INTRODUCTION

The history of commercial traffic in the Indian Ocean goes back to at least the early centuries of the Christian era. Networks of trade covering different segments of the Ocean have a history of remarkable resilience without being resistant to innovation. In other words, without disrupting the rhythm of the overall flow, variables such as the share in total trade of different communities of merchants engaged in a given network, the goods carried, and the relative volume of trade carried on at the ports called at, were fully reflective of evolving situations. Over the centuries, India has played a key role in the successful functioning of these trading networks. This undoubtedly was related in part to her location at midpoint geographically, but it also had a good deal to do with her capacity to put on the market large quantities of relatively inexpensive and highly competitive manufactured goods in addition to a whole range of other goods. In return, she provided an important outlet for the specialized agricultural, mineral and other products offered by her trading partners. Trade thus satisfied different kinds of needs for India as compared with her major trading partners, and this by itself provided an excellent basis for a significant and growing level of trade. The key role of India can thus be conceptualized essentially as one of contributing significantly to the expansion of the basis of trade in the Indian Ocean.

To the east of India, there were very long-standing and wide-ranging links between the Indian Ocean and the South China Sea. In addition to the Indonesian archipelago, a considerable amount of trade was traditionally carried on with China and Japan. Westward, however, the link with the Mediterranean through the Persian Gulf and the Red Sea channels involved the use of a certain amount of river-cum-land transportation, more so in the case of the Persian Gulf route than in that of the Red Sea route. In the western sector, the European merchants' involvement in the trade in Asian goods began only after the goods had reached the southern coast of the Mediterranean, to which these merchants regularly travelled to buy them.

This pattern of trade between Asia and Europe, which had been in operation for centuries, underwent a structural modification following the discovery by the Portuguese at the end of the fifteenth century of the all-water route to the East Indies via the Cape of Good Hope. Among the historic consequences of the discovery was the overcoming of the transport-technology barrier to the growth of trade between the two continents. The volume of this trade was no longer subject to the capacity constraint imposed by the availability of pack-animals and river boats in the Middle East. Both the old and the new routes were in use throughout the sixteenth century, but by the early years of the seventeenth, when the northern European companies had successfully challenged the Portuguese monopoly of the all-water route, the new route had almost completely taken over in the transportation of goods between the two continents. In addition to their transportation, the procurement of the Asian goods also was now organized by the Europeans themselves, who had arrived in the East in any number for the first time. The goods procured had to be paid for overwhelmingly in precious metals. This was an outcome essentially of the inability of Europe to supply goods which could be sold in Asia in reasonably large quantities at competitive terms. The new vistas of the growth of trade between the two continents opened up by the overcoming of the transport-technology barrier could have been frustrated by the shortage of silver for export to Asia that the declining, or at best stagnant, European output of this metal might have occasioned. But, fortunately, the discovery of the Cape route had coincided with that of the Americas. The working of the Spanish American silver mines had tremendously expanded the European silver stock, a part of which was available for diversion to Asia for investment in Asian goods. A continued expansion in the volume and the value of the Euro-Asian trade could now take place.

The Portuguese had been followed in the early years of the seventeenth century by the English and the Dutch, and on a much smaller scale by the Danes. The French East India Company was established in 1664, though it was not until the 1720s that the French presence in India became significant. The short-lived Ostend Company also functioned in India during this decade. In addition to these corporate groups, there were the private European merchants operating simultaneously. An overwhelming proportion of these persons had travelled to the East with one or the other of the corporate groups. Many of them engaged in private trade while still in the service of the relevant corporate group with or without permission. Others engaged in private trade on a full-time basis. The Euro-Asian trade was carried on overwhelmingly by the corporate groups, leaving the trade within Asia by and large to the individual traders, the largest group amongst whom eventually was that of the English private traders. The only major exception to this pattern was the large scale and systematic participation in intra-Asian trade by the Dutch East India Company (VOC) as an integral part of its overall trading strategy. In the sixteenth century, the Portuguese Crown had also participated in intra-Asian trade, but the scale and the duration of that operation had been relatively limited.

Throughout the sixteenth and the first half of the seventeenth century, the Euro-Asian trade carried on by the Portuguese was centred on India. But since the Dutch and the English procured their pepper and other spices mainly in Indonesia, the Asian loci of the Euro-Asian seaborne trade shifted at the beginning of the seventeenth century from India to the Indonesian archipelago. It was nearly three quarters of a century before the Asian loci shifted back to India. This was a consequence of the change in European fashions assigning an increasingly important role to textiles and raw silk in the Asian imports into Europe. It was only in the second half of the eighteenth century that the growing role of Chinese tea in these imports again deflected somewhat from the central position of India in Euro-Asian trade. India also played a key role in the Dutch intra-Asian trade. Indeed, it was the long-established pattern of the Indonesian spice growers asking for Indian textiles in exchange for their wares which had set the VOC on the path of intra-Asian trade in the first place. Later in the seventeenth century, Bengal raw silk and opium had played an extremely important role in the successful functioning of the Dutch network of intra-Asian trade. Among the private European traders engaged in this trade, the largest group, namely the English private traders, also operated overwhelmingly from India.

The organizational structure of procurement and trade that the trading companies as well as the European private traders encountered in India was both efficient and sophisticated. The production for the market was organized mainly on the basis of contracts between merchants and producers, specifying the quantity to the supplied, the price and the date of delivery. The contract system was a variant of the standard European putting-out system in so far as in the Indian system raw materials were provided by the merchants only rarely. A highly developed credit organization contributed to the efficient working of the system. Merchants could raise short-term loans at remarkably low rates of interest. The institution of the respondentia loans was also quite widespread. Funds could be transferred from one place to another relatively cheaply by using the *hundi*. The *sarrafs* who ran the credit and the banking structure were also indispensable to the working of the currency and the monetary system. The Mughal coinage system, with its uniform imperial standards of weights and measures, was imposed throughout the empire over dozens of local monetary systems. Centrally appointed functionaries of the imperial mints accepted bullion or coin from local *sarrafs* or other private individuals. The system of free minting ensured that the Mughal coins retained their high degree of fineness without any known debasement for nearly two centuries. Following the incorporation of Golconda into the Mughal empire in the closing decades of the seventeenth century, the only major region in the subcontinent where Mughal coinage did not circulate was the Malabar–Kanara coast.

The Europeans – both the companies as well as the individual traders – had no option but to operate within the given organizational structure of procurement and trade. An important group with which they had to deal all the time was that of the intermediary merchants of various kinds. It could be an easy relationship, but it could also be an exasperating one, with the merchants ordinarily calling the tune. The following description of the Bengal merchants by the Dutch Commissioner Hendrik Adriaan van Rheede is at one level indicative of who the Europeans were up against. Van Rheede wrote:

> The merchants . . . are exceptionally quick and experienced. When they are still very young and in the laps of their parents and hardly able to walk, they already begin to be trained as merchants. They are made to pretend to engage in trade while playing, first buying *cauris*, followed by silver and gold. In this training as moneychangers, they acquire the capability of engaging in large-scale trade. They are always sober, modest, thrifty, and cunning in identifying the source of their profit, which they are always at pains to maximize. They have an exceptional capacity of discovering the humour of those who are in a position to help or hurt

them. They flatter those they know they need to be in the good books of. In case of loss, they console themselves easily and can hide their sorrow wonderfully . . . In general, they are a people with whom one could get along well so long as one is on one's guard.[1]

An important problem that the Europeans faced on an almost perennial basis while procuring goods for export was that of bad debts. This happened in situations where, under the contract system, the value of the goods supplied to and accepted by a European company from a particular contract-merchant was less than the sum of money given to him in advance. The VOC tried to tackle this problem on the Coromandel coast by encouraging the merchants supplying textiles to it to form 'joint stock companies'. Under this arrangement, the merchants operated on the basis of funds contributed by themselves to a central pool and were jointly responsible for the contract given out to them. The innovation indeed worked for a while on the coast, but does not seem to have been found to be feasible elsewhere. On the whole, however, one could argue that the organizational framework within which the Europeans were obliged to work operated with a reasonable degree of efficiency and effectiveness. In the course of time, the Europeans not only mastered the intricacies of the system but indeed came to dominate many elements of it, forcing the indigenous merchants to adapt themselves to the new situation.

The Europeans' dependence upon and assimilation into existing networks comes out even more clearly when one looks at their participation in intra-Asian trade. Within two decades of their arrival in the East, the Portuguese had managed to carve out for themselves a trading network of goods and routes with Malacca as the centrepoint. But it is important to realize that this network grew basically along the lines defined by the pre-existing commercial system. The period of Portuguese apprenticeship was shortened considerably by the advice and assistance provided by the Tamil *keling* merchants of Malacca. In the seventeenth century, the Dutch East India Company's extensive participation in intra-Asian trade also grew along carefully chosen but pre-existing routes. It is another matter that by the middle of the century, the Company had emerged as the largest single participant in this trade with trading stations all over what one might call the great

[1] Instructions by Commissioner van Rheede to the Dutch factors at Hugli, 21.2.1687, *Algemeen Rijksarchief* (ARA), *Verenigde Oost-Indische Compagnie* (VOC) 1435, ff. 132v–133, 150v–152v.

arc of Asian trade stretching from the Persian Gulf in the northwest to Japan in the northeast. It was only in the latter half of the eighteenth century that, on the basis of their newly found political leverage and expanded resource base, the private English traders operating from India were able to make their way beyond the eastablished networks of trade and carve out new niches and routes for themselves.

The relationship between the Europeans and the Indian maritime merchants engaged in coastal and high-seas trade was, of course, not always one of cooperation but, at times, also one of conflict. An early example of the latter is the resistance offered by the *pardesi* and later the Mappila merchants of Malabar to the Portuguese pepper monopoly in the western Indian Ocean. But overall, the Indian maritime merchants adjusted remarkably well to the pressures generated by the Europeans' presence. If it was there at all, the negative effect on the volume and the value of the Indian merchants' maritime trade would seem to have been quite small.

As we noted earlier, the European companies were obliged to pay for the goods they procured in India predominantly in precious metals. The export surplus generated in the process, coupled with the reasonably high degree of market orientation and flexibility in the structure of output in the economy, involved, at a macroeconomic level, an increase in the level of income, output and employment in the subcontinent. There were, of course, variations in this regard across both space and time. Thus the Malabar coast, where the Portuguese, and later the Dutch, enjoyed, in principle, monopolistic privileges, was different from the other regions of the subcontinent. Across time, the availability in Bengal of special privileges to the English East India Company following its emergence as the formal ruler of the province in the second half of the eighteenth century basically altered the nature of the impact of the European trade on the economy of the region.

In analysing the trade of the Europeans, an attempt has been made to incorporate the trading operations of the various corporate groups as well as of individual traders functioning in India over the three centuries starting with the arrival of the Portuguese at the end of the fifteenth. In respect of the corporate groups other than the Portuguese, the story has been woven around the trading operations of the Dutch East India Company. The benchmarks used are those of the VOC and to facilitate comparison, the value of the trade carried on by the English and the French East India companies has often been expressed in terms of the Dutch florin. This reflects basically the fact that the VOC was the only major European trading body to engage in intra-Asian trade on a substantial scale with India playing a key role in the network, besides being the largest carrier of goods from India to Europe well into the eighteenth century.

CHAPTER 1

INDIA IN THE INDIAN OCEAN TRADE, CIRCA 1500

An analysis of the structure and the mechanics of the early modern Indian Ocean trade, alternatively referred to as Asian trade, ought perhaps to start with a recognition of the simple fact that this trade transgressed the boundaries of both the Indian Ocean and Asia. While in the east it intruded prominently into the South China Sea, in the west it embraced maritime trade with East Africa. Traditionally, the great arc of Asian trade included the Persian Gulf and the Red Sea in the northwest and Japan in the northeast. The principal natural divisions of this huge area were the Arabian Sea, the Bay of Bengal and the South China Sea. Within each of these zones, there were important blocks of ports across which a large amount of trade had traditionally been carried on. The western or the Arabian Sea zone included ports in the Persian Gulf, the Red Sea, those on the East African coast and on the west coast of India. The Bay of Bengal network included ports in Sri Lanka, the Coromandel coast, Bengal, Burma, Thailand, Malaya and Acheh in Sumatra. Ports such as Canton and Zaiton in the South China Sea had extensive contacts both with the Indonesian ports as well as with ports in the straits of Malacca.

Within each of these zones, there were also clearly identifiable sub-zones. To take an example, in the west the ports of Aden, Ormuz, Cambay and Calicut formed one such sub-zone, while those of Kilwa, Mogadishu, Aden and Jeddah constituted another. Needless to emphasize, in terms of the ability of different constituents of a given zone to put important tradable goods on the market, for which there was adequate demand elsewhere in the zone, there was a very definitive basis for trade within each of the zones. Such a basis also existed to an important degree across zones, leading to the creation of significant long-distance trade flows in the Indian Ocean and beyond.

By far the longest distance was covered by the route that connected Aden to Canton traversing a very large part of the total area covered by the great arc of Asian trade. There is evidence to suggest that this route was in regular use at least from the seventh century. The principal group which had initiated trade on the route was the Persian merchants who had, however, been supplanted by and large by Arab merchants since about the ninth century. The principal stops on the way were either Cambay or Calicut on the Indian west coast and a port such as Palembang in Sumatra. It would seem that at some time during the twelfth century Chinese junks also began operating on this route. There is evidence that the Chinese merchants established commercial contacts with places such as Sri Lanka, Kollam on the Malabar coast and Ormuz in the Persian Gulf. The Chinese participation in trade on this route would appear to have reached important levels by the early years of the fifteenth century. Between 1404 and 1433, a series of seven commercial-cum-naval expeditions was dispatched from China under the command of Admiral Cheng Ho. The first of these expeditions is believed to have consisted of as many as 62 ships and 28,000 men. The fourth voyage is reported to have reached Ormuz and Aden, while those that followed claimed to have touched even the East African ports of Mogadishu and Malindi. But in 1433 the Chinese authorities abruptly withdrew from these ventures and, indeed, there is no record of these long-distance voyages having ever been resumed. The precise circumstances behind this development are not quite clear but it would seem that the depredation of pirates infesting the South China Sea and the criticism that the profit earned from these voyages was not sufficiently attractive contributed to the decision of the Chinese authorities. In the meantime, the Arabs had also gradually pulled out of this long-distance route.

Whatever the reasons behind the Chinese and the Arab withdrawal from long-distance trade, it signalled a basic alteration in the organizational structure of Asian trade. The new structure was based on the segmentation of the great arc of Asian trade into the three divisions mentioned earlier – the Arabian Sea, the Bay of Bengal and the South China Sea. The ports of Cambay or Calicut and Malacca (founded at the beginning of the fifteenth century), which had until then served essentially as victualling and stopping points on the long route between west Asia and China, now became terminal ports. The role of these ports in providing a reasonably assured market in the goods brought in, as well as in making available those sought after by the visiting ships, besides offering facilities such as anchorage, warehousing and banking, cannot be overemphasized. In the course of the fifteenth century, Malacca became a truly major centre of international exchange and a meeting point of traders from the East and the West.

Map 1 Important trading centres in Asia in the seventeenth and eighteenth centuries