

**The VOC, the EIC, and *The Free Sea*:
The Rhetoric and Reality of Free Trade in the Early Modern World Economy**

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In 1609, Dutch legal scholar Hugo Grotius wrote *The Free Sea: The Right Which the Hollanders Ought to Have to the Indian Merchandise for Trading* at the request of the Dutch East India Company. At that time, the Dutch Republic was negotiating with Spain in order to end the decades of conflict that had begun with the Dutch revolt against Spanish rule in the late sixteenth century. One of the issues on the negotiating table was Dutch access to overseas Asian trade. Although written for reasons particular to that time and place, the arguments in *The Free Sea* regarding freedom of the seas, free trade, and just war have remained relevant for centuries, helping to give Grotius his modern reputation as “the father of international law.”

The papal-sanctioned division of the world between the Iberian powers in the 1490s designated most of the Western Hemisphere for Spain and most of the Eastern Hemisphere for Portugal. After this division, the Portuguese treated the lands and oceans of the Eastern Hemisphere as their rightful domain, and they enjoyed almost exclusive access to overseas Euro-Asian trade for the better part of a century. With the uniting of the crowns of Portugal and Spain in 1580 under the Spanish king, Phillip II, Portugal became a client state of Spain. Although under new masters, the Portuguese continued to play a dominant role in overseas Euro-Asian trade throughout the remainder of the sixteenth century, but the English and Dutch began to make inroads.

In the early seventeenth century, the English and Dutch assertively challenged Portuguese dominance of overseas Euro-Asian trade by establishing two powerful trading companies. In 1600, Queen Elizabeth I of England chartered the English East India Company—the EIC. Two years later, in 1602, the Estates-General of the Dutch Republic chartered the Dutch East India Company, *Vereenigde Oost-Indische Compagnie*—the VOC. Both companies were granted by their charters a monopoly over their respective

country's trade with Asia, as well as the power to wage war and make treaties; both came from Protestant countries that had long since abandoned any respect for papal-sanctioned claims; and both demanded unrestricted access to profitable overseas Euro-Asian trade.

In *The Free Sea*, Grotius challenges the Iberian stranglehold on Asian trade with two interrelated principles: freedom of the seas and free trade. Although Grotius dismisses Iberian claims to Asian lands, such as those based on religious authority and the "right of discovery," he does argue that under certain circumstances one nation can rightfully acquire another nation's land or property if there is "just cause."¹ No nation under any circumstances, however, can ever lay claim to the open sea. According to Grotius, the sea and shoreline, no less than the air we breathe, are by nature the common property of all mankind. Grotius quotes the Roman poet Virgil: "the air, the water and the shore lie open unto all."² Unlike the land, which can be worked and improved upon through cultivation and construction, the sea cannot be altered by man and is therefore incapable of ever being owned. The sea, therefore, should be open for navigation, fishing, and, most importantly, trade. Free trade, for Grotius, is as fundamental as the free sea. Since God made different areas of the world rich in some resources but poor in others, He obviously intended for us to travel and trade. In the words of Grotius, we should have the "liberty of going hither and thither and trading."³

As argued in *The Free Sea*, the Iberians had no right to control and dominate overseas trade with Asia. What then should the Dutch do to rectify this situation? Grotius explains that in a perfect world a "good man" could act as an international judge, awarding damages to wronged nations. Since this hypothetical "good man" does not exist in the real world, a wronged nation has the right to wage a "just war" in order to seek the restitution that it would have likely received from an impartial judge. As Grotius explains, "that which should be obtained in judgment, where justice could not be had, by just war should be revenged."⁴ The Dutch, therefore, had a right to go to war with the Iberians if necessary. As Grotius dramatically declares, "If it must need be so, proceed, thou most invincible nation on the sea, and boldly fight not only for thine own liberty but for the liberty and freedom of all mankind!"⁵ The VOC did launch a war against the Portuguese in Asia. In fact, by the time *The Free Sea* was published in 1609, the war was

already well under way. In spite of Grotius' high-sounding free trade rhetoric, however, the VOC ended up being even more repressive than the Portuguese.

Far beyond merely seeking justice, the VOC set out to totally destroy the Portuguese presence in Asia, focusing their attention first on the lucrative Spice Islands of the Indonesian archipelago. The VOC also used violence and intimidation to discourage all other competitors, including the EIC as well as local traders. Historian James Tracy claims the VOC destroyed "indigenous trading societies" which had been operating in the region for centuries. Tracy argues that, whereas the Portuguese before them had had minimal impact on the regional economy, the Dutch came in with guns blazing and "smashed to pieces" the "traditional system of trade."⁶ The VOC not only attacked the indigenous trading network, but also assaulted the native environment in order to restrict trade. Although their efforts were never fully successful, the company sought to gain a monopoly over certain spices by uprooting spice trees that grew on outlying islands. As for the area within VOC control, local "freemen" technically owned the trees, but their freedom was contingent on them selling exclusively to the VOC. The company was known to sell uncooperative islanders into slavery.

In spite of having Grotius as company spokesman, the VOC was anything but a champion of his ideas. The VOC went out of its way to limit free trade and, far from conducting only "just war," the company was abusive with its military power, using force whenever it was deemed profitable. The words of VOC Governor-General Jan Coen epitomize the company's brutal business philosophy during the early seventeenth century: "Trade cannot be maintained without war, nor war without trade."⁷

As the VOC rampaged through Indonesia, trampling on the free trade principles of its spokesman, the EIC did a much better job of playing by Grotius' rules. In the seventeenth century, the EIC presence in Asia was one of scattered trading outposts. Although these trading outposts were located on the shoreline, which, like the sea, is considered to be common property by Grotius, they did not necessarily violate the freedom of the seas. Grotius writes, "it is lawful to build upon the shore if it may be without the hurt of the rest." If the area of coastline is "proper to none nor necessary for the common use," then it may be used for fortresses, piers, or other structures. As long as the structures do not in some way restrict access to the coastline or the sea, they are

permissible.⁸ As compared to the VOC, that controlled the shorelines of its Asian empire with numerous heavily armed outposts, the EIC had a much less threatening presence on the coasts of Asia.

Although EIC outposts were not typically used to restrict trade, EIC ships did, on occasion, engage in piracy. For example, on the company's very first voyage to Asia in 1600, EIC ships stopped a lone Portuguese vessel on its return voyage and confiscated its valuable cargo. Surprisingly, this type of seizure might have been considered lawful according to Grotius' concept of "just war." *The Free Sea* was actually a revision of an earlier work written by Grotius to defend the VOC seizure of a treasure-laden Portuguese ship in 1603. Grotius justified this seizure as booty seized in a just war, the proper restitution for offenses the Spanish and Portuguese had committed against the Dutch.

The EIC also used its firepower to fight the VOC in intermittent conflicts throughout the seventeenth century. The VOC, however, had made a concerted effort to oust the EIC from the foremost spice sources. The EIC's military operations against the VOC therefore could definitely have been justified by Grotius' concept of just war since they were undertaken in defense of the company's right to trade. In fact, before open hostilities broke out between the VOC and EIC in 1619, English diplomats at the Anglo-Dutch colonial conferences of 1613 and 1615 used arguments from *The Free Sea* in order to challenge Dutch domination of Asian trade. Although the VOC's war against the Portuguese was launched for similar reasons, the EIC's war against the VOC did not result in the establishment of a large Asian empire that aggressively restricted free trade.

The Dutch conquest of the island of Ambon illustrates the difference between VOC and EIC policy in regard to trade during the early seventeenth century. The Portuguese had established a trading outpost on Ambon in 1536 because of the cloves and other spices that grew on the island. When the first EIC vessel visited the island in 1604, the Portuguese agreed to let the English purchase some of the island's cloves after a brief negotiation. But before the English could load their ship, a large VOC fleet arrived, interrupting the transaction. The Dutch demanded that the Portuguese surrender their fortified outpost and leave the island immediately. Realizing that they were outgunned, the Portuguese capitulated while the lone English ship sailed away empty. After taking over Ambon, the Dutch denied both the Portuguese and the English access to

the island's spices. Why did the EIC and the VOC approach trade with Ambon so differently? The difference can perhaps be best explained by the fact that the VOC arrived with a fleet, while the EIC arrived with only one ship.

The VOC violated Grotius' principles of free trade by unjustifiably conquering a large area of the Indonesian archipelago and restricting the spice trade there. The EIC, on the other hand, remained in the early seventeenth century a mere trading company, albeit one with teeth. The EIC's limited use of force could be justified by Grotius' concept of "just war," whereas the VOC's use of force could not. The EIC's relative good behavior, however, probably had less to do with its moral strength than with its relative financial and military weakness. The VOC was a much larger enterprise than the EIC and had many more ships and soldiers at its disposal. Historian Jan DeVries estimates that in the early seventeenth century the VOC had ten times the capitalization of the EIC.⁹ Over time, however, the EIC grew in size and strength, and when the opportunity arose for EIC dominance in the eighteenth century, the EIC showed that it was as willing to trample on the principles of free trade as the VOC had been in the seventeenth century.

Although pushed out of the most lucrative Indonesian Spice Islands by the VOC in the early seventeenth century, the EIC did maintain a few footholds in the Indonesian islands while it focused its attention increasingly on the Asian mainland. Fortunately for the EIC, imports from the Asian mainland became more valuable over time. These products included silk, coffee, tea and, most importantly, Indian cotton textiles. Indian cotton cloth became extremely popular in Europe because it was cheap, lightweight, washable, and attractively decorated. The VOC meanwhile remained focused on the spices of the Indonesian islands such as pepper, cinnamon, nutmeg, mace, and cloves. At one time almost worth their weight in gold due to their rarity in Europe, spices gradually declined in value because of overproduction—The Dutch attempt to fully monopolize the spice trade was never successful. With this shift in the value of imports, the EIC grew in financial and military strength during the course of the seventeenth century, while the VOC peaked in the mid to late seventeenth century and then stagnated.

The EIC had long prided itself on not being as aggressive and abusive as the VOC. Perhaps in response to Jan Coen, the EIC Committee of Correspondence declared in 1677: "our business is trade, not war."¹⁰ A faction of company officials led by Josiah

Child, however, drastically changed company policy when they took over in 1688. Although Child and some of his key supporters signed the pacific-sounding declaration in 1677, they nevertheless set about making war company business upon gaining control. Under Child's leadership, the EIC launched a war on the model of the VOC that was aimed at conquering and fortifying huge areas of coastal India. Although the effort failed due to an underestimation of the military strength of the declining Mughal Empire, the campaign nonetheless represented a turning point in company policy that would lead to more heavy-handed tactics in India later.

The Glorious Revolution of 1688-89, which resulted in the replacement of the EIC-friendly (and EIC-bribed) James II, represented another major setback for the company, following as it did on the heels of the failed Indian campaign. Enemies of the EIC, who had long resented the company's monopoly of Asian trade, now found much to criticize with the campaign in India. They pressured the next king, William III, to charter a "new company" in 1688 that was expected to eventually replace the "old company." Not wanting to directly challenge the still formidable EIC, however, William never shut down the old company but instead let the two companies coexist. After a few years of unprofitable competition, the two companies, acting on their own, negotiated a merger that resulted in the formation of the United East India Company in 1702.

After suffering through a rough wartime start during the War of Spanish Succession (1701-1713), the United Company thereafter began enjoying high profits and rapid growth. Now larger, stronger, and more financially sophisticated than ever before, the EIC set about expanding its presence in Asia. Although temporarily shelved, the policy of military conquest initiated under Child was never forgotten. Military conquest was now considered an option, although one that should only be used with caution. With the collapse of the Indian Mughal Empire in the mid eighteenth century, the EIC had a golden opportunity to resume the attack.

The collapse of the Mughal Empire created a power vacuum that allowed the EIC to establish military dominance in India, but it was actually an escalating rivalry with a European competitor that started the EIC back down the path to war and conquest. In addition to the stagnating VOC, the EIC had another major trading rival—the French East India Company, chartered by King Louis XIV in 1664. As a latecomer to overseas trade,

the French Company focused its attention on the most sought-after import of the time, the cotton textiles of India that had proved so profitable for the EIC. This led to a face-off between the two companies.

The disintegration of the Mughal Empire did not produce widespread chaos in India, but it did lead to the creation of many small regional states, a few of which were plagued by conflicts between rival claimants for power. Beginning in 1746, the French and English began interfering in these conflicts. Supporting opposite sides, both companies hoped that victory would bring trading advantages at the other's expense. The Anglo-French conflict lasted for decades, involving not only company and local forces but also the militaries of the French and British Empires. When the English were finally victorious in 1761, the EIC gained indirect control of southeast India through a client state, as well as favorable trade status. Although successful, this war to advance the EIC's trading position at the expense of its rival could hardly be defended as "just."

Soon after establishing indirect control of southeastern India, the EIC gained direct control of Bengal, a coastal state in the eastern part of the Indian subcontinent. In response to EIC efforts to strengthen their Calcutta fortress in Bengal, the local ruler took the fortress in a preemptive strike in 1756. Robert Clive led an EIC military campaign that first recaptured the fortress and then went on to vanquish the enemy at the battle of Plassey a year later. Indirect rule was initially established with the installation of a puppet ruler, but later, the EIC assumed direct rule when the powerless yet symbolically important Mughal Emperor officially granted the company control of Bengal in 1765. EIC operatives such as Clive might have argued that the conquest of Bengal was the outcome of a "just war" since the EIC campaign began as self-defense. But, as with the VOC conquest of the Indonesian islands, any claim that Bengal was conquered by the EIC through "just war" would have been a distortion. Aside from the war, what was done in Bengal after the EIC gained control certainly went against the idea of free trade.

Before the EIC conquered Bengal, local merchants and suppliers could trade freely with any of the European companies. Within a few months of the battle of Plassey, however, EIC operatives were confiscating cotton textiles that had been manufactured for the VOC, and, by the early 1760s, company operatives were forcing the best weavers to work exclusively for the EIC. Publicly the EIC reassured the Bengalese public, as well

as the offended Dutch, that the weavers of Bengal were free to trade as they pleased. In reality, however, the English were exploiting the weavers, forcing them to produce large quantities of textiles for the EIC in exchange for starvation wages. By force of arms, the EIC had effectively ended free trade in Bengal.

The history of the use of military force by the EIC and VOC illustrates that companies will use that power without regard to whether the warfare is “just.” In our modern age of growing corporate power and blurring public/private sector boundaries, we forget the lessons of the EIC and VOC at our peril. If corporate operatives acquire military power, they may use it whenever it is deemed profitable. Military power is better left in the hands of government. Preventing companies from acquiring military power, however, is necessary but not sufficient for protecting free trade. Government officials act for their national interest, if not also for personal vested interest. Therefore, neither companies nor nations can be trusted to wage war in defense of free trade. Grotius’ claim that free trade and the free sea should be protected is persuasive, but his reliance on “just war” as a means of righting the wrongs of international trade is impractical. A more realistic means of preserving free trade lies in Grotius’ “good man” concept. Although used as a rhetorical device in *The Free Sea*, the “good man” can be brought to life in the form of international authority. Effective international oversight is the key to free trade.

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¹ Hugo Grotius, *The Free Sea* (Indianapolis: Liberty Fund, 2004) 14.

² Ibid., 26.

³ Ibid., 6.

⁴ Ibid., 60.

⁵ Ibid., 58.

⁶ James D. Tracy, *The Political Economy of Merchant Empires: State Power and World Trade 1350-1750* (New York: Cambridge University Press, 1991) 2-3.

⁷ Ibid., 1.

⁸ Grotius, *The Free Sea*, 27.

⁹ Jan DeVries, *Economy of Europe in an Age of Crisis: 1600-1750* (New York: Cambridge University Press, 1976) 130.

¹⁰ Jonathan Israel ed., *The Anglo-Dutch Moment* (New York: Cambridge University Press, 1991) 432.