East India companies are best known for the way they excluded the competition from trade through monopoly privileges. This reputation is mainly due to their trade in spices as this trade was undeniably largely dictated by monopoly. The other products East India companies traded in were less prone to monopoly. In this chapter, it will be argued that the ability to control the trade in one of those other products, tea, was often very limited in the face of competition. This competition went through a particular development as more and more competitors gained access to the source of tea in China. Before 1713, China was not accessible for European East India companies, so Chinese traders first had to bring tea to the East India companies. Only companies who were able to attract Chinese merchants could lay their hands on tea to bring to Europe. With direct trade, so from 1713 onwards, European companies were welcomed in Canton, the problems of the faulty supply of tea seemed solved. However, the fact remained that the EIC and the VOC were unable or unwilling to satisfy the still large demand of tea in Europe. Faced with monopolies in the Dutch Republic and England, Dutch and English merchants teamed up in the search for tea with merchants in other European cities, such as Ostend, Copenhagen and Gothenburg, while the French East India Company also saw new possibilities. These East India companies started bringing home substantial amounts of tea. Even more interestingly, when the Dutch East

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** University of Warwick.
India Company (VOC, hereafter) was faced with this competitive market for tea, it displayed responses that might seem very odd for a company with a monopoly on trade. The Dutch East India Company (VOC) decided to share its monopoly right on trade to the Republic with private traders. As an essential part of the VOC’s strategy, its East India Men returned to the Republic with private trade in tea onboard in order to enhance the amount of tea the VOC already imported to the Dutch Republic. The VOC was the only East India Company which allowed extensive private trade in tea beyond the permitted trade of its crews. This chapter will give an answer to the question why a monopoly company such as the VOC was willing to give such extensive room to private trade in tea.

PRIVATE TRADE AND THE «DISCOVERY OF TEA» (1685-1741)

Private trade in tea was not born out of the VOC trade of tea as tea was already structurally brought back to Europe by private traders on VOC ships before the VOC directors declared it an official commodity of trade. Even stronger, the VOC only decided to trade in tea when it realized the success of this private trade. Before 1685 the tea trade of the VOC proved problematic as it struggled to obtain supply of tea from China, while the little import of Japanese tea to Europe was considered a failure. The Chinese emperor had outlawed trade by his subjects, which meant exporting tea was difficult and only smaller amounts were brought to Batavia. In 1685, the situation changed as the Chinese emperor allowed its subjects to trade outside of China. As the VOC was not welcome in Canton until 1713, Chinese merchants brought tea and other Chinese goods to Batavia. As these Chinese merchants looked for spices and other goods from the Indonesian Archipelago, Batavia was in a particularly strong position to attract this new trade. This meant a steady inflow of tea to Batavia to which private traders quickly responded.

For some reason, the VOC soon became aware of the profitability of trade in tea to Europe and the directors ordered tea to be imported. The directors were quite clear where they got the idea from:

«The tea, which is now imported in so large quantities by private persons, and is presented to some people as also to gentlemen of merit and honor, and such in so large quantities of boxes, bottles, and canisters, that it passes all measure, we have resolved that henceforth it will be considered an article of commerce, specially reserved to the Company alone, and that therefore after this to nobody, whoever it may be, it may be forwarded or brought to even as lining (stuffing), on the penalty of confiscation and such other mullets (fines) as we will deem proper to impose; for this reason we have resolved to augment the demand, lately made by us, to twenty thousand pounds».

1 SCHLEGEL, 1900: 470.
For several reasons the room available in VOC ships for private trade in tea far exceeded the room allowed in other companies. First of all, the importance of Batavia for Chinese traders meant large quantities of tea was available, while the role of Batavia as rendezvous for returning VOC ships to Europe gave ample opportunity for private trade. Tea was still abundantly available in Batavia while the VOC was hesitant to step into this branch of trade, so tea was a logical choice for VOC servants who wanted to transfer their fortunes home with an extra profit. The VOC was already deeply involved in spices and textiles, while other companies mainly specialized in tea and textiles. As companies in general specialized in these products, they were more restrictive on private trade in these commodities, as they feared it would cut directly into their only profit. For the VOC the trade in tea was not essential, spice had higher profit rates, so it logically preferred to invest in these products. In turn, it used leniency in allowing private trade in tea as a tool to keep its servants from conducting illegal private trade in spices.

In true monopolistic fashion, the VOC at first wanted its servants to give up private trade when it stepped into the tea trade itself. Private trade infringed on the profits it wanted to grasp for itself. Unfortunately for the VOC, it proved impossible to root out private trade, due to its profitability and the small scale on which it was organized. This is further supported by pictorial evidence for the existence of private trade and the way it was spontaneously organized. A picture from 1695 shows a woman called Tryn carrying a tea pot and a container of tea. The text below tells us that she had obtained the container from a VOC sailor called Piet in exchange for some kisses and sweet words. More important for us, is the fact that we can find more references to such containers, taken by VOC sailors, to Europe. Throughout the whole period, reference is made to this trade, which straddled the line between permitted and prohibited trade. De Haan refers to how sailors held on to their containers of tea like lions, defending them with their lives as they often had bought their tea on credit. Losing their container to VOC commissioners on their return home would mean their financial ruin. In this period, the division between permitted trade and illegal trade was still quite fluid. Rather, they should be considered the same thing, as the VOC directors would only strictly define the dimensions of permitted trade in the eighteenth century.

As banning private trade proved impossible, the VOC directors took steps to better control private trade in tea. In 1695, the VOC had had enough of the anarchistic private trade in tea. New rules were implemented in order to give the VOC the tools to put a halt to the import of private trade tea. Plans existed to make private traders in tea pay a fee. This fee needed to be paid on the loading of the tea in Batavia and if not paid the tea would be

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2 NIERSTRASZ, 2015: Chapter 1,
3 Unfortunately it was not possible to get the rights for this picture. To see the picture: JACOBS, 2006: 184.
4 HAAN, 1922: 203.
5 VAN DER CHIJS, 1880a.
confiscated on arrival in the Dutch Republic. Unfortunately, the VOC had totally miscalculated the tenacity of its own crews in their pursuit of profits. In actual fact, they simply continued their trade bringing to light the opportunistic nature of their behavior, as well as the ingenuity of their relatives in the Dutch Republic. As Van Dam puts it:

«In the year 1696, the commanders and others had arranged for an enormous crowd to gather, both outside of the port [in all kinds of small boats] and on the dock of Texel itself. In the confusion thus created many undeclared goods were kept out of the reach of the inspectors, much to the disgruntlement of the Directors. From the goods that were seized in the chaos in the water and on the docks, the VOC came to the startling conclusion that: “amongst [the seized goods was] tea, in larger quantities, and of better kinds than the VOC had received herself”».

In Batavia, those involved in private trade decided on a more subtle strategy in order to convince the VOC Directors of the necessity of private trade in tea. The VOC servants and crews were mainly silent as the main protests were made by Chinese citizens living there under the protection of the VOC. These citizens argued that the VOC had more to win by allowing private trade than it had with banning private trade. Private trade generated income in Batavia as the Chinese traders would stay away as they had no other ways to sell their tea. The VOC would not be able to replace the amount of tea imported by private traders itself, which would lead to a loss of market share. Apart from a loss in trade, the new measures meant an increase in the burden carried by the Chinese merchants bringing tea to Batavia of 25,000 rixdollars inevitably leading to their ruin. Without the profits from their dealings with private traders, Chinese merchants would see their profits evaporate. Without such profits, it would no longer be worthwhile to defy the dangers of their trade to Batavia. The VOC would not only lose out on the profits of the tea trade, but also Batavia would lose income from the taxation of the Chinese junk trade. In turn, the company would also lose out on profits on the sale of its own goods to the Chinese Junks. If the fee would be introduced immediately, the damages would even be greater, as the tea had been bought on credit and that would invalidate repayments.

All in all, the Governor-General decided that in view of the protest and the impact it had on Batavia, he saw no reason to enforce the fee. The Directors could not enforce the fee either, as they had no way to check if fees had really been paid. The VOC directors soon had to give up on wanting to monopolize the trade in tea. Instead they focused on the problems private trade caused to VOC trade. The VOC directors complained that ships where overloaded with private trade tea, causing accidents and shipwrecks. During the whole period between the start of VOC trade in tea and the start of recogni-

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6 DAM, 1927: 5.
7 BLUSSÉ, 1986: 125.
tion trade, the VOC directors almost continuously complained about such practices. In this manner, the call for an absolute ban on private trade in tea slowly disappeared from the argument.

At several intervals during the early years of trade, the amount of private trade of tea conducted is often hinted at in the sources. In 1695, the Chinese inhabitants made an estimation of the amount of tea that was exported by private trade. They estimated the size of private trade to be 250 piculs, which amounted to 31,250 lb (Dutch) or 33,325 lb (English). This was roughly the same size as the official VOC imports, and far superior of the whole official imports of the EIC. De Hullu, in his authoritative study on the early China trade in tea, indicates around 300,000 pounds of tea imported through what he considered illegal private trade in 1730. Governor-General Van Imhoff hinted that before 1743 «2000 to 3000 kannassers» of tea were yearly brought to the Dutch Republic by private trade. In turn, he considered such imports not to be illegal, but legitimate. In 1733, the VOC had established that one kannasser should not exceed the amount of 90 lb. The combination of both sources gives us a conservative estimation of approximately 270,000 pounds of private trade tea in the years just before the start of the recognition trade in tea. A report from 1734 calculated that such illicit trade in tea, or better put «unstoppable trade in tea» brought 2 million pounds of tea yearly back to the Republic. Glamann points to an even larger amount of illegal private trade in tea of 2,5 million pounds every year. In fact, when the ship the Ananas shipwrecked in 1743, all that was saved from the ship were private correspondences proving the widespread private trade in tea. The extent of private trade went beyond the imagination of the VOC directors and they were infuriated.

When Governor-General Van Imhoff (1743-1750) was hired to reform the VOC, his eye fell on the private trade in tea. He treated private trade as an established practice over which the High Government in Batavia was unable to wield control. He wanted to find a way in which the VOC better profited from the import of private trade tea. So he only thought it fair if the VOC would profit from the private trade too. After all, the VOC had been given the monopoly on all trade between Asia and Europe, so if the private traders exceeded what the VOC wanted to grant them as permitted trade, he only thought it fair if they would pay for it.

10 HULLU, 1917: 105.
11 HEERES, 1912: 441-621.
12 VAN DER CHIJS, 1880b. Vegunning tot het medenenme van ’kassen, in plaats van kannassers, mits niet meer wegende dan 90 lb.
13 HAAN, 1922.
14 GLAMANN, 1958: 239.
15 SCHOONEVELD-OOSTERLING, 1743.
RECOGNITION TRADE IN TEA

The official tea trade of the VOC is often very harshly judged as a complete failure, especially after direct trade to Canton (1713) was established by the other East India Companies. Kristoff Glamann has already shown that at the end of the Seventeenth century the VOC, just like its European competitors, moved into the market for Asian commodities such as textiles and tea\(^16\). In the period of indirect trade (1685-1713), the VOC was still the strongest competitor in the tea trade, as we have seen, due to its strong position in Batavia. The assumed weak performance of the VOC in the later tea trade is mainly attributed to its stubborn refusal to change from indirect trade in Batavia to direct trade with Canton\(^17\). It stuck to indirect trade in Batavia until 1729, whilst the competition had already moved forward by trading directly with Canton.

In general, the English East India Company (EIC) is seen as easily outdistancing its Dutch rival from the establishment of direct trade onwards. However, such conclusions have not been based on quantitative evidence, but more on the assumption that direct trade is per definition more efficient than indirect trade. At the same time, they are based on the presupposition that the VOC took no steps toward direct trade, which has already been proved to be a false assumption\(^18\). In any case, such assumptions have been made without taking into account that the VOC was much more lenient towards private trade and without realizing that the private trade in tea was quite substantial. Does a comparison of the official imports of tea by the EIC and the VOC, as well as the import by private traders on VOC ships, give new insights into this discussion?

The problem with private trade is that it often escapes the attention of historians as it is elusive and hard to quantify. Private trade in general always formed an intricate part of all Company trade both in the European trade and in the intra-Asian trade, but in the case of the VOC private trade in general is often wrongfully treated as fraud and corruption\(^19\). English private trade in the intra-Asian trade has received more positive reviews as it has been seen as a motor of competition and change. Its profits financed and pushed the returns of the EIC to new heights. However, such an analysis does not take into account that the EIC and VOC empires were differently organized. The English empires was strongly orientated towards taxation, while the Dutch empire was geared towards profit from trade. This difference makes the study of English private trade an easier task as the EIC kept taxation records. For the VOC, financial records on private trade are less available as the VOC was largely unsuccessful in imposing tax on private trade in Asia. However, as a recognition fee for private trade in tea had to be paid in the Republic, without escape, and was recorded there, it is possible to see the magnitude and development of this part of private trade.

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\(^{17}\) FURBER, 1976: 126.


\(^{19}\) See for instance: GLAMANN, 1958: 105.
What made this private trade or recognition trade in tea so special was that it was structurally different from the permitted trade in tea conducted by the VOC crews. Crews of all the East India Companies enjoyed private trade privileges, called permitted trade, which in practice meant they were allowed to bring private trade goods on their voyages. The recognition trade was structurally different as this private trade privilege was not aimed at crews, but all those falling under the VOC authorities in Batavia. All VOC servants, Asian subjects and Chinese merchants in Batavia were encouraged to bring their tea to the VOC warehouses. The VOC promised to load all the tea offered on the ships returning to the Dutch Republic, even if it required employing extra ships especially for this purpose. It promised to sell the tea at the first possible occasion after the tea had been unloaded. In order to stimulate its Asian subjects to participate, it would allow the profits to be transmitted back to Batavia on bills of exchange without extra costs.

The directors of the VOC allowed private traders to bring tea to Europe on its East India Men, but now on their conditions. In return for the service of shipping the tea over and in recognition of its monopoly, the VOC charged a recognition fee ranging from 30% to 40% on the tea brought to the Dutch Republic. There were different ways of calculating the fee and over the century the VOC directors imposed ever higher charges, going up to 50%. These fees were paid after the sale of the tea in the Dutch Republic (the VOC guaranteed the tea would be auctioned at a VOC auction on the first opportunity) and accounted for in the general account books of the VOC. The uninterrupted data on the recognition trade, gives us the possibility to study the development of this type of exchange.

Graph A: Imports of tea, VOC official trade and VOC recognition trade, lbs (1740-1760)

Source: NA, VOC, Generale Staten, 4592-4592.

During the first 10 years of the recognition tea, the success of the scheme becomes evident when we compare the amount of recognition tea imported in relation to the import figures of the VOC (see Graph A). During this period, the VOC often more than doubled the amount of tea it brought to Europe by allowing private trade. As the VOC lacked the financial resources to expand its own tea trade\(^{21}\), opting for private trade made sense in an environment in which competitors had been able to expand their trade. After 1755, the recognition abruptly collapsed, even though the recognition trade continued to be allowed until the end of the VOC (1796). This collapse was not related to any change in the rules, but the recognition trade was inhibited to recover to earlier levels by fundamental changes in the competition for trade in Canton, especially in the way the EIC started dominating the purchase of tea in new ways. The recognition trade in tea would occasionally still flare up, but most of the time smothered on at much lower levels than in the years of its greatest success.

The VOC directors used the trade in recognition tea as strategic tool in the competition for the tea market. By allowing recognition trade in tea from Batavia, the VOC aimed to enlarge its tea trade and hamper the tea trade of the competition to the Dutch Republic. It also hoped to use private trade in tea to generate profit for the Company in Europe. Van Imhoff, the Governor-General who engineered the recognition trade in tea in 1743, only saw advantages for allowing recognition trade in tea. In an attempt to convince his superiors of the positive sides of his plan, he wrote:

«With a good and loyal treatment of business, this sending of tea for the account of private individuals will give the Company a substantial profit and will give our competitors in the trade with China much impediment, as none of them are capable of helping and sustaining themselves in this trade with so little profit as our traders will be happy to accept»\(^{22}\).

The recognition trade has been described in the literature, but its implications have not yet been fully understood\(^{23}\). The strange development it went through of rapid success followed by swift decline triggers many different questions. In order to understand this development, the private trade in tea needs to be placed in a comparative perspective with the trade of the competition. A comparison of the tea imported to Europe by the VOC, the EIC and the recognition trade in tea, shows that at its height the quantity of tea imported on recognition rivaled the imports of the VOC and often even surpassed the imports of the EIC. At the low point of EIC imports of tea in 1747, the EIC brought 410,990 lb English

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\(^{21}\) KORTE, 1984 ; GAASTRA, 2003.

\(^{22}\) HEERES, 1922: 46, (...) bij eene goede en getrouwe behandeling vna zaken dese versendinge van thee voor reec. Van particulieren de Compagnie een naamwaardige winst en onse competiteuren in den handel op China door de tijd veel impediment geven sal, nademal niemand harer in staat is sig in die vaart te behelpen en het gaande te houde met soo weynig winst als waarmede dese onse negotianten sig sullen contenteeren (...).

\(^{23}\) YONG, 2007: 124-125.
Beyond Monopoly, the Dutch East India Company and private trade in tea to Europe (1685-1796)

weight of tea from Canton to Europe, which the Dutch recognition trade alone brought home over 1,200,000 lb Dutch weight of tea on VOC ships. When the figures of private trade are combined with figures of the VOC trade in tea meant the import of 2,400,000 lb Dutch weight of tea to the Dutch Republic. Even more surprisingly, the rise in import of private trade tea coincided with a substantial drop in the imports of the EIC.

Graph B: Amount of tea imported by the EIC, VOC and the VOC plus recognition trade, in kg (1720-1780)

Sources: NA, VOC, Generale staten, 4590-4596 and BL, IOR, Commercial legers, 8-17.

Recognition trade mirrored a dual strategy on the part of the VOC regarding the tea trade. The VOC focused on the more expensive tea in their direct trade with Canton, while private traders focused on the cheaper varieties brought to Batavia. Counter-intuitively, this division meant the price of the recognition tea through indirect trade was lower than the price paid in Canton by the VOC in its direct trade (see Table 1). The tea brought to Batavia was the tea that had not been sold during the previous sales in Canton. The East-India Companies first chose what they wanted to buy, which was what they considered the best value for money. The tea officially exported by the companies could not escape paying tax to the Chinese authorities.

Table 1: Purchase prices of VOC tea, in Batavia, Canton and on recognition (1751-1754)

<table>
<thead>
<tr>
<th>Year</th>
<th>VOC, Batavia</th>
<th>VOC, Canton</th>
<th>VOC, tea on recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1751</td>
<td>0.080336</td>
<td>0.042233</td>
<td>0.027623</td>
</tr>
<tr>
<td>1752</td>
<td>0.042233</td>
<td>0.042027</td>
<td></td>
</tr>
<tr>
<td>1753</td>
<td>0.042875</td>
<td>0.037338</td>
<td></td>
</tr>
<tr>
<td>1754</td>
<td>0.042026</td>
<td>0.04333</td>
<td></td>
</tr>
</tbody>
</table>

Source: ING Huygens, Bookkeeper-General Batavia; the circulation of commodities of the VOC in the eighteenth century (BGB), http://bgb.huygens.knaw.nl/

24 Neha, VOC, Generale Staten, 4593.
25 One lb Dutch equals 0.494 kg and one lb English equals 0.453 kg.
The lower price of recognition trade tea also meant the tea was of lower quality than the tea imported by the VOC itself and by the other companies. In other words, the tea was of lower quality than the tea bought in Canton in the direct trade until the moment the EIC started purchasing this tea in Canton after 1755. For this lower quality and the lower prices, several explanations exist. As we have argued above, the tea was of lesser quality because it was the left-over tea from the year before. The tea was also less fresh as it took a year longer to reach Europe. The tea was brought to Batavia on Chinese junks in baskets often exposed to the elements. This exposure meant a loss of flavor and quality. The transshipment at Batavia had a similar effect on the tea. Most importantly, the tea was cheaper as it was brought to Batavia without paying taxes in Canton as all those involved in the tea trade had an interest in letting the left-over tea go without taxation. The Chinese emperor farmed out taxation to his officials for a fixed lump sum so these tax-farmers had an interest in concealing there was more money to be made.

Private traders in recognition tea were only the last part of a chain, with Chinese merchants and Portuguese merchants from Macao supplying Batavia with tea. These merchants were after goods they could profitably sell in China, especially spices and tin. The VOC used this principle in its own trade in tea to Canton too, but apparently the possibilities for trade in these goods were not exhausted. The Portuguese traders were also attracted with these goods they could sell in China, but they also used these goods in their trade with Manila. In order to face the increasing competition for tea, the VOC directors had decided to import these goods from Batavia onto the market in Canton. The VOC China ships started making a stop-over in Batavia to exchange their silver for spices and tin. The journey continued to Canton, where these goods were sold at a profit. The profitable trade in these goods helped to augment the purchase power of the VOC for tea in the Canton market.

THE REASONS FOR DECLINE

New archival research presented here, shows that the VOC did not fall behind the EIC until 1748, rather the opposite (See graph B). The official trade did not fall behind EIC trade, while if we take in account the private trade in tea more than double the amount of tea was brought to the Dutch Republic. One of the reasons was a smart game between trading at both Batavia and Canton and using monopoly and private trade in tea to boost returns. However, the success did not last after 1755 as the EIC invented an answer that made the recognition trade through Batavia almost completely obsolete.

The fall in imports of the recognition trade was occasioned by the arrival of new competition for the market in Asian goods in Canton. The EIC was losing its home-market in tea to smugglers from the continent and felt it had to reorganize its trade. It made several

changes to its China trade, which dealt a severe blow to the recognition trade of the VOC. First of all, it drastically increased its exports of silver to Asia in order to pursue a larger market share in tea. Before 1748, the EIC had brought its silver directly to Canton in order to buy tea. Imitating the VOC policy, it now exchanged a large part of its silver for Asian goods with a market in Canton. In order to do so, the China men first visited English settlements in Asia and Asian ports to procure pepper and other Asian goods. They sold these goods at profit in Canton and with these profits, the EIC enhanced its purchase power. As the VOC was also supplying these goods, their price must have dropped in Canton. Such an availability of spices at low prices in Canton meant Chinese Junks had less incentive to search for spices themselves. As a consequence, the Chinese Junk trade went into decline together with the supply of tea for the recognition trade.

The occurrence of recognition trade after 1755 was strongly influenced by the European competition for tea. In the years up to 1796, the EIC attempted to buy up as much tea in Canton as possible. It also continuously increased the amount of tea it brought to Europe, in order to apply pressure on the market for tea in Canton. It was only able to do so every two years, buying substantially lower amounts of tea in the other year. The VOC sales alternated accordingly: when the EIC bought a lot of tea, the VOC bought less. When the EIC bought less, the VOC bought more, while Chinese producers of tea were able to keep up with expanding trade without a notable raise in prices of the main varieties of tea. In the years that the EIC bought more, the recognition trade made up for what the VOC was not able or willing to buy. This tea had been brought to Batavia in the year after the EIC had bought less in Canton. The delay of one trading season needed to bring tea from Canton to Batavia and shipping it on to Europe, meant that the recognition trade nicely balanced out the official trade. After 1765, the recognition trade further dwindled into insignificance as EIC imports to Europe through Canton exploded as funds became available with the establishment of British Empire in Bengal. The VOC and its private traders could no longer keep up in the tea trade with the EIC and its Indian empire.

CONCLUSION

Until now the private trade in tea by VOC servants and subjects has been misunderstood and misrepresented. The VOC was never as strict as its competitors on limiting private trade in tea to the permitted trade of its crews. In fact, the VOC was less strict in general with its monopoly on tea. It realized a competitive market for tea existed and used private trade to gain market share. Extensive private trade existed alongside the official VOC trade. This private trade had been the origin of all tea trade to Europe and as private traders had already created a market for tea before the companies started trading in tea.

28 NIERSTRASZ, 2015: Chapter 2.
When the VOC saw the potential of the private trade in tea, it decided to impose a recognition fee on it in 1745. In return, the tea trade which had until then been tolerated became a part of the official strategy of the VOC. The recognition tea together with the official imports of the VOC grew so formidable that the EIC was almost pushed out of the market for tea. The structural changes made by the EIC in answer to the recognition trade did their job, leaving the private trade in tea in ruin.

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Neha, VOC, Generale Staten, 4593.


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