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Multinational corporations have become a commonplace in today’s age of modern technology, however before technology linked all corners of the world one company carved out a niche in the global market. The Dutch East India Company, or Vereenigde Oost-Indische Compagniewas (VOC), was arguably the first, true multinational corporation, expanding its sphere of influence to Asia, and becoming the first company to issue stock. The impact of the VOC cannot be ignored, as it provided a business link between the east and the west, and was granted unparalleled freedom in conducting affairs in the East by the Dutch government. The trade monopoly that was granted to the VOC by the Dutch government in the East was one of the keys to its success, allowing for the private, mercantilist company to conduct themselves in a manner more similar to an independent state. The ruthlessness of the VOC in the East Indies allowed for them to create a virtual monopoly on the global spice trade, changing the international trade landscape and making globalization a reality. Without the VOC’s presence on the international stage, globalization would have been a more gradual process and multinational corporations would be structured in a different manner. This paper will seek to analyze the factors that allowed for the VOC to remain relevant in the global economy for nearly 200 years, and how the VOC influenced the global economy.
The Rise of Transnational Corporations: How the Dutch East India Company Defined Globalization

By: An Unnamed Student

Abstract:
Multinational corporations have become a commonplace in today’s age of modern technology, however before technology linked all corners of the world one company carved out a niche in the global market. The Dutch East India Company, or Vereenigde Oost-Indische Compagniewas (VOC), was arguably the first, true multinational corporation, expanding its sphere of influence to Asia, and becoming the first company to issue stock. The impact of the VOC cannot be ignored, as it provided a business link between the east and the west, and was granted unparalleled freedom in conducting affairs in the East by the Dutch government. The trade monopoly that was granted to the VOC by the Dutch government in the East was one of the keys to its success, allowing for the private, mercantilist company to conduct themselves in a manner more similar to a independent state. The ruthlessness of the VOC in the East Indies allowed for them to create a virtual monopoly on the global spice trade, changing the international trade landscape and making globalization a reality. Without the VOC’s presence on the international stage, globalization would have been a more gradual process and multinational corporations would be structured in a different manner. This paper will seek to analyze the factors that allowed for the VOC to remain relevant in the global economy for nearly 200 years, and how the VOC influenced the global economy.

Overview:
I am interested in exploring the impact of the Dutch East India Company in Asia, and the role that they played in the global economy by becoming the first undisputed transnational corporation. The VOC had a virtual monopoly on the East Asian spice market during its heyday, which lasted for nearly 200 years. This is a topic of great interest to me due to the fact that I believe they sped up the process of globalization, and were able to redefine what a singular entity, separate from a national government, was capable of. Prior to the VOC, it was
mainly national governments or contractors working for governments that conducted these types of exploration and trading missions. Although the VOC was granted a monopoly by the Dutch government to conduct trade in Asia, they were fully independent of the Dutch government and acted primarily in their own self-interests. I have always had a fascination with pioneers in their respective field, and the VOC fits this mold perfectly. Additionally, I am attracted by the VOC’s power to remain relevant and flourish for nearly 200 years, which is longer than most companies as well and many states. This knack for surviving through changing times and ability to adapt to changes in technology and world hegemony make the VOC an extremely unique entity.

The VOC is of high importance to the field of economy history due to the fact that it helped carve out global trade, and brought foreign goods to new markets to be sold. The VOC acted as both a buyer and seller of goods during its period of dominance, shipping manufactured goods from The Netherlands to East Asia in exchange for exotic spices and raw materials. Not only was this critical from a capitalistic lens, but this constant interaction of peoples from different cultures and backgrounds helped spread religious ideals and social norms. Consequently, a rampant diffusion of technology occurred during this time, bringing Western tools and items across the globe to Asia. Without the presence of the VOC, East Asia would have lagged even farther behind the technology curve and would have remained isolated for a longer period of time.

In addition to the way that the VOC conducted itself abroad, it also helped shape economic history in Europe by becoming the first joint stock company and
altering the way that companies are structured. The VOC was a result of a forced
merger by the government of six smaller companies, and had different chambers,
which were kept in check in order to prevent the Amsterdam chamber from
dominating the others (Gaastra 110). In exchange for this merger, they were
granted a complete monopoly on trade in Asia by the Dutch government, which
allowed for much of their continued success. This was a rare occurrence for the
time, as generally the government awarded each contract independently and
sometimes companies were formed for only the purpose of one mission, which
increased the amount of risk that investors had to take. With the VOC and its
ongoing success for nearly 200 years, investors rushed at the chance to place a
hand in the Asian trade market, especially given the ever-increasing demand of
foreign goods such as textiles, spices, teas and coffee from Europeans (Gaastra
110).

In this essay I will seek to answer many questions regarding globalization
and multinational corporations during the 17th and 18th centuries, and primarily
use the Dutch East India Company as a case study for my paper. One question
of upmost importance in this paper will be what internal/external factors allowed
the VOC to differentiate itself from other companies and become an independent
player on the global economy? This question digs deep at the heart of the
company, and examines all of the things that essentially separated the VOC from
the rest of the competition. Subsequently, I will seek to answer the question of to
what extent did the VOC have on the economies of East Asia during the 17th and
18th centuries, and possibly hypothesize as to what the landscape in East Asia
would look like without the enduring presence of the VOC? The third major question I will attempt to address revolves around globalization, and seeks to answer how countries and individuals benefit from multinational corporations and the VOC in particular? This question may be more biased than the others, as there are obviously pros and cons to globalization and multinational corporations, however I will seek an unbiased approach in examining the many positive and negative effects that the VOC had both domestically and abroad. In answering these three questions, I will provide a comprehensive snapshot in time of how the VOC operated and its impact on the global economy during the 17th and 18th century, in hopes of discovering why subsequent transnational corporations modeled themselves after the VOC.

In my research up until this point, I have learned in-depth about the enormous amount of power that the VOC held during the 17th and 18th centuries, which allowed for it to act independently of the Dutch state and declare war at its own will (Gaastra 110). The autonomy of the VOC was a critical factor in its success, and allowed for the Dutch government to directly remain out of many conflicts in the East. Some even argue that the VOC had more power than the Dutch government at the time, due to it being independently backed by shareholders and its ability to supply the Dutch government with ships in wartime. This is something that I was unaware of prior to my research, and it will definitely remain at the forefront of my analysis of the VOC and globalization.
Literature Review:

“Mercantilism as Strategic Trade Policy: The Anglo-Dutch Rivalry for the East India Trade”

This source seeks to examine primarily the rivalry between the British East India Company and the Dutch East India Company, and will help put the success of the VOC in perspective by comparing it to a rival of the same time period. Irwin seeks to analyze why the Dutch had an early monopoly in trade in East India, and how they took advantage of imperfect competition (Irwin 1296). This imperfect competition in turn led to “monopoly profits or rents,” making a stronger case for rulers and governments to adopt interventionist policy to maximize these rents of their own country (Irwin 1297). By using the Anglo-Dutch Rivalry as a model for mercantilism as a strategic trade policy, Irwin shows how changing motives to increase profit made strategic trade a necessity during this time period.

This journal article also clearly outlines the factors that made the VOC successful, such as its ability to make contracts directly with principal suppliers, make treaties, and lay the necessary foundation for future colonization (Irwin 1300). Additionally, the VOC practiced improper businesses techniques that were not often deemed of high honor, such as looting rival vessels and acting as official English merchants (Irwin 1300). These practices led to many conflicts with the British until the 1620s, when the English essentially gave up trade on the Spice Islands in favor of trade further west in Southeast Asia. It was the territorial
gains of the VOC that fueled its success, as the strategic policy soon followed (Irwin 1301).

“The Dutch East India Company a Reluctant Discoverer”

This article begins by giving background on the VOC, however its main focal point is why did the VOC not succeed in utilizing all of its resources to conduct a thorough exploration of Australia (Gaastra 109). The article also goes into great detail describing the structure of the VOC, which was inherent to its success. The VOC was the result of the merger of six smaller companies, which was essentially forced upon the companies by the government in an attempt to one, united company capable of combating powerful corporations from foreign competitors (Gaastra 110). The “Gentleman 17” as they were called were the central governing body, and along with them were 60 directors. The distribution of directors was ensured to promote equality, as the larger chambers were given more representatives and the smaller ones less representatives. However, the smaller chambers combined were still capable of offsetting the power of the Amsterdam chamber in a vote (Gaastra 110).

Making these monopolies on goods such as spices was not as profitable as one may think, considering it took a great deal of wealth and resources to ensure that the monopoly could continue to exist (Gaastra 111). Also, since the prices were kept at such a high level, there was no increase in consumption, although it is still uncertain whether or not it was this monopoly that brought the VOC high profits. In addition, the large investments that were made into the VOC
often took a long time to mature, as there was a huge lag time between what was wanted by the headquarters in Amsterdam, and what was actually being executed by the VOC operating in the East Asia. This source talks a great deal about the financial situation of the VOC, and I will be able to use it to illustrate how a transnational corporation at the time is able to stay financially sound and operate effectively all over the world.


This article looks at the development of the Amsterdam capital market and how the VOC came to be financed and put into action. In the Dutch Republic during the early 1600s, private finance was more lucrative than Dutch public finance (Gelderblom and Joner 641). In particular interest to my paper, the article talks about how Dutch long-distance trade was funded at the time, which really haven’t changes too much today. Merchants have a a verity of ways of financing there operation including “credit, for instance drawing bills, selling bonds or accepting deposits; or through raising of equity by seeking fresh partners or issuing shares” (Gelderblom and Joner 643).

The article then goes on to talk about financing Asian trade, which were by rule, much more expensive than those prior trips to Africa or the Caribbean. Trups to the East Indies generally cost 100,000 guilders per a ship, which was over double the sum needed to travel to Africa (Gelderblom and Joner 648). Additionally, there was much more risk involved with trips to the East Indies, and
the distance was much further and the time longer. In the six-year period of 1595-2001, over 20% of ships that attempted this voyage were lost (Gelderblom and Joner 648). Lastly, the money that investors put forth would remain unusable and tied up for around 2 years, as investors waited for ships to complete the return voyage (Gelderblom and Joner 648). This provided the incentive to create a joint-stock company, as there was a need to divide the risk over a greater amount of people, and initially shareholders started to sell sub-shares in their companies in order to safeguard liquidity (Gelderblom and Joner 649).

“A Multinational and Its Labor Force: The Dutch East India Company”

This article focuses on the diffusion of labor that took place between Europe with Africa and Southeast Asia, which was centered on the VOC and its extensive trade patterns all over the globe. The author seeks to answer the questions of “how did the VOC recruit its employees, and how did labor relationships develop within the company?” (Lucassen 13). According to the article, one the VOC’s main advantages was its size, and its ability to maintain a large size-differential between its competitors (Lucassen 12). Not only was the VOC large in size, but also it was very bureaucratic and kept an extensive record of their operations, of which 25 million pages still remain today (Lucassen 13). However the majority of the labor records that have been preserved are about the European employees, both sailors and soldiers alike, and comparatively little is known about the non-European staff who were both free and unfree laborers.
By sending over 4,700 ships to Asia before it was dismembered in 1795, the VOC was much more than just a trading company; it was an employer of a large number of workers and a mechanism for colonization (Lucassen 14). Through these frequent voyages between Europe and Asia, the VOC became a major recruiter of talent, and the article talks about the four different ways that the company acquired talent. The first was through recruitment in one of the six Dutch offices, and would later be sent to Asia to begin work. The second were workers who were recruited to work in the Dutch Chambers, the third free Asian and African workers, and the fourth category consisted of the unfree workers from Asia and Africa (Lucassen 14). In addition to those directly employed by the VOC who are mentioned above, the company also had countless subcontractors in addition to military subcontractors (Lucassen 14).

This article will give me great perspective into the bureaucratic nature of the VOC, and how the company was able to sustain its monopoly by acquiring the necessary talent. The VOC recruited from all corners of the world, and took men that often did not know what exactly they were getting themselves into or if they would ever return to their homeland, wherever that may be.

Finishing Touches:

I think that I have completed most of the basic research for my topic, but as I narrow down what exactly I want to focus on in regards to the VOC, I will either have to conduct more research or reevaluate my current sources. As far as narrowing down my topic further, possible ideas are the impact that the VOC had
on the labor market in Europe, or potentially what allowed the VOC to sustain its success for so long (I would also talk about what led to its demise if I were to choose this topic). If I could find a source that had more to do with the actual business practices of the VOC, and not just what actions they took, I really think that it would strengthen my argument. A quality source containing this information would enable me to delve further into the culture of the company, in hopes of ultimately finding another secret or key to their continued success. I envision my paper taking the path more of an exposé on the Dutch East India Company, outlining their principle contributions to economic history and then divulging into their storied history. It will have an overall theme of trailblazing and trendsetting, as the VOC was the first true transnational corporation and one of the first joint-stock companies in Europe. The VOC has had such a substantial impact on the history of Europe and globalization, that I just want all readers to understand that there may have been a delay in the dissemination of knowledge globally if it were not for the VOC.

Outline:

I. Introduction
   a. Give a brief history of the VOC and a few namely contributions
   b. Statement of thesis
   c. Explain how the Thesis will be supported

II. History of the VOC
   a. Dutch International Trade prior to VOC
b. Initial Creation- Merger of Smaller firms

c. Early Voyages of the VOC

III. Financials of the VOC

a. How was the company financed

b. Became the first Joint-stock company in the world

c. Sold shares to shareholders to mitigate risk

IV. Impact of the VOC on Global Economy

a. Labor markets- diffusion of labor between Asia/Europe

b. Spread of knowledge faster using VOC as Vehicle

b. Spread of knowledge faster using VOC as Vehicle

c. Created a mold for future companies to use

V. Conclusions

a. Lasting Impact of the VOC today

b. Summarize main contributions

c. Reiterate how the VOC sped up globalization and was first true
   transnational corporation
Bibliography


