuguese authority may have found a system of public-private partnerships which, imperfect as it was, allowed the Crown to manage the Asian trade with relatively limited assets. However, it was unable to withstand a well-financed, remarkably manned and single-minded privately owned enterprise.

The stellar success of the VOC was surely due to the fact that, at the time it was set up, two factors came together for triumph. On the narrow strip of Dutch territory human capital particularly competent in the three most valuable domains for the Asian trade – shipbuilding, seafaring and international trading – was gathered, and these skills could only be mobilized in the vast domain of Asian trade because of the Spanish embargo.

Unlike the transition between the Portuguese trade and the Dutch Emporium, the shift from a VOC-dominated Asia to an EEIC-dominated one was a long one, and the VOC was still a

²⁵Disney, vol. 1 p. 227

²⁶Ibid, vol. 1 p. 229

²⁷In the case of East Asia, by facilitating contact with the Portuguese community in Macao

²⁸As the ruling power of the southern Low Countries

²⁹Israel, p. 372

wealthy company during the first decades of the eighteenth century. Three factors came into play in favor of the EEIC: the stabilization of the structure of the company, its locations and its management. Its strongholds were situated in the tea and calico production centers which were increasingly appreciated in Europe. The management of the EEIC offered its captains strong incentives to develop their own trade. And the trade of the English captains and ships in the Indian and East Asian seas was slowly but constantly eroding the Dutch country trade.

If we have explain the success of each trading power at the expense of the others, the questions of why the Portuguese did not resist the Dutch more efficiently or why the VOC did not react more quickly to the development of the EEIC remain partially open. Part of the answer to these two questions could depend on the same argument: the interests of the authorities in the State where the commercial enterprise originates and of the commercial enterprise itself had slightly diverged. As we have seen, during Spanish rule Portuguese interests were not put forward. Moreover, slightly before the integration of the Portuguese Crown and after it was restored , the Brazilian colonies were at the top of the agenda for the Portuguese kings. In the case of the VOC, the problem between the company and the State of Holland was well identified at the turn of the eighteenth century. As England was a stable country, huge investment was needed to maintain the Dutch military maritime power. However, the constant danger on the frontier of the seven provinces gave the States General no choice other than investing heavily in an army stationed in the Low Countries. This argument is also valuable for the EEIC, its period of dominance corresponding to the time where the English State unequivocally supported the company, financially and military. Its decline during the second half of the eighteenth century occurred in a changing world, where the military agenda and the capture of territory in India become the main concern of the state and of some EEIC employees based east of the Cape of Good Hope.

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5 Appendix

Figure 1: the Portuguese Trade Network in 1580

Portuguese Trade (1580)

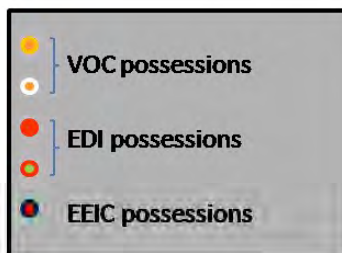


Figure 2: the Dutch Trade Network in 1670

Dutch Trade (1670)

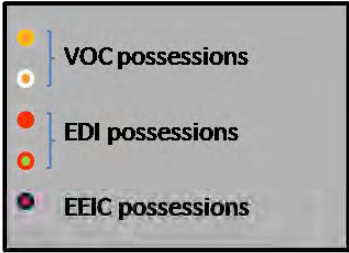


Figure 3: the English Trade Network in 1740

English Trade (1740)

