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**In the shadow of the company : the VOC (Dutch East India Company)  
and its servants in the period of its decline (1740-1796)**

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## **PART II**

# **Monopolies & Private trade**



## **Chapter 3: Deconstructing the intra-Asian monopoly of the VOC(1743-1796)<sup>238</sup>**

### **Introduction**

In the existing scholarly literature, the VOC is seen as the very epitome of a monopolizing company, which did not allow either to its servants or its subjects freedom of trade in Asia. The lack of freedom to participate in intra-Asian trade for people falling under the authority of the VOC is often contrasted unfavourably with the freedom which the EIC allowed the country traders and is often used to serve as the explanation of why the VOC eventually lost out to its English rivals. In this scenario, the unwieldy Dutch Moloch was overtaken by the entrepreneurial English interlopers who were better able to adapt to the changes of the eighteenth century. The question is whether this starkly black and white opposition between the VOC and the EIC is completely correct. If private trade seems to have suited the EIC so well, why would the VOC not have considered a similar reform? Was the VOC truly a monopolistic company or did it also consider allowing its servants and subjects to undertake private trade? What goal would a liberalization of private trade have served and how did this develop long term?

### **1. Monopolies and trade: the VOC's intra-Asian monopoly**

The main argument adduced for dismissing Dutch private trade as a significant factor in the European intra-Asian trade in the eighteenth century, is based on the way the VOC had organized its intra-Asian trade in the seventeenth century. At this time, the

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<sup>238</sup> Parts of this chapter have previously been published in a different form in Dutch in the *Tijdschrift voor Zeegeschiedenis*, October 2006, entitled 'Reguleren of Corrumperen? De VOC en hervormingen in de Privé-handel (1743-1799).

Company held a combined monopoly<sup>239</sup> on all trade with and within Asia and its intra-Asian trade was very profitable. In the initial stages of the Company's expansion into Asia, the spice monopolies not only put the European trade of the Company on a solid footing, they also facilitated and stimulated its involvement in the intra-Asian trade. For instance, the Coromandel Coast, served as supplier of commodities to the Moluccas, where textiles were traded for spices. The Company soon expanded its horizons and realized that entering the intra-Asian trade entailed an investment in material and money in regions not directly related to the production of spices. Trading settlements were established all over Asia, from the Cape of Good Hope to Japan and even regions without VOC posts, for example China, were indirectly included in this system through trading networks of indigenous merchants. It seems that in terms of its long-distance trade and knowledge of markets, the Company was breaking economic boundaries, and in the process making its intra-Asian trade highly profitable. Commendably, the by-product of trade and monopoly in Asia augmented profitability in Europe. In short, the combination of intra-Asian trade and trade with Europe paid off.<sup>240</sup>

Greatly to the advantage of the VOC, apart from raising profitability in the trade to Europe, its involvement in the intra-Asian trade also lowered the amount of precious metals required to be dispatched from the Netherlands. In order to procure the sought-after spices, the chartered companies were obliged to export precious metals, the only commodity available in Europe for which there was a guaranteed market in Asia. According to the mercantilist economic theory fashionable at the time, exporting wealth or sending out of bullion was deemed undesirable. When most of the trade in spices came firmly under its control, the VOC obtained a very advantageous position compared with its competitors. With a combination of the spice monopolies and a modicum of territorial control, it benefited from a demand and a variety of products to offer to different markets in Asia, thereby obviating the use of the precious metals. Hence, the profits from the ensuing intra-Asian trade enabled the Company to limit its need to export of precious metals; lesser quantities of precious metal were needed from Europe if the profits made in

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<sup>239</sup> The VOC tried to exclude commercial competition by controlling production of certain commodities and by excluding its servants and subjects from participating in trade by withholding the right to trade.

<sup>240</sup> The definition of monopolizing, just as in the case of trade with Europe, indicates a monopoly precluding people from the Republic and the employees of the VOC participating in such trade.

the intra-Asian trade were invested in the trade to Europe. Consequently, involvement in the intra-Asian trade offered a double-edged advantage and provided greater facility in obtaining spices: the spices were more profitably obtained by offering merchandises procured in Asia itself instead of expensive precious metals.

In comparison to the indigenous traders, the VOC in Asia specialized in long-distance trade. Although this required more initial investments, the efficiency and profitability of such a policy were most conspicuous in the trade to Europe. Needless to say, the irruption of such a well-organized force did not leave the trade in Asia unscathed and consequently fundamental changes were inevitable with the arrival of the European long-distance trade capacity. In a non-integrated market, long-distance trade proved very profitable.<sup>241</sup> Focusing on long-distance trade in Asia, by transporting commodities over vast distances, outdistancing the indigenous merchants, who continued to thrive in and to dominate the regional trade, the Europeans were cutting out middlemen. Nevertheless it is important not to exaggerate the impact of European trade on intra-Asian trade. Investing money in all regions was neither politically nor economically feasible, so the VOC was forced to cut its coat to suit its cloths and leave parts of the intra-Asian to indigenous traders. Such decisions clearly delineate the boundaries of the Company's economic power, bridled by the limited amount of capital it had its disposal.

While the spice monopoly led to the heavy involvement of the VOC in the intra-Asian trade, other European companies had to conjure up other less capital intensive ways to participate in the intra-Asian trade. For a short period, the other European companies tried to emulate the VOC's intra-Asian trade, but because of their lack of capacity to match its strength were soon forced to abandon this commerce to their employees in the form of private trade.<sup>242</sup> Since the other companies mostly limited their orbit of trade to the Indian Sub-Continent and later in the eighteenth century extended to China, they focused on trade from these regions to Europe. In academic discourse, however, the fact is often overlooked that the other companies had not really relinquished their ambitions to set up intra-Asian trading links, a situation causing a conflict of interest.

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<sup>241</sup> Knowledge of local markets offered easy profit, for instance the simple act of exchanging gold and silver between Japan and China, which already yielded a tidy profit.

<sup>242</sup> P.J. Marshall, *East Indian Fortunes, the British Bengal in the Eighteenth Century* (Oxford: Clarendon 1976), 20.

Their servants were expected, indeed even ordered, to prioritize their company's trade over their individual private trade. The differences in incorporating or excluding intra-Asian trade led the various companies to assume diverse organizational shapes to encompass their designs. In historiography, these differences are often treated as fundamental and static. Although at first matters went swimmingly, time and tide wait for no man, or even organization, and unfortunately even for the VOC the initial success of its intra-Asian trade faded, leading to its position being challenged and a change of course.

### 1.1 The limits of the intra-Asian trade of the VOC

Throughout most of the seventeenth century the VOC-monopoly on intra-Asian trade flourished, but from 1680 cracks appeared in the smooth façade and the intra-Asian trade of the VOC stagnated as it became less profitable as a result of rising costs.<sup>243</sup> This stagnation cannot be attributed to one particular factor; only to multiple causes. First of all, the VOC profits were inhibited by Asian political involvement in trade. This is most obvious in the case of Japan, where the Japanese authorities first forbade the export of silver and then lowered the gold content of the *kobangs*. The upshot of this was the Company had less spending power in India where it used gold to purchase textiles. These imposed a ceiling on the turn-over of trade in Nagasaki in 1680 and again in the 1720s. The decline in VOC trade with Japan led to a subsequent slump in the VOC establishments in Tonkin (suppressed in 1699) and Siam, which supplied goods for the Japanese market. In other words the Company's South Asian trade decline considerably.<sup>244</sup> The second reason for the stagnation of the Company's intra-Asian trade is the decline of the dominant empires, notably the Mughal and Safavid dynasties from the beginning of the eighteenth century, and the subsequent political unrest and civil war their loss of

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<sup>243</sup> F.S. Gaastra, *De geschiedenis van de VOC* (Zutphen: Walburg Pers, 2002), J.P. de Korte, *De jaarlijkse financiële verantwoording in de VOC* (Leiden: Martinus Nijhoff, 1984) and Jacobs, *Koopman in Azië*, 230-253.

<sup>244</sup> Gaastra, *De geschiedenis van de VOC*, 127 and T. Hoang Anh, *Silk for Silver: Dutch-Vietnamese Relations, 1637-1700* (Leiden: Brill 2007).

power generated. The political turmoil probably did not have a positive effect on trade: the Company had to withdraw from the Persian Gulf in 1756 having seen its trade diminish because of rising unrest and in the Red Sea too trade contracted and costs increased. Closer to Batavia, the company was also obliged to fight some expensive wars, mostly in the heartland of Java. Thirdly, there was growing stiff competition from the other European companies vying for goods, most notably the French and English in India. The introduction of new export goods for Europe was also at variance with the Company's orientation towards spices: textile from India, coffee from Mocha, and tea from China now began to rise in demand. It proved impossible to open up bigger markets for spices in these areas, at least not to such an extent that it was more profitable to prioritise trade in these spices in Asia instead of to Europe.<sup>245</sup> The writing was on the wall: money and only money was needed to grab a profitable share in these emerging markets in Europe, and this meant diverting investment away from intra-Asian trade.

Other reasons for the decline of the Company in intra-Asian trade have been sought in the sometimes fraught relationship between the Republic and Batavia, but in the end it was the Republic which took the initiative for change. Since debts in the Republic had been rising after 1736, the decline in the profit of the intra-Asian trade could not fail to escape the notice of the Gentlemen Seventeen.<sup>246</sup> As the Republic did not shun the necessity to make reforms, it stands to reason that most of the persistent problems arose from the VOC organization in Asia and eventually the directorate had to acknowledge the need for change. In 1741 Gustaaf, Baron Van Imhoff (1741-1750) was sent back to Asia in order to reform the Company's intra-Asian trade.<sup>247</sup> Van Imhoff diagnosed that the Company's stake in the intra-Asian trade was too scattered thereby dissipating its impact. He proposed focusing the intra-Asian trade on the most profitable core activities thereby reducing costs by making cuts in the number of ships and material. The parts in which the Company was no longer interested were left to the private initiative of servants, free-burghers and subjects to exploit. They were free to build their own private trade from

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<sup>245</sup> Gaastra, *De geschiedenis van de VOC*, 129.

<sup>246</sup> Jacob J. Steur, *Herstel of Ondergang, de voorstellen tot redres van de Verenigde Oost-Indische Compagnie, 1740-1795* (Utrecht: HES, 1998), 38.

<sup>247</sup> Van Imhoff had first been sent back to Europe by Governor-General Valckenier on charges of corruption. He succeeded in convincing the Gentlemen XVII of his innocence and even of the potential efficacy of his program of reforms which would return the VOC to its former splendour. He was sent back to implement his reforms and take the place of Governor-General Thedens.



which the Company profited by levying tax. Van Imhoff's reforms are judged very harshly in the literature, although the figures show that during his term of office costs were reduced.<sup>248</sup>

At that juncture, the Company was already facing potential cash flow problems and these were to become far more pressing after 1780, but it proved hard to address the problem structurally. The Gentlemen XVII and the High Government were fully aware of the problems facing the intra-Asian trade and considered steps to rectify matters. One alternative for simply reducing costs would have been to raise extra capital for investment in trade. Although a great deal of scholarly attention has been paid to the declining intra-Asian trade, little has been said about the role the shareholders played in trying to solve or alternatively complicate the credit problems of the chartered companies. One obvious possible solution to the credit problems was enlarging the capital of the Company by issuing new shares. This could have halted the rising spiral of debts and would have allowed more financial breathing space in which the intra-Asian trade could have been reformed. The Company never even considered augmenting the number of shares, but turned to alternative sources of capitalization. The VOC dividend continued to dwindle until 1770, when it stabilized at 12 ½ per cents. After the Fourth Anglo-Dutch Sea War, the financial position of the VOC was extremely parlous and the fixed dividend was no longer realistic, consequently payment was stopped completely in several years. When eventually the Company did undertake measures to swell its capital, by guaranteeing its dividend if the shareholders doubled their investment in the VOC in obligations, this was too little too late.<sup>249</sup>

## **1.2 An alternative solution: Dutch private trade (1743-1796)**

After 1730, the financially strapped Company had to reassess the way it had organized intra-Asian trade. In 1743, the decision to focus on the core products was made with the

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<sup>248</sup> Gaastra, *De geschiedenis van de VOC*, 127.

<sup>249</sup> De Korte, *The annual accounting in the VOC*, 68 tot 87.

purpose of maximizing profits on a limited amount of capital and discarding less profitable branches of commerce. In relinquishing parts of its intra-Asian trade, the Company theoretically created room for its employees and subjects to fill the gap by embarking on private trade. In its turn, the Company would tax private trade and utilize private fortunes on remittance to Europe, which would generate capital to fuel its remaining trades. The discussion on private trade ushered in by Van Imhoff was not without precedent and in fact runs through the whole existence of the Company like a scarlet threat. Indeed, the pursuance of private trade had been considered a desirable change of course by various officials, but the Gentlemen XVII had done little or nothing with these earlier recommendations to reverse their rules on private trade.<sup>250</sup> Batavia was not the only place where Company servants toyed with the idea of allowing private trade; in this context the plans of P. van Dam (1621-1706), the *advocaat* of the VOC in the Republic, are very significant. In 1662 this influential VOC servant wrote a tract in defence of Van Goen's plans to liberalize trade.<sup>251</sup> Van Dam was a vigorous supporter of private trade in Asia, but despite his eloquence and enthusiasm his plans were also shelved by the Gentlemen XVII.<sup>252</sup>

This focus on private trade as an integral part of the VOC's operations is opting for a point of departure which is quite different from the view taken by most historians, who simply accept that during the reign of the Company private trade was regarded as illegal.<sup>253</sup> In a humorous pun, the initials of the VOC are often interpreted as denoting '*Vergaan onder Corruptie*' or 'perished under corruption'. People who support this view argue that private trade was just one side of the illegal activities of employees. However,

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<sup>250</sup> J.K.J. de Jonge, *De opkomst van het Nederlandsch gezag in Oost-Indië: verzameling van onuitgegeven stukken uit het oud-koloniaal archief* ('s-Gravenhage: Nijhoff, 1862-1909), Volume 10, xix. The idea of legalizing private trade within the VOC's intra-Asian trade had already been proposed by Governor-General J.P. Coen (1619-1623 and 1627-1629). During the seventeenth century other advocates of private trade within the VOC had let their voices be heard, like J. Maetsuyker (1653-1678) and R. van Goens (1678-1681). Their plans were seriously considered again in the eighteenth century by Governor-General J. van Hoorn (1704-1709). Different Governors-General sent their plans to the Republic with suggestions for reforms in the intra-Asian trade.

<sup>251</sup> J. de Hullu, 'Een advies van Mr. Pieter van Dam, advocaat der Oost-Indische Compagnie, over een gedeeltelijke openstelling van Compagnie's handel voor particulieren, 1662' in: *bijdrage tot de taal-, land-, en volkenkunde van Nederlands-Indië* ('s-Gravenhage, 1918) volume 74, 267-298.

<sup>252</sup> P. van Dam, *Beschryvinge van de Oostindische Compagnie*, uitgegeven door F.W. Stapel en C.W.Th. van Boetzelaer, boek I, deel I ('s-Gravenhage 1927), xvii.

<sup>253</sup> E.M. Jacobs, *Koopman in Azië*, 17.

even the literature stressing the illegality of Dutch private trade is strewn with contradictions because exceptions to the general rule are often mentioned. Every now and again, reforms which allowed private trade under specific circumstances and in specific regions are mentioned. These reforms are often qualified as independent incidents elicited by specific commercial and regional problems. The best known example is Deshima in Japan: private or *kambang* trade was allowed in Nagasaki by the Japanese authorities for political reasons.<sup>254</sup> Another example is the shipment of certain prescribed amounts of cloth authorised to employees and free-burghers to Holland on VOC ships from 1771 onwards.<sup>255</sup> There was even a separate trading company dealing with the trade to Sumatra (1749-1759).<sup>256</sup> Ultimately, however, received opinion states categorically that private trade was never structurally allowed, but was a measure only adopted to solve temporary commercial hitches and certainly cannot be compared with the freedom of trade enjoyed by the English private traders.

Nevertheless, there is acceptance that the idea of liberalizing trade won sufficient political support from the Republic during Van Imhoff's term of office to allow him to introduce reforms in private trade.<sup>257</sup> He spoke of re-opening trade routes from which the Company had withdrawn and of freeing the trade in certain goods. He was convinced, it would be beneficial to discontinue various branches of trade which were reserved for the Company, but where profits had dwindled and to leave them open to the private initiative of the Company servants and free-burghers whose trade would be liable to taxation. In short, the Company should limit itself to its most profitable core tasks, in order to cut down on costs.<sup>258</sup> Most historians give credence to the accepted wisdom that Van Imhoff's successor Jacob Mossel (1750-1761), quickly abolished these reforms because of their poor success rate. Given their centrality to the whole debate, it is logical for this thesis to take Van Imhoff's reforms (1743-1750) as the starting point for making an analysis of the probability and extent of Dutch private trade, since he has been generally

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<sup>254</sup> *Ibidem*, 120-122.

<sup>255</sup> *Ibidem*, 111.

<sup>256</sup> *Ibidem*, 131.

<sup>257</sup> J.E. Heeres, 'De consideratien van Van Imhoff', in: *Bijdragen tot de taal-, land- en volkenkunde van Nederlands-Indië*, 66 (1912).

<sup>258</sup> Heeres, 'De consideratien', 444.

acknowledged as the first (and often the last) Governor-General to depart from the VOC policy of strictly monopolizing Intra-Asian trade.<sup>259</sup>

### 1.3 A dual system of trade

Using source publications, it is already possible to put private trade privilege in a long-term perspective.<sup>260</sup> Under Van Imhoff, trade in Asia was opened up but certain items remained the preserve of the Company, among them spices, copper, tin, pepper and opium.<sup>261</sup> Such exceptions were either the goods the Company normally sent to Europe (spices) or the most profitable items in the intra-Asian trade (opium, pepper and tin). The trade in other items was to be left to the private initiative of the servants and indigenous traders. In all other domains, employees could send out privately owned ships and trade in the goods the Company had relinquished at designated places. This trade was called the 'free trade'.<sup>262</sup> The idea was that the money the Company lost in relinquishing areas of trade would be regained by new ways and means. For example, income from toll would increase if there was more private trade and the private fortunes would have to be sent to Europe through the Company. Another advantage was that the Company could reduce the number of ships to places which would no longer be advantageous to the

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<sup>259</sup> W.Ph. Coolhaas, 'Zijn de Gouverneurs-Generaal Van Imhoff en Mossel juist beoordeeld?', in: *BKI*. 114 (1958), 29-54, J.J. Steur, *Herstel of ondergang, de voorstellen tot redres van de verenigde Oost-Indische compagnie, 1740-1795* (Utrecht 1984).

<sup>260</sup> J.A. van der Chijs, *Nederlandsch-Indisch plakaatboek*, Volume 1-Volume 17 ('s-Gravenhage 1885-1900). Since academic writing on Dutch private trade is not consistent, maybe such sources publications, as the '*plakaatboeken*' may cast new light and be useful in assessing changes in private trade policy. The first decrees on private trade since Van Hoorn (1704-1709), the last of the Governors-General to have been interested in private trade, date from 1743 and confirm that reforms began in the term of office of Van Imhoff. The collection of VOC-decrees published by Van der Chijs: Affixing a '*plakaat*' or *placard* was the official way by which the VOC administration used to proclaim its decisions.

<sup>261</sup> Nationaal Archief (NA), Hoge Regering van Batavia (HR), 307, Extract Generale Resolutien, 20 September 1743. "Taken in the Castle of Batavia in the Council of the Indies, Tuesday the 24 September 1743. With the opening of free navigation and trade to and from this capital, to the East and West of India following the qualification of the Gentlemen Seventeen and the license for that purpose has already been granted to several citizens with the exception of the trade in spices, copper, tin and pepper, and in the import of opium, which the Noble Company will reserve for itself, as has been decided according to the proposal of the Governor-General."

<sup>262</sup> NA, Hoge Regering, Extract Generale Resolutien, 307, 259-261.

Company's trading operations. It was expected that in view of the wide spanning interests of the VOC in the intra-Asian trade, in a parallel the stake it held and infrastructure it provided all over Asia, would not only make Batavia the centre of Dutch private trade, but also of all private trade in Asia. In short, by focusing on certain branches of trade, expenses could be reduced and new income generated.

Naturally, such a dual system of Company monopoly and freed private trade meant the VOC would have to regulate and organize private trade in such a way as to ensure that what was left of the VOC monopoly was respected. While executing his plans, Van Imhoff wrote to the VOC personnel in the various trading-ports all over Asia inviting them to think of and suggest possible reforms and regulations which would guarantee the interests of the Company.<sup>263</sup> In return, he received reports assessing the possibilities of free trade in different regions.<sup>264</sup> In order to guard the interests of the Company, it was suggested that control would be firmly exercised within the official VOC structure. To accomplish this, the High Government awarded servants in key positions prerogatives and privileges so that they would have a certain interest in catching offenders and controlling free trade. In plain speech, this meant that they had to be given a financial reward for maintaining order in the free trade. This should be under the control of the local governor and public prosecutor, as the highest authority and the legal official charged with supervising each establishment of the Company throughout Asia. They were given a percentage of the taxes on free trade and a proportion of the goods which were confiscated as an incentive to make people pay taxes and to ensure that no illegal free trade was indulged in.

In the first sphere of free trade, regulations seem to have been made mainly on pepper, tin, and cloth, as they were more important to the VOC monopoly, and in order to maintain the trading network of the Company. In one of the reports on private trade

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<sup>263</sup> Volume 11, 31 December 1743, Batavia asks the opinion on the trade opened round the West of India *or* 91, Batavia wants to be informed as soon as possible about the manner in which the free trade to Persia can be organized *and* 133, 31 December 1744, In reaction to what Amboina has answered Batavia on the free trade around the East and West, *etc.*

<sup>264</sup> NA, Collectie Alting, Consideration , vrije vaart in Souratta, f38. This report on Surat written by Jan Schreuder can be found in many different places in the National Archives in The Hague: twice in the VOC archives and twice in private archives, one belonging to a VOC reformer, Nederburgh, and one to a Governor-General of a later date, Alting. The only report of this kind I have found so far is from Surat considering the ways free trade could be regulated in the manner most beneficial to the company.

regulations, a division is made between two spheres of free trade; the goods coming dangerously close to the Company's intra-Asian trade monopoly and the goods which were needed for the provision of the personnel in the various establishments. The idea of freeing any of the trade close to the core of the monopoly was seen as 'dangerous' by the VOC administration and consequently deserved to be paid more attention. The free trade in other goods was never regulated to anything like the same degree as the goods close to the monopoly and consequently in this domain the employees enjoyed more freedom to follow their inclinations. A pass-system was used to make sure that no ports other than those specified were visited; private traders would not be allowed the chance to escape control or taxation. Proof that this is how free trade functioned in Houghlij in Bengal can also be found in the *Generale Missiven*.<sup>265</sup>

In order to protect the prevailing VOC monopolies, instruments were devised to avert any impertinent intrusion on its prerogatives by its own servants. Van Imhoff also shrewdly introduced other incentives in the form of employee participation in the VOC trade, even opening up private participation in the trade in monopoly goods. The Opium Society was founded to replace the VOC monopoly on Opium sales in the Archipelago. The Company imported the opium to Batavia from Bengal, where the Opium Society bought it and sold it on. The Opium Society was obliged to pay the Company a fixed price for the opium on delivery in exchange for obtaining the monopoly on its sale in the Archipelago, thereby transferring the costs of distribution and enforcing the monopoly on the new society. The profit generated from this sale was shared between the Company and its shareholders.<sup>266</sup> Instituting such societies seems to have been linked to the opening of free trade to Batavia, which meant the possibilities for smuggling were ample

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<sup>265</sup> J.E. Schooneveld-Oosterling, *Generale Missiven, Volume 11*, 166. Since the Governor received 1 per cent of the total 5 per cent of VOC tax on private trade, this would mean a total turn over of f2,400,000 in private trade at Nagapatnam. And .NA, Collectie Alting, Consideration: Free trade in Souratta, 38, §404, the toll on private merchants is no longer determined at 4 but at 5 per cent, and should be divided as follows:

- 21/2 per cent for the king's tol
- 1 per cent for the Company
- 1 per cent for the Director
- ½ per cent for the Public Prosecutor

<sup>266</sup> F.S. Gaastra, 'De Amfioen Sociëteit. Een geprivilegieerde handelsmaatschappij onder de vleugels van de VOC, 1745-1794', in M. Ebben en P. Wagenaar (eds), *De cirkel doorbroken. Met nieuwe ideeën terug naar de bronnen, Opstellen over de Republiek* (Leiden 2006) 101-115; F.S. Gaastra, *Particuliere geldstromen binnen het VOC-bedrijf 1640-1795* (Van Gelderlezing 2002), 36-42.

and therefore new measures were needed to stop it.<sup>267</sup> Opium was one of the products which could easily be smuggled, so measures were deemed necessary to protect the income of the Company from the monopoly on this product. The idea behind the way in which the opium trade was conducted was that the employees who were personally profiting from the trade would protect their own interests by tracking down smugglers, thereby obtaining a greater profit for the Company and, of course, for the Opium Society-stockholders. Both would profit, but it was the Company, which stipulated the rules in the contract.

Although the Opium Society is the best known example of such a mechanism of control, there are other such examples. Other commercial activities were likewise organized in private companies or societies, for example the Pearl Fishery Company at Workai on Banda. The High Government would later revoke this idea of a pearl fishery company, because the servants involved demanded the right to free trade without intervention of any society.<sup>268</sup> Other examples are the societies active in trade in Sumatra, which had implications for the Company's pepper trade. Other advantages of conceding trading privileges to societies was that such bodies were easy to control, they collected money owed immediately, and the Company did not have to wait for what trade or tax would happen to bring in nor did it have to invest its own capital. The collection of taxes was enduringly difficult to control and it was more convenient to collect the money at once from such a legally constituted society.

Yet more structural changes were made to support private trade and to inspire confidence among the private traders. New institutions were created which lasted until the end of the VOC era, just as did the regulations on private trade. First of all, in 1745 the *Bank of Lening* was created, which after a re-organization in 1751 would continue its existence as the *Bataviasche bank-courant* until 1794. This bank was established at Van Imhoff's instigation, but it was Mossel, as Director-General under Van Imhoff, who expanded its scope. The idea was to have a bank from which private merchants could borrow money and thereby stimulating trade. Director-General Mossel wrote a report and gave the first impetus for the *Collegie van Commercie*, an organization which would act

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<sup>267</sup> NA, Hoge Regering, 20 november 1745, Extract circulair missive, 307, f351-352.

<sup>268</sup> J.E. Schooneveld-Oosterling, *Generale Missiven* (RGP), Deel 11, 33, 31 December 1743, betreffende de parelbanken, etc; 135, 31 December 1744, de vaart op de parelbanken, etc.

as a broker in disputes between merchants.<sup>269</sup> The continuation of both these institutions and of the Opium Society are unequivocal indications that the organization of the dual system endured until the end of the Company, even though internal and external influences exerted pressure on the system as it evolved to meet the challenges of the eighteenth century.

The regulations on private trade originally conceived by Van Imhoff exhibit considerable continuity up to the end of the VOC era and in context remained surprisingly close to their original form. Normally, the first few articles stated the commodities in which trade was strictly forbidden: spices, opium, pepper, tin, coffee and indigo, although the goods on the list did change over time.<sup>270</sup> Regulation was more precisely specified by region, indicating what was allowed where and what was forbidden. The regulations were extremely thorough in what they specified: the goods, the places where trade was allowed and the distinction to be made between employees, free-burghers and VOC subjects.<sup>271</sup> One kind of trade or a single trading route could be barred for some years and then suddenly be thrown open again. It is clear that if such regulations are not considered as part of this a continuous whole and that the (false) impression may be created that they were abolished forever. Even worse, some historians have assumed all private trade was completely forbidden, because they were not aware that after Van Imhoff only some sections of trade were abolished or re-instated. In actual fact, the employees in India were stimulated to conduct private trade in the same manner as was generally introduced under Van Imhoff.<sup>272</sup> Parts of the system have been described,

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<sup>269</sup> N.P. van den Berg, *De Bataviasche Bank-Courant en Bank van leening 1746-1794* (Amsterdam, 1870), 4-7.

<sup>270</sup> The repetition of and slight alterations to this list continued until Governor-General Alting (1780-1796), who published only the changes he had made to De Klerk's regulations, just as had De Klerk himself on the basis of earlier regulations. As a result, this system of regulations initiated by Van Imhoff survived until the end of the VOC era. In the *Arsip Nasional Republik Indonesia*, I found a document containing regulations of VOC establishments from the era of Van Imhoff up to 1771, clearly indicating that there was continuity until 1771. However, this does not mean that free trade was revoked in that year, as is convincingly shown by the existence of similar documents further specifying free trade after 1771. For example, in 1778 Governor-General De Klerk (1777-1780) published a new set of regulations, which referred back to the regulations of 1771 and were presented as an extension on these regulations. Van der Chijs, *Nederlandsch-Indisch plakaatboek*, Volume 10, 300-314.

<sup>271</sup> Sometimes trade in particular goods to specific regions was allowed only to one of these groups. This is probably why Colenbrander- mistakenly- assumed that free trade was only permitted to free-burghers H.T. Colenbrander, *Koloniale Geschiedenis*, Volume 2 ('s-Gravenhage 1925), 231.

<sup>272</sup> NA, Hoge Regering, 310, Extract uijt de Generaale Resolutien, 173-177, 27 mei 1774,



without authors being aware of the long-term implications or the consequences for other regions, for instance, in the case of free trade in Java round the year 1775.<sup>273</sup>

The moment the Company relaxed the rules on private trade privileges, it also commenced accepting more remittance money. The fortunes garnered by Company servants were temporarily used by the VOC in trade to Europe. Since the East India companies held a monopoly on all trade with Europe, the only possible way to transmit a fortune was through their services. Once it was in its hands, the Company used the money to be sent home as investment money for the purchase of goods for the European market, thereby avoiding the extra costs of purchasing and sending silver out from the Netherlands.<sup>274</sup> Until 1743 the Company would only countenance its servants sending money home on their repatriation or to assist a needy family member in Europe, stipulations which can be construed as implying a certain amount of control. Van Imhoff, however, championed accepting all the money private individuals offered in Batavia without any strings attached. Logically, all official enquiries to discover if the fortune was made from private trade were also stopped.<sup>275</sup> No more questions were asked and Van Imhoff calculated that the private fortunes remitted would yield a return of at least 7 to 8 per cent for the Company, unequivocal evidence that the Company profited from this privilege.<sup>276</sup> In 1747, the Gentlemen XVII decided to double the amount accepted for Europe to 2 million guilders, slowly climbing to 3 million in 1771. This meant that in the eighteenth century 237 million guilders had been accepted, while in the seventeenth century only 30 million had been accepted. In the eighteenth century the total investments

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(...)success of the stipulations made, unreduced and accurate supervision that our concession are not misused for conducting of an illicit trade, we have judged it not inexpedient to prescribe some general rules, and these are, first of all, to persuade and encourage all well-off servants and all other subjects of the Company including the Moor merchants in Bengal and in Surat, who have some relations with the Company, to equip ships or other vessels for over there, or to other places where they will be admitted, secondly, to assist them with the necessary precaution. (...).

<sup>273</sup> G.J. Knaap, *Shallow waters, Rising tide: shipping and trade in Java around 1775* (Leiden: KITLV press, 1996), 75 and 77, the private trade around Java was regulated by the VOC, leading to the author's assumption that this trade was allowed only to indigenous traders. In contrast, it was observed that senior servants owned ships, but it was not concluded that Company employees and free-burghers were included in this system of regulations.

<sup>274</sup> Gaastra, *particuliere geldstromen binnen het VOC-bedrijf 1640-1795*, 16

<sup>275</sup> *Ibidem*, 26.

<sup>276</sup> *Ibidem*, 18.

of the VOC in trade to Europe did rise and bills of exchange played a relatively larger part in this investment.<sup>277</sup>

## 2. Freedom of trade and decline

In documents on private trade of the first period (1743-1771), the limits of freedom of trade was summed up by the VOC in one phrase: 'For the good of the Company'. Since the expression 'For the good of the Company' was conveniently rather vague and leaves room for interpretation, the Governor-General was the judge who decided what was good for the Company and what was not. This moralistic phrase was used to entrench the idea in the servants' minds, but it is necessary to consult the regulations on private trade to obtain a good idea of the concrete VOC priorities. In the early period, they show the Company was mainly preoccupied with the internal management of private trade in its relation to the VOC monopolies.<sup>278</sup> In allowing private trade, the Company balanced its own interests against the interests of its servants and subjects finally, but the advantages for the Company outweighed those for all others. It helped the Company to exact an income from tax and allowed it to retrench on materials. As the VOC reached the limits of its financial capacity, allowing regulated private trade certainly brought down costs, but also financed the mounting demand of the rise in Exports to Europe.

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<sup>277</sup> F.S. Gaastra, Private Money for Company trade. The role of the bills of exchange in financing the return cargoes of the VOC, in *Itinerario* 13/1 (1994), 65-76.

<sup>278</sup> A change of Governor-General usually ushered in a certain amount of instability, as people could not be sure whether they would be able to continue their trade. When Mossel died, the employees were uncertain about the continuation of private trade, because Mossel's successor, Van der Parra, was known to have his own ideas and the course he would choose was shrouded in mystery. At the same time, the political agenda of a Governor-General may have often been clouded by his own interests in private trade, although this is hard to prove. NA, archief van Lubbert Jan, Baron van Eck (1719-1765), number 28, letter 35, 22 May 1761, unanimous to Van Eck: (...) I have given orders to sell two vessels on the Coast the moment the occasion arises or else to set sail for Bengal in order to them there absolutely, thinking it will be the last venture I will make in equipping ships, not least because the death of our general father His Late Excellency Mossel will cause the mercantile side take a different direction, certainly since our General Van der Parra has a different system in his mind. (...) also see: Jacobs, *Koopman in Azië*, 125, "(...)De beweegredenen van Mossel om tegen de heldere instructies van de bewindhebbers in een nieuw avontuur te beginnen blijven duister. Het is denkbaar dat Von Kniphausen hem aantrekkelijke particuliere handelsmogelijkheden heeft voorgespiegeld (...)."

Over time, it was felt that Van Imhoff had been too liberal in his permission of private trade and his successor, Mossel, began to rescind the privileges. The main aims of Mossel's policies were to avoid any long-distance free trade in products close to the VOC monopoly, as such commerce easily, albeit unwittingly, infringe on VOC trade. Free trade to Batavia, originating from Bengal, Coromandel, Malabar and Surat was banned, reserving the inter-regional trade to Batavia for the VOC, but the right to conduct free trade within these regions themselves was never abolished. Mossel left the societies created under Van Imhoff intact, probably because the rights to their commodities had been sold for a longer period of time. In fact, he even established more societies as an instrument to curb the power of private traders.<sup>279</sup> Although private trade privileges were cut back, the Company astutely made sure the senior servants kept a share. Later, Petrus Albertus Van der Parra (1761-1775) decided that even the privileges of the higher-ranked servants in the long distance trade in which the Company also was involved, were detrimental to VOC trade and stopped them. This brought the first period of private trade to an end, but it should be remembered that in the trades in which the Company was not active or trades to which the Company attributed less importance, private participation still existed without being subject to VOC regulations.

In the first era, private trade regulation had been designed to protect the VOC monopolies (1743-1761); the second surge of regulations aimed at freeing trade (1771-1792), was prompted by the encroaching power of the English on the intra-Asian trade. In 1771, the Company enacted a strange reversal of policy by opening up the earlier forbidden long-distance trade to free trade. Van der Parra's term of office is the pivotal point of these two eras and the reversal of policy. Taking one specific case and focusing on the reforms in the trade between the Coromandel Coast and Batavia, we see that initially he abolished all permitted trade to Batavia (1762), but in 1771 had to concede free trade rights to all servants, free-burghers and VOC subjects. Threatened by the rising power of the British Empire at this time, the Company was increasingly losing control over the intra-Asian trade it had once held. Before 1771 no European power completely

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<sup>279</sup> He also invested new societies with new privileges, for example the '*commercie-sociëteit te Padang*' that was newly established in 1751 and was allowed to continue to operate later in 1753, when all other private traders in '*Benzoë*' and '*Kampher*' were banned. Van der Chijs, *Nederlandsch-Indisch plakaatboek*, Volume 6 ('s-Gravenhage 1889) 75-76 and 617.

controlled the market on the Indian Sub-Continent. However, as the power of the British Empire began to consolidate, the EIC started controlling the market in Bengal and gradually expanded its grip to the other coasts too. Reluctantly the VOC was obliged to welcome English shipping to Batavia in order to retain its access to the Indian markets. Since English country traders had gained access to Batavia, the Company no longer saw any point in not allowing its own servants and subjects the same rights.

After the Fourth Anglo-Dutch Sea War (1780-1784), the greater geographical expansion of freedom of private trade is conspicuous. Under the terms of the treaty of 1784, the EIC enforced free navigation to the Spice Islands and the English country traders availed themselves of the opportunity and sailed to these areas. Again, the VOC no longer saw any reason to exclude its own servants and subjects either, not long afterwards it simply decided to abandon all intra-Asian trade. When the Company incurred large debts in the wake of the disruption to trade during the Fourth Anglo-Dutch Sea War (1780-84) and sought for ways to alleviate its lack of funds, it allowed even more room to conduct private trade in order to generate capital which could be used in the trade to Europe. Now, even trade to Europe was also opened up under strict regulations and control very similar to privileges granted to senior servants in the long-distance trade fifteen years earlier. In 1791, all trade to Europe which was not seen as essential to the Company's existence was opened up to private traders.<sup>280</sup> The only condition was that private traders had to ship their goods on VOC ships and that no items still remaining under the VOC monopoly were sent.<sup>281</sup> This trade did not yield the expected financial fillip. The expansion of private trade rights to the whole intra-Asian trade and thence even to the European trade clearly shows that private trade reforms were strongly linked to the efforts of the Company to combat its declining power.

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<sup>280</sup> J. Landwehr, *VOC, a bibliography of publications relating to the Dutch East India Company, 1602-1800* (Utrecht 1991), 720, lists the publication opening up trade to Europe for private traders and the conditions under which such trade was allowed, see also Gaastra, *particuliere geldstromen*, 40.

<sup>281</sup> I.G. Dillo, *De nadagen van de Verenigde Oostindische Compagnie 1783-1795* (Amsterdam 1992), 191-195.

## **Conclusion**

The VOC did not maintain a static policy in monopolizing all trade, nor was it without a programme for private trade when changing circumstances in the eighteenth century placed constantly mounting demands on the VOC capital. Under these circumstances private trade was hailed as one way to solve this problem. In the first phase in which it was encouraged, an internal balance was sought between Company priorities and private trade privileges, close to the official intra-Asian trade of the VOC (1743-1771). In the second phase (1771-1796), a reversal of policy had to be effectuated as the amount of private trade was allowed was steadily expanded. This was strongly linked to the rise of the English country trade and the decline of the VOC. This second development can be illustrated geographically by the focal point of regulations, although an overlap existed between periods. First long-distance trade to Batavia was liberalized (1771-1780), and later this was extended to the trade in the Indonesian Archipelago (1784-1792). In its final years the VOC simply withdrew from competing in intra-Asian trade and its regulations concentrated on stipulating privileges in the European trade. The VOC reforms in private trade are as a barometer which bears witness to both the internal and external challenges the VOC faced as it sank into decline.