The Dutch and their Role in Global Trade

NEH Seminar 2009: The Dutch Republic and Britain

The Dutch man in Amsterdam fed his cow with grain from the Balkans, ate North Sea herring that had been preserved with Iberian salt, wore silks from China and drank coffee from Turkey with sugar from the West Indies that was paid for in silver from the New World. This was the global world interconnected by transportation, goods and people. This is a notion that with 21st century eyes seems to exist only in today’s world; however, this world existed as early as the 17th century. How could this world have existed then? Why would this world exist in the Netherlands of all places? This world existed in the Netherlands because it was a world that was urbanized and driven by the merchants, centered on its ability to trade and act successfully as the middleman for others with the financial institutions to support that trade, most importantly, the Dutch East India Trading Company.

Trade is the ability to exchange goods and services. Successful merchants do so at a profit and early in man’s history, most trading took place on a local scale. It was only luxury goods such as silk, spices, precious metals and jewels that traveled from one continent to another and were marked up in price each step of the way. This trading took place slowly over land or by water. With the Chinese exporting silks to the Roman world, the Indians and the Arabs serving as middlemen and navigators to bring spices and cottons from east to west and Africans involved in the salt and gold trades across the Sahara desert, the luxury trade took place in the east. Given this situation, one would expect a nation of the east to be the first global trading power; however, that title belongs to the Dutch in 17th century.

I. Dutch Merchants

No other nation is more representative of being a global trading power than the Netherlands in the 17th century. However for many people, it would never occur to them that the Dutch were the first to create a globally connected world. When one thinks of the Dutch, the windmills like those seen in Zaanse Schans, and the canals of Amsterdam come to mind. Fields of tulips and painted Delft tiles are quintessentially Dutch. These bucolic images create the impression that the Dutch were just about farming and pretty landscapes. While a part of Dutch life, these
visions came about as a result of the Dutch role in a world that was globally connected due to them. The windmills, for example, were used to generate power to turn mills that ground wheat or paint pigments, items sold for export. The canals were created to drain water from the marshes to create arable land and shipping lanes. The drainage was often supported financially by merchants as investments in infrastructure. The tulips were originally imported from Turkey and were a part of a speculation market on the Dutch stock exchange that won and lost fortunes. The Delft tiles were created when a demand for Chinese porcelain could not be met and consumers decided that locally made versions were acceptable alternatives. All of these creations were financially driven or supported by the numerous Dutch merchants and traders—and there were numerous Dutch merchants.

The multitude of paintings created during the Dutch Golden Age as reflected in every kirk, huis or museum visited on this trip makes one realize the number of merchants and their wealth acquired due to trade as they, not the church, were the primary patrons of Dutch art. When examining the paintings, one can admire and be impressed by the wealth of the burghers, guardsmen and traders as demonstrated in what they wore and owned. For example, in the Civic Guard Gallery at Amsterdam’s Historisch Museum, in one of the many paintings representative of the time, one see guilds and guardsmen arranged in several groups looking out at the viewer wearing their best garb—clothing made of velvet or wool in yellows and blacks with starched, crimped lace collars and velvet blue sashes across their chest. The wool and velvet were very expensive. Moreover, the lace collars stiffly starched and bent into different shapes required a lot of lace, which also spoke to their wealth. Some of the men were carrying standards while others were seated around tables eating a meal. Their socks were tied with silk ribbons. Hats and spears jauntily were tilted to catch the viewer’s eye. This was designed to show off subtly what they had acquired in trade and should be envied for. And they were to be envied as they paid to have their portraits taken, which showed that they, not you, had arrived. Furthermore, the expensive colors used in the painting (yellows and blues) and its grandiose size continued this show of power and wealth.

These merchants’ wealth and acquisitions came about because they served as the middlemen between northern and southern Europe and used their position to make hefty profits. They were in this unique position because the Netherlands was a place where feudal connections to the land did not exist in the same way as the rest of Europe. As a result, much of the population was urban and unlike the rest of Europe which was suffering from post-plague labor shortages, the Netherlands had an elastic supply of labor that was put to use in agriculture, trade and industry (de Vries and Woude 665-666). They also had an agricultural revolution in the 16th
century, which allowed them to drain wetlands with the help of the windmills, plant regional monocultures, and support agriculture with fertilizer while also reducing birth rates, thus solving the Malthusian dilemma. Moreover, due to its strategic geographic location on the North Sea, access to many rivers and canals, the Dutch developed a strong naval force, skilled sailors and good boats.

The Dutch also had created solid financial institutions to support merchants’ trade and the risks attendant to participating in trade. They did this before any other nation. The Dutch merchants were able to create extensive trading networks in Europe and the Mediterranean that allowed them to participate in the bulk and rich trades. They used their knowledge and the financing created by these pre-existing bulk and rich trades along with a willingness to take risks to create a trading network in the east controlled by the United Dutch East India Trading Company or *Verenigde Oost-Indische Compagnie* (“VOC”). This connected with their trading networks in the west. The VOC was further supported by intra-Asian trade that financed their travels. However, the Dutch owe a measure of their success to the Spanish and the Portuguese because they provided the silver to fund the Indies trade; they pushed the Dutch into further exploration, and provided the Dutch with the routes to Asia.

II. The Spanish and Portuguese Role in Dutch Success

One cannot even begin to discuss the Dutch’s role as a global trading power until one acknowledges the role played by the Portuguese and Spanish in conjunction with trade. In 1488, Portuguese explorer Bartolomeu Dias rounded the Cape of Good Hope and established Europe’s first seaway to Asia. Ten years later, another Portuguese navigator, Vasco da Gama, discovered a trade route to the Indies that gave Europeans an opportunity to capture a share of the wealth of the east. They were able to quickly seize ports from East Africa to the Persian Gulf and various ports in India and later Malacca. With da Gama’s discovery, the Portuguese were able to control the trade route to the Indies.

The Spanish during this same time had established an empire in the Americas where they had discovered the great silver mines in Taxco in 1535 and in Potosi in 1545/9. It was this silver that the Spanish mined and sent to the European market or to the Asian market. This silver allowed the Europeans to trade with the East. The Chinese, Indians and Indonesians during this time would only trade their precious spices, silks and porcelains in exchange for silver. However, while this silver was entering the general international market, the acquisition of silver was controlled by the Spaniards and made them a European power to be feared. This fear was heightened in 1580 after the death of Manuel I of Portugal when Spain annexed Portugal after the Duke of Alva’s success over Antonio of Portugal. The Spanish Empire’s success was seen by
many as more than just continued success by the Hapsburgs, it was seen as success by the Catholics over Protestants.

This idea would be challenged by the Dutch. In 1590, the Dutch were in revolt against the Spanish, a revolt that would last 80 years. In 1505, Charles V, King of Spain and Holy Roman Emperor, had put his son Philip II in charge of this region, Spanish Netherlands. In 1568, when Philip invaded the region in order to put down support for the Protestant Reformation, the 5 northern provinces (of the 17 provinces) revolted. These provinces would gain independence in 1579 and come to be known as the United Provinces or the Netherlands.

At the time, Antwerp, part of Spanish Netherlands, was northern Europe’s entrepôt. Trade was the bottom line for the city, thus Catholic and Protestant merchants traded in this city. Antwerp would trade with Catholic Spain and Portugal in the rich trades market for Asian spices and Iberian salt. It would also trade with the Protestant northern provinces in bulk trades for Baltic grain and timber as well as textiles and herring. Iberian salt would be used to salt the herring traded by the Dutch and re-sold for a profit. At this time, three events happened which helped to create the merchants who would put the United Provinces on the road to becoming a global trading power. The duke of Parma, Philip II’s nephew, captured Antwerp and let the Protestants leave the city. They moved in large numbers to Amsterdam, the entrepôt to the north. Philip II, from 1585-1590, declared an embargo against the United Provinces and seized their ships in Iberian ports and forbade Dutch trade with the Americas. This created a people united to surpass the Spanish and Portuguese in trade and wealth.

III. The Dutch Bulk and Rich Trades

Dutch merchants were known for their success in bulk trades in the 15th century and in rich trades in the 16th century. The Dutch learned about the Hanseatic practice where merchants from different towns would trade in the same goods. This would help them to reduce costs, travel more safely in a group and make sales or purchases in bulk. Amsterdam, a non-Hansa town that was part of this bulk trade, traded Baltic grain, timber, salt and fish. They used *fluits*, a new Dutch innovation, to carry their goods. *Fluits* were flat bottomed ships made to carry bulky, low value goods with a minimum of rigging, no armament and small crews that foreign competition could not match in price (Israel 118). Due to the inexpensive cost to build and operate, they made a hefty profit. Moreover, this trading network of northern Europe was the first of many that the Dutch would participate in and link together to create a global world.

The rich trades were another aspect of Dutch trade. These trades were carried on small, traditional, defensive ships. The rich trades originally consisted of trade with Spain, the Mediterranean, the Levant and from 1598 onward, the east. In the rich trade, merchants traded
high value merchandise such as Leiden fine cloth (made from Spanish wool), camlets (Turkish mohair), silks, cottons, fine linen, copper, processed sugar, and tobacco” (Israel 316). Prior to Philip II’s embargo, they used their access to Spanish and Portuguese trade to resell their luxury goods to northern Europe and Eastern Europe, thus creating the second link in an ever widening trading network. These goods consisted of “spices, sugar, silks, dyestuffs, Mediterranean fruit and wine, and Spanish silver” (312). Their sale led to an expansion of Dutch power and wealth. Financial stability as a result of these trades encouraged investment in commerce and manufacturing, which led to the growth of Dutch cities. The growth of Dutch cities encouraged the immigration of merchants and workers to the cities.

Immigrants from Antwerp and neighboring areas who came to the United Provinces helped Dutch trade by bringing skills that enabled them to participate as sellers. For example, linen weavers and drapers moved north and added the industry of weaving cloth and making finished drapes to the rich trades market. The market went from being a market where finished goods would be re-sold to one in which they would use local raw materials and finish the goods for sale. They also brought much needed capital for investment in Dutch markets as well as contacts with other traders. The Jewish traders especially had contacts in Spain and Portugal as well as their colonies, thus widening the Dutch’s trading networks (de Vries and Woude 669). These bulk traders of Holland along with the rich traders who had emigrated from Antwerp united against the Spanish and supported the significant role the merchant played in the Netherlands. The inability of the Spanish (once Portugal and Spain were “united” in 1580) to meet the demand for goods such as sugar and spices led to fierce competition amongst European nations to capture this trade. Without the possibility of access to trade with the Iberian peninsula for rich trades, the Dutch had no choice but to seek alternatives. One alternative was to establish Dutch routes to the East. Pieter van Dam, a lawyer for the Dutch East Indies Trading Company, asserted when discussing the motivation for the VOC that

If Phillip II, king of Spain, had been capable of winking at the shipping and trade of the inhabitants of these provinces with Spain and Portugal and had permitted it to go on, it is very probable that they would never attempted to extend it any further, for it was only when he began to interfere with it that they started to look beyond, even to the East Indies (Rowen 145).

Once they did, they would set in motion the creation of the first multi-national corporation, the VOC.

IV. Dutch Financial Institutions and Stock Companies

It was not only the foreclosure of rich trades with the Spanish markets that enabled Dutch merchants to create and sustain the VOC; it was due to the support of intra-Asian trade as
well as the creation and support of Dutch financial institutions. The VOC was vital to the success of the Dutch as a global trading power. It was created on the heels of several private Dutch trading groups that had travelled to Asia. After Jan Huygens had sailed with the Portuguese to Goa and had published his *Itinerario* which contained a manual of routes and conditions in the East Indies copied from the Portuguese, numerous private groups set sail for the India. Cornelis de Houtman, for example, had a harrowing trip to Asia where he faced scurvy, piracy and loss of many ships and sailors, nonetheless, his voyage was considered the beginning of colonization of Indonesia by the Dutch in 1595. This led to a base on the other side of the world and would prompt the creation of the VOC, the next link in the global trading network of the Dutch.

By 1601, there were over 14 Dutch fleets comprising of 65 ships representing various Dutch cities sailing to the East Indies (Israel 321). This capacity to own so many ships shows the wealth of the Dutch as well as their seagoing knowledge and willingness to take on an expensive journey known to have many risks. Trade routes to India got to be so crowded and the market for Asian goods fluctuated greatly. At the suggestion of Johan Van Oldenbarnevelt and Prince Johan Mauritz von Nassau, they convinced those involved in sailing to the east to create one company in order to federate Dutch traffic. Cities that already had expeditions to the east pooled money in order to diversify the risk. This allowed investment in ships, common knowledge of sailing and navigation to the area to be shared, profits to be shared, and ships to be properly manned and equipped. This unification allowed the Netherlands to challenge the Spanish and Portuguese in these waters and to stay ahead of the upstart British. Moreover, this company would have a monopoly on Far East trade that would lift the Dutch into being a global trading power.

On March 20, 1602, the charter of the VOC was signed. It was one of the first limited liability companies and sold shares to capitalize the venture. Its initial capital was 6,424,588 guilders, mostly obtained from the elite and merchants, although all could invest in the company (Adams 332). It created permanent capital that was separate from commercial operations and backed by the state. It separated the risk from the company and the shareholders. It had a board of directors’ representative of major Dutch cities at the time and had power mostly commensurate with the amount each city contributed to capitalize the company. Eight members of the Board of Directors were from Amsterdam, four from Middelburg, one from each other city with one of them voting in two turns. There were six chambers where the VOC would meet to discuss what they would trade, policy, and where they would distribute goods acquired in their travels. The chambers were located in Rotterdam, Amsterdam, Delft, Hoorn, Middelburg, and Enkhuizen because they had contributed financially to the VOC, as it was in their interest as
port cities heavily involved in trade.

The States General bestowed upon the organization “the delegated, sovereign, rights to maintain troops and garrisons, fit out warships, impose governors upon Asian populations, and conduct diplomacy with eastern potentates, as well as sign treaties and make alliances” for a period of 21 years (Israel 322). “Treaties, alliances, and instructions to VOC governors in Asia had to be approved by the States General and the VOC was required to submit periodic reports on the general state of its affiliates in the East Indies” (Israel). This resulted in a company which although required to report to the States General periodically, was too far away to consult with for many decisions, so it was fairly autonomous. It created armies and warships then trading bases, posts and plantations to protect Dutch trade. It acted to preserve trade and power--at all costs. This led to a company that had a lot of power and wielded that power regularly. The way that the VOC operated was greatly influenced by Dutch behavior under Hapsburg rule. The Hapsburgs, based in Spain with a court in Brabant were too far away to control the provinces. Thus, the provinces developed economically, politically and socially in ways best suited to its people. In the same way, the States General was too far away to control the VOC in Asia. As such, the individual ships sent off by the VOC and the bases they reported to in Asia made decisions based on their needs at the time. To continue this analogy further, one of the main things that the Hapsburgs wanted from the provinces was their continued supply of taxes to aid in the Hapsburg wars against England and France. As a result, if the provinces paid their share of taxes, they were mostly left to operate on their own behalf only responsible to their localities. In the same way, the States General only wanted continued profit from the VOC because that was the VOC’s purpose to monopolize trade in the region by stopping Spanish and Portuguese trade. To the extent that the VOC continued to bring back the goods demanded by the public and sell them at a profit, the States General didn’t question what the VOC did, whether that meant privateering, colluding with pirates or using other force to establish trading networks in the Indies (Andrade 430). This was due in part because many of the members of the States General had shares or a vested interest in the continued success of the VOC and because it achieved their ends of stopping the Spanish and the Portuguese from controlling the trade in the region. The British were the only people standing between Dutch successes in the east.

The British also had a trading company, the British East India Trading Company (BEIC), which was granted a monopoly for trade in the east by Queen Elizabeth I. One could argue, why the British didn’t challenge the Dutch to become the first global trading power? After all, the British were a larger country with more people and a powerful navy, but although the BEIC was created prior to the VOC in 1600, the BEIC was unable to gain a foothold in Asia until after the
Moreover, the BEIC, was more costly to support initially than the VOC because it was capitalized privately, all profits were disbursed with each voyage, and it was not supported by the monarchy beyond the grant of monopoly. The VOC, meanwhile, had received funds from public stock offerings and had the financial support of key cities involved in trade. However, what really tipped the scale of success towards the VOC besides the fact that it controlled the islands of Indonesia, the source of the spices in greatest demand at the time, was the fact that the VOC killed their competition in the Amboyna massacre. (10 members of the BEIC were killed by members of the VOC for treason—allegedly breaking a treaty between both groups). This led to the withdrawal of the BEIC from Indonesia to India. In the short term, it propelled the VOC to success. In the long term, the BEIC obtained a monopoly over tea and coffee in addition to spices, which would be in greater demand in the future. The other reason for the VOC’s success was that they controlled the silver trade in Asia.

The VOC did not only control trade between Asia and Europe, it also controlled trade in Asia itself. Provisioning ships and sending goods back to Europe was very expensive. The profit made from intra-Asian trade supported the costs of this Asian-European trade. The VOC had a monopoly of trade with Japan and traded silver and copper from Japan with India and China in exchange for silks, cottons, porcelains and textiles. These products were then traded throughout Asia for spices such as nutmeg, cloves, cinnamon, pepper, mace and coffee or brought to Europe for sale. From 1635-1690, the VOC’s profits were greater than its expenditures and that was due to this intra-Asian trade (TANAP).

In addition to its trading companies, the establishment of the Dutch financial institutions also supported the trade and its risks and created the global trading network tied to the Netherlands. The first stock exchange, the Amsterdam Stock exchange, was established in 1602, the same year as the VOC. It allowed shares in the VOC to be sold to help capitalize the company as well as allowed people to buy and sell shares for profit. The Amsterdamsche Wisselbank was also established in 1609 and became more efficient over time. It provided financing for ships, provisioning and insurance. Other institutions included the creation of marine insurance, the issuance of trade credit so that all profits from sales did not have to be used to pay off debt immediately but could be reinvested in the enterprise, and the development of bills of exchange which financed the sale of commodities to bind customers to a particular entrepôt. Institutions like this did not exist to the same extent in other parts of Europe, but by the 18th century, the British would copy and improve upon many of these institutions and successfully use them to create and fund their trade and later empire.

V. The Decline of Dutch Global Trade
Throughout 17\textsuperscript{th} century Netherlands, one could access goods from around the world. Moreover, merchants continued to bring in profits to support the economy, however, by the 18\textsuperscript{th} century, the Netherlands was no longer as prominent in global trade. That role would shift to Britain. This was due in part to decisions made by the Dutch leadership. Failure to invest more money in their navy to protect existing trade routes and colonies, significant debt from numerous wars with England and Spain and attempts to keep the French at bay, and a decentralized system of taxation that could neither reduce that debt nor fund other investments put the Dutch at a disadvantage. Concomitantly, Britain acted to restrict Dutch primacy in trade with the Navigation Acts. The BEIC monopolized textiles and tea, goods in high demand and not part of the VOC’s monopoly; and financiers, who has serviced world trade, shifted from Amsterdam to London because the British had brought and improved upon Dutch financial institutions. Notwithstanding the fact that the Dutch global trading role began to decline in the 18\textsuperscript{th} century, one must marvel at what it was able to do in the face of wars (internal and external), small size (population and land mass), and poor geographic origins for agriculture and water power. Much of this awe and praise should be given to the Dutch merchants who persuaded the elite to support their endeavors, built upon their existing trade networks, took risks in order attain wealth and successfully used the VOC’s trade from Asia and within Asia to launch the Netherlands into a position of a global trading world power in the 17\textsuperscript{th} century.
Works Cited


