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## **The Dutch East India Company's tea trade with China, 1757-1781**

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## CHAPTER SIX

THE “GOLDEN AGE” OF THE TEA TRADE  
AND ITS CONCLUSION*The “Golden Age” of the tea trade*

The Dutch East India Company could claim to have played a pioneering role as an importer of Chinese tea into Europe. But it was not until its trade with China was thoroughly reorganized by the establishment of the China Committee that the VOC tea trade entered into an extraordinary boom period which lasted for about two decades, that is, until the beginning of the 1780s. This prosperity led the Amsterdam director, Cornelis van der Oudermeulen, to laud the direct China trade when he analysed the profit and loss account of the Company in 1785. He asserted that the improved results in the period 1760-1780 should be directly attributed to it, and that it had acquired the VOC a better position in the international tea trade.<sup>1</sup>

Plagued by hindrances and delays, in order to arrive at a more flexible and satisfactory management of the China trade, in 1756 the VOC set up the China Committee in Amsterdam, which was given absolute authority to make decisions on the China trade. Henceforth, every year a fixed number of China ships were fitted out by the Chambers of Amsterdam and Zeeland, and from the season 1763-1765 the smaller chambers were also allotted their share in this profitable trade route (see Appendix 2). This new policy ensured that the VOC remained second only to the EIC, the biggest East India Company, in the tea trade at Canton.

After this reorganization, the resultant direct China trade benefited from the effective hands-on management of the China Committee. It was also boosted by the more effective organization of business affairs by the VOC trade representatives in China and also by that of the crews on the China ships. All these Company servants co-operated closely with each other in assiduously observing the instructions of the China Committee for the benefit of this particular trade. Even though the running of the China trade had been taken out of the hands of the High Government in Batavia, the headquarters of the VOC in Asia continued to contribute to the success of the operations in Canton as it was always ready to step in whenever quick and decisive assistance was needed. Finally, the sufficient sale of fresh teas at the Company auctions in the Netherlands realized the interests of the Company in a highly satisfactory manner. Tea was easily

the most profitable product in which the VOC dealt in the second half of the eighteenth century, and it is interesting to see that the Company which had experienced almost overwhelming difficulty in adjusting to the shifts in global trade was able to take innovative steps towards effectuating reorganizations.

All the above steps were intrinsic factors on the side of the VOC management. But, when we look at the VOC tea trade with China from an even wider angle, the realization also dawns that this “Golden Age” in the tea trade was also inextricably linked to other external factors which were embedded in particular political, social, and economic developments in both Europe and China during the second half of the eighteenth century.

In Europe, up to the 1780s the Dutch Republic had managed to stay neutral in the global struggle for supremacy between France and Britain. This neutral stance seemed the safest policy for the Republic allowing it to remain aloof from the Anglo-French rivalry and to preserve its international position in finance and overseas trade. Nevertheless, this neutrality was somewhat biased. The Dutch and English had maintained an enduring alliance since the seventeenth century and, until the middle of the eighteenth century, the English considered the Dutch Republic an important ally in international, especially European, politics. The English believed that maintaining good relations with the Dutch Republic would be helpful in the event of any war on the Continent. In French eyes, the Dutch Republic was the *régulateur de la politique anglaise* should there be a Continental war.<sup>2</sup> Yet, in French conflicts with Britain, the neutral Dutch Republic could continue to provide its southern neighbour with the foreign goods it needed. Therefore, during the Seven Years’ War (1756-1763),<sup>3</sup> which was fought in Europe, North America, and India between France, Austria, Russia, the German Kingdom of Saxony, Sweden and (after 1762) Spain on the one side, and Britain, Prussia, and Hanover on the other, both Britain and France, the principal participants respected Dutch neutrality.<sup>4</sup>

Safely entrenched in their neutrality, the Dutch were able to take advantage of the war conditions which offered them a favourable opportunity to expand their commerce and trade. At home, Amsterdam grew rapidly as a financial market, a process which was not only attributable to a major extension of acceptance credit, but also had a great deal to do with the enormous growth in the trade in specie – gold and silver coins and bullion – and the continual transfer of British subsidies to the Continent and the marketing of British domestic loans by the Amsterdam houses.<sup>5</sup> This step in the development of the Amsterdam financial market was closely related to the steady demand for specie emanating in part from the reorganized direct trade with China. All preparations for the

new management of the China trade were effectuated during the early part of the Seven Years' War. Britain, France, and Sweden, which participated in this war and had commercial companies trading with China, were unable to devote much attention to their China trade: Britain, Sweden, and Denmark as well, had few ships to spare; and France had no ships at all sailing to Canton during the war years. After a few rather unsteady years of experimentation, the VOC tea trade settled into a stably developing curve and continued to prosper for over twenty years.<sup>6</sup>

In the Dutch Republic during the second half of the eighteenth century, there were also several positive socio-economic developments which affected the VOC tea business. Although the Republic failed to participate in the general European revival marked by a strong population growth in the second half of the eighteenth century, the population still kept growing yearly.<sup>7</sup> Throughout the whole eighteenth century, the population of the Republic grew from 1,850,000-1,950,000 in 1700 to 1,900,000-1,950,000 in 1750 and to 2,100,000 in 1800. In the last fifty years of the eighteenth century the population increased by 0.2 per cent a year. A steadily mounting number of consumers was absolutely essential to a steady rise in the consumption of tea in the Republic. But the number of tea-drinkers did not stop at the border; not all the "VOC teas" were consumed in the Republic itself but a considerable proportion of the tea was either re-exported or smuggled into other European countries. The strong demographic growth in neighbouring countries, such as France, the Austrian Netherlands, the German States, and Britain,<sup>8</sup> stimulated and guaranteed the re-export of the "VOC teas".

The purchasing power for tea among Dutch people can be analysed by comparing the average income with the selling price of tea in the eighteenth-century Dutch Republic (see Appendices 9 and 10), by looking at average summer daily wages for various grades of craftsmen and workers: masters (carpenters and masons), journeymen, masons' assistants, and unskilled labourers in both the Western and Eastern Netherlands and comparing these with the selling price of Bohea (since it then was the most popular tea). The daily summer wages of these occupations increased at a steady rate, though slowly, in the Netherlands from 1725 to 1790, nearly the whole period of the VOC tea trade with China. Throughout these sixty-five years we see a slight decline in the selling price of Bohea on the Amsterdam Commodity Exchange, which was the price offered by the tea-dealers (wholesalers) to the retailers and/or the shopkeepers and which could by correspondence be said to reflect the price of Bohea which the mass consumers eventually paid. The price of tea was not the only cost to fall. Other common food expenditures, such as that for bread, meat, fish, and beer, also decreased in Amsterdam during the second half of the eighteenth century.<sup>9</sup>

On the other side of the globe, several significant factors in China stimulated the VOC China trade as well. The second half of the eighteenth century was an era of outstanding florescence in China, the time at which the Qing Empire reached the height of its power and splendour. The sixty-year rule of the Qianlong Emperor (1736-1795) virtually coincided with the history of the VOC China trade.

Chinese trade with the West benefited from the strength of the Chinese economy, even though it was restricted to the sole port of Canton. The Hong merchants in Canton monopolized the tea trade, because tea was exported only from China to Europe during that time. Throughout the eighteenth century, until the eve of the First Opium War (1839-1842), the port of Canton continued to satisfy, with an ever-growing supply, Western demands for tea which mounted decade by decade. Such a beneficent development of both demand and supply guaranteed the steady increase in the tea trade throughout the eighteenth century and prevented any excessive increase in the price of tea.

In order to obtain teas of good quality, in sufficient quantities and at reasonable prices, the European companies had to send ships loaded with as many trade goods and funds as possible to Canton, where their trade representatives were forced to compete fiercely with each other. The VOC delegates were well aware that the better the relations, or *guanxi*, they nourished with the Hong merchants and the lower mandarins with whom they met, the more able they would be to surpass their competitors. They made an effort to maintain excellent contacts with their Chinese trading partners and remained on particularly good terms with the local mandarins. In this behaviour, the VOC was well served by its servants in Canton.

In 1760, the Co-hong, the so-called monopoly bureau of the Hong merchants, was officially established in Canton not without manifestations of protest from the European side. This union was detrimental to the interests of the European companies, because its members could decide the price of import and export goods unilaterally. However, since it was only an experiment, and there was always discord among its members, in particular the great Hong merchants, and confusion in its regulations, the proper functioning of the Co-hong was very problematic.<sup>10</sup> The Dutch trade representatives' negotiations with the Hong merchants did not comply strictly with the regulations of this combine, and the business with the tea-supplying agents was not really greatly harmed by its establishment. Early in 1771 the Co-hong was dissolved,<sup>11</sup> and afterwards the delegates of the European companies dealt freely with their Chinese trading partners once again until its re-establishment in 1782 around the time when the "Golden Age" of the VOC tea trade drew to an end.

By all accounts, the Canton trade was conducted professionally by the

trade representatives of the European companies and their Chinese partners during the period under study. On the Chinese side in particular, local official procedures for supervising the European trade were predictable and not too burdensome, pilots showed an amazing ability to guide the ships up the river. Once the European ships had dropped anchor they could unload goods, acquire supplies, and find reliable partners in the tea trade itself.<sup>12</sup>

### *Conclusion of the "Golden Age"*

Good fortune did not continue to smile on the Dutch. On 20 December 1780, England declared war on the Dutch Republic, because the Dutch, as the English complained, had interfered in the American War of Independence (1775-1783), by lending assistance to the American insurgents.<sup>13</sup> British warships searched and attacked Dutch ships suspected of carrying contraband to the American rebels. The English Navy had 122 ships of the line at its disposal while the Dutch possessed only seventeen. The Dutch Republic was therefore incapable of providing its merchantmen effective protection against English attacks.

The war dealt a heavy blow to Dutch maritime trade. In January 1781 alone, British naval ships and privateers captured no fewer than 200 Dutch vessels, completely paralysing Dutch shipping.<sup>14</sup> Ship-owners were only just able to prevent a total collapse of their trade by transferring the registration of their ships to neutral nationalities.<sup>15</sup> In the Caribbean, on 3 February 1781 the British admiral George Bridges Rodney conquered the island of St Eustatius, the so-called Golden Rock where the American revolutionaries had been able to buy goods which they could not obtain directly from Europe. Hammering their superiority home, the British captured all the West African forts belonging to the Dutch West India Company, with the exception of Elmina; the Dutch also lost their colonies in Guiana on the South American Coast.<sup>16</sup> The upshot was that the trade in the Dutch West Indies would never regain its former glory.<sup>17</sup> The war also proved to be a disaster for the operations of the VOC in Asia. Various Dutch possessions in South India and Ceylon were lost: a short time after the conquest of Sadras on the Coromandel Coast, just 100 Englishmen were sufficient to occupy the Dutch possessions on the West Coast of Sumatra. In Ceylon, the British took the strategically important harbour of Trincomale, which served as a strategic base for the Dutch possessions in the Indian Sub-Continent.<sup>18</sup> At the Peace of Paris which concluded the war, the VOC ceded Negapatnam in India to the EIC, and granted the EIC free access to the Moluccas.<sup>19</sup>

During the disastrous Fourth Anglo-Dutch War (1780-1784), the

thriving Dutch tea trade in Canton was also brought to a full stop. The Company's China ships suffered from the attacks of the British warships and of country traders; therefore the export of tea from Canton to the Dutch market sharply declined. No ships arrived in Canton from the Dutch Republic in 1781-1782. Soon after hostilities began in Europe in December 1780, three of the four VOC ships, which had left Canton in January 1781 and were not aware of the war, were captured in Saldanha Bay near the Cape of Good Hope, and the fourth was set on fire and sank on the spot. In order to continue the profitable China trade, the VOC was forced to send ships under a neutral flag. In 1783, three ships were chartered (two for the Amsterdam Chamber and one for the Zeeland Chamber) under the Prussian flag and sailed to Canton, but two of them were lost on the outward- and homeward-bound voyage.<sup>20</sup> Obviously, the war with the British plunged the VOC trade representatives in Canton into a financial dilemma. They had no option but to go heavily into debt to the Chinese Hong merchants, as they were completely cut off from capital from overseas to purchase tea and other products, just at a time when the demand for tea in Europe was soaring and EIC was rapidly increasing its own purchases of tea. The successful running of its tea trade by the EIC in some senses was certainly to the detriment of the VOC business in Canton.

In all, the Fourth Anglo-Dutch War hurt the Dutch Republic more economically than territorially. This war relentlessly revealed the internal weakness of the VOC which made the Company vulnerable, although it was still a giant enterprise.<sup>21</sup> De Vries and Van der Woude have calculated how, as a direct result of the loss of ships and their costly cargoes alone, the VOC suffered enormous financial problems. Altogether the direct losses of the VOC can be calculated at 43 million guilders.<sup>22</sup> Loans to keep the Company afloat reduced its net assets to zero in 1784. Its creditworthiness destroyed, it was forced to become a ward of the state.<sup>23</sup> The VOC Chambers even had to ask for suspension of payment, thereby converting the Company's short-term credit into a long-term one. The Company was unable to continue under its own power, and left the state with a gigantic debt which weighed on the Republic as an enormous burden.<sup>24</sup> Only by grace of the magnanimity of the States-General, which gave guarantees of the payment of interest on financial commitments, could the VOC carry on its business.<sup>25</sup> After the French invasion of 1795, the management of the VOC teetered on the verge of bankruptcy, and the only solution was for it to be taken over by the newly created Batavian Republic. In the same year, the tea trade under the Dutch flag was halted again.<sup>26</sup> It was not the real end as it continued on for several years still, again with chartered vessels under foreign flags.

Misfortunes never come singly. In the 1780s, more and more competi-

tors flooded into Canton. Among them the Americans, who soon emerged as competitors of the VOC in the China trade, were very conspicuous.<sup>27</sup> Although they posed a serious threat, the position of the VOC was irretrievably undermined by shifts in the tea trade in Europe itself which were set in motion by the passing of the British Commutation Act in 1784, just after the conclusion of the Fourth Anglo-Dutch War on 1 June. The aim of the Commutation Act was to remove all incentives for smuggling tea into Britain from the Continent. On the eve of the passing of the Commutation Act, a large part of the tea consumed on the British domestic market was supplied not just by the EIC but was smuggled in from other Continental nations, including of course the Dutch Republic. Since the mid-eighteenth century, 4,000,000 to 7,500,000 (English) pounds of tea per year had been smuggled into Britain from France, the Dutch Republic, and Scandinavia;<sup>28</sup> and just before the outbreak of the war in 1780 the annual consumption of tea in Britain already amounted to 18,000,000 (English) pounds. The Companies of France, the Dutch Republic, Sweden, Denmark, and the Austrian Netherlands imported two-thirds of the tea, leaving the EIC to attend to about one-third.<sup>29</sup> The Continental companies profited abundantly from the tea smuggling to Britain, but their contraband seriously hurt the interests of the EIC as well as those of the domestic tea-dealers in Britain.

The Commutation Act, which was put into effect in September 1784, therefore reinforced the monopoly of the EIC on the import of tea into Britain. Under the provisions of the Act, the EIC was required to import sufficient tea to supply the domestic market; to maintain in its warehouses a quantity equal to one year's consumption; to hold public sales by auction four times a year "at equal distance of time"; to put tea up for sale at prices which should not exceed the capital from the time of the arrival of such tea in Britain, and the common premium of insurance; and to sell such tea "without reserve to the highest bidder, provided an advance of one penny per pound should be bid upon the [put-up] prices".<sup>30</sup> In the wake of the Commutation Act of 1784, the import duties on tea were drastically dropped from over 100 per cent to 12.5 per cent of the value of the teas.<sup>31</sup> This dealt an enormous blow to the foreign tea-smugglers who could earn no more profits. This all happened at a time at which the consumption of tea in Britain was rising to even newer heights. In this sense, the passing of the Commutation Act of 1784 can be considered a turning point in the history of the British tea trade.<sup>32</sup>

It goes without saying that the British Commutation Act of 1784 also had an impact on the tea trade of the VOC. Even if the Dutch were not the biggest smugglers for the British domestic tea market, legitimately Britain had always been the most important foreign client for the "VOC teas". The Dutch Republic was a small state with a comparatively small



outlet for selling tea, so the VOC was heavily dependent on the export of its tea cargoes. The Commutation Act of 1784 therefore inevitably shattered the Dutch dream of sharing in the profits made on the British domestic tea market, although for several years after 1784 the Dutch were allowed to continue to supply tea to the EIC. This was because at that moment the EIC was not able to provide sufficient shipping to meet the domestic demand. Two years later, the picture had changed completely. From 1786 the EIC in Canton was practically able to exclude the VOC, its most dangerous competitor, from the tea trade. It managed to pay higher prices than the Dutch supercargoes could afford and forced the prices of tin and pepper down by flooding Canton with these products which had previously been abundantly supplied by the VOC. It also sent more and more Company ships to China to purchase larger quantities of tea and encouraged the country trade between India and Canton.<sup>33</sup> By doing so, after the season 1786-1787 the EIC was able to provide for most of the tea imports required by Britain, and the year 1788 was the last year in which it purchased a small quantity of tea from the Continent. At the end of the 1780s, the EIC totally dominated the European purchase of tea in Canton and succeeded in completely fulfilling the demand for tea in England.

Now the tables were turned and the English could even export all the tea which could not be sold in England to the Netherlands, the only country in Europe where no import restrictions were imposed. In 1789, the United States of America also introduced a tax on tea imported from Europe, to protect its own direct trade with China.<sup>34</sup> In the meantime, ever-growing pressure was being exerted on the VOC to be able to find and to carry sufficient goods and money to Canton for the purchase of tea.<sup>35</sup> With limited funds, therefore most of the tea the VOC was still able to obtain was of inferior quality.<sup>36</sup> The inevitable upshot was that the VOC market in the Dutch Republic was entirely ruined by foreign teas of superior quality. In 1791 the States-General finally could not but grant the VOC the monopoly to sell tea in the Dutch Republic, in a last-ditch attempt to guarantee the interests of the VOC.<sup>37</sup> The domestic market was now assured, and the China Committee was able to increase the number of the China ships from two to four again. It was to be an ephemeral renaissance as this situation lasted just a few years till 1795 when the last Company ships sailing under the Dutch flag left China.<sup>38</sup> From then on until 1802, no Dutch ships sailed to China, although in the intervening period tea, porcelain and other Chinese goods could still be found on the Amsterdam market.<sup>39</sup> How that was brought about by ingenious planning and the leaving of ships to sail under "neutral flags" can be read in the study on this Dutch trade in the period 1795-1810 by E.S. van Eyck van Heslinga.