Commodity Trading Companies in the First Global Economy, 1870-1913

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Industrialization, economic liberalism, steam power and the telegraph brought about a steep growth of the international trade in commodities during the nineteenth century, culminating in the First Global Economy. Commodity market integration and the rise of global extractive industries in metals, minerals and petroleum are established themes in economic and business history. Much less explored are the trading companies that shaped the emergent global value chains of an expanding range of soft and hard commodities. They played a crucial role in bridging barriers to international commerce in the nineteenth century, utilizing the new technologies and institutions, and integrating new resources and territories into global trade. However, as trade expanded and markets integrated in the late nineteenth and early twentieth century, trading companies found their positions threatened. In some sectors, vertically integrated, multinational enterprises emerged, replacing the role and services offered by merchants and trading companies. In other sectors, suppliers and buyers bypassed traders to deal directly. The outbreak of the Great War, moreover, spurred greater state involvement in commodity sectors, often restricting the role of trading companies.

This 2-day workshop aimed to bring together scholars from across the globe to discuss and compare the role and fate of trading companies across a range of commodities and geographical regions during the nineteenth and early twentieth century. The existing historiography on trading companies emphasizes a Western perspective, highlighting how trading companies helped straining empires and ambitious nation states to secure access to commodities. The workshop aimed to build upon existing business historical scholarship and to connect with the global history of commodities by adding new research on commodity trading companies from a global and transnational perspective. The relevance of the history of trading companies lies in their transnational agency, i.e. operating at and beyond the frontiers of imperialism, able to negotiate political, cultural and social barriers and organize global value chains in the face of weak institutional environments, long distances and uncertainty. Their history is played out at the interface between local communities, local and colonial authorities, and the imperial designs of old and new powers competing for regional influence. As such, trading companies had to relate both to local producers and middlemen as well as to colonial and imperial officials and institutions. They were often instrumental in developing local production, providing finance, information, management and supply chain services. The history of trading companies, in short, offers new ways of questioning how non-Western regions were drawn into the First Global Economy.

ESPEN STORLI (Trondheim) welcomed the participants and outlined the workshop theme. MARTEN BOON (Trondheim) presented a review of the theory on the existence and economic value of trading companies, focusing on the reasons for backward and forward integration by trading companies. Integration occurs either to control quality of supply, to coordinate value chains, or as a defensive measure to counter marginalization. MICHAEL ALDOUS (Belfast) talked about the Bengal indigo trade, showing how British trading companies and agency houses in the mid-19th century, enabled by colonial land reforms, integrated backwards into indigo production to address weak contracting, quality variability and a lack of capital to expand production. By integrating backwards, the traders bypassed local middlemen and captured a larger share of the margin. They also gained more control over quality, which, together with new auction institutions in Britain reduced price and volume volatility in the indigo trade. CHRISTOF DEJUNG (Konstanz) emphasized ‘glocalization’ and the limits of colonial rule in the Indian cotton export industry. Colonial officials and foreign merchant houses organizing exports remained reliant on local middlemen, social networks and capital for cotton deliveries. Their inability to control production resulted in frequent cheating on quality, restricting exports to Britain. European merchants found markets in continental Europe and Asia instead. However, by the turn of the 20th century, they experienced strong competition from rising Japanese merchants, reducing the importance of Western trading houses in Indian cotton exports.

GIJSBERT OONK (Rotterdam) talked about the Indian merchant house Karimjee Jivanjee in East Africa, conceptualizing these entrepreneurs as uncaptured citizens, enabling them to negotiate the boundaries between cultures, societies and states. This ability secured both their remarkably enduring establishment in Tanzania, despite many violent transitions in its 19th and 20th century history, as well as their expanding global trading network. OLISA GODSON MUOJAMA (Ibadan) discussed the role of European trading companies in extracting and exporting the agricultural and mineral resources of West Africa, in particular Nigeria, since the early 19th Century. Initial competition among a host of German, British and French trading companies after the abolishment of slavery and the revocation of trading charters, gave way to colonial preferences for British trading companies during the late 19th Century. The Great War and the arrival of multinationals like Lever Brothers fostered further concentration among foreign merchants in Nigeria.

With the paper by THOMAS DUBOIS (Canberra), the workshop shifted attention to the Far East, presenting the complex history of the late 19th and early 20th Century cattle and meat industry in Eastern Mongolia and Northern China. Chinese authorities, Western treaty powers and Japanese and Russian imperial designs all contributed to and competed for access to the region's cattle raising communities. Japanese, Russian and British capital, infrastructure and shipping companies gave rise to meat processing industry in the region that served local, regional and European markets by the 1920s. Depending on spheres of foreign imperial influence and the reach of Chinese authority, a highly diverse pattern of development across areas and cities within the region emerged. FION SO WAI LING (Hong Kong) talked about straw braid exports from China as a second significant sector in the economic transformation of northeastern China during the second half of the 19th Century, in particular in the Shandong province. As the internal trade system broke down under pressure from political unrest and ecological shocks, the opening of the Yantai treaty port and arrival of French missionaries and British merchants fostered a shift from inland to coastal trade, driven by the commercialization of export straw braid production in the province. However, the role of foreign merchants was mostly restricted to exporting and remained so until 1913. Inland procurement and financing of production was firmly controlled by local landowners, straw braid guilds and Chinese brokers in the treaty port. ALEXIS SCHWARZENBACH (Lucerne) presented a paper on the role of Swiss trading companies in the growth of yet a third major export commodity from the Far East, raw silk. Swiss trading companies, having performed a major intermediary role in raw silk distribution in Europe since Early Modern times, were the principle foreign merchant houses arranging growing exports of raw silk from Japan from the 1860s onwards. Threatened by vertical integration in the silk textiles industry in Europe, Swiss traders either integrated forwards into textile production or shifted their focus to the Far East, establishing major Asian businesses that lasted until the present day. With her paper on the emerging soybean exports from Manchuria, INES PRODÖHL (Washington DC) complemented other papers discussing the export commodity sectors that emerged across East Asia in the second half of the 19th Century. Prodöhl talked about the role of Japanese capital and military power in propelling one of the country's most powerful *zaibatsu* trading affiliates, Mitsui & Co, as a major global trader, establishing the global value chain of Manchurian soybean exports.

BASTIAN LINNEWEH (Göttingen) discussed how established patterns of the trade in wild rubber were disrupted by the emergence of plantation rubber as demand outstripped the limited capacity of wild production in the 1910s. Dense colonial networks of officials, botanists, colonial entrepreneurs and merchant and agency houses emerged in British, Dutch, French and German colonies across Africa and Southeast Asia, looking to establish rubber plantations. Colonial officials provided botanical knowledge, seeds and labour to colonial entrepreneurs, but trading companies were often crucial in furnishing capital, access to export markets and in some cases management of the plantations. That concentration in the production and processing stages of the value chain could also result in the potential eradication of trading companies, was exemplified in the paper on Metallgesellschaft's (MG) copper trading by NATE DELANEY (Cleveland). When large American copper miners and smelters threatened to by-pass MG, the latter engaged in a strategy of offensive-defensive vertical integration, evolving from financing to owning equity stakes in up- and downstream operations. INGO HEIDBRINK (Norfolk) emphasized that the success of such strategies is in part determined by technology, illustrating the point with the substitution of the fragmented value chain of whale oil trading with an integrated chain controlled by multinational companies dominating the processing stages in the early 20th century. The paper also highlighted the threat of inter-commodity substitution, as first petroleum and then electricity substituted whale oil for lighting.

ESPEN STORLI (Trondheim) concluded the workshop with a round-up of the main questions debated during the workshop. A first theme observed in several of the papers was backward, and to a lesser extent, forward integration by trading companies and the various motivations for doing so. Some argued for concerns over quality driving integration strategies. In those cases, integration appeared necessary to build global value chains to enable trade. Other papers cited diversification or defensive motivations. Diversifications into insurance, shipping and finance were cited as enablers for trading companies to strengthen their position in the value chain. Trading companies often acted as managing agents of production plants and plantations, such as in indigo and rubber. Although a well-known model in the British literature, the workshop gave rise to comparative questions about models of managing agents in other countries. Another factor effecting integration strategies concerned the level of concentration of ownership of stages in the value chain, in particular the production and processing stages as emphasized in the papers about rubber, copper and whale oil. A second theme concerned the constraints to integration strategies by trading companies, deriving from the strength of local authorities, trade structures, social networks and cultural practices restricting the ability of foreign trading houses to access, own and control local commodity production. A third theme closely related to the second, concerned the limits to imperial and colonial control over territories, in which case trading companies had to rely on and invest in their ability to build local contacts and tap local sources of information and finance to secure access to commodities beyond the grasp of imperial power and colonial authority. Their superior information on foreign export markets allowed them to indirectly expand local production, such as highlighted in the case of straw braid production in Shandong, China. In some cases, such as in indigo, soybeans or plantation rubber, colonial authorities and trading houses could penetrate and control production and dominate the value chain, while in cotton, straw-braids and meat production across South and East Asia, local financial and commercial networks remained more or less closed for foreign trading companies and officials, limiting their ability to effectively control production and quality. A fourth theme concerned the opportunities and threats for trading companies arising from imperial powers competing over regional influence, such as in East Asia, in particular regarding the rise of Japanese trading companies, as discussed in the papers on meat, soybeans and cotton. Other papers also touched upon the relationship between trading companies and the state, emphasizing the ambivalence of the relationship. The case of the Karimjee Jivanjee trading house exemplified the long and troubled history of middlemen with imperial and postcolonial states alike. The workshop testified to the relevance of studying commodity trading companies beyond a business historical scope. Most of the papers combined business historical themes of multinational enterprise and vertical integration with the global and transnational perspective of commodity value chains, bringing to the fore the importance of trading companies in developing new commodities and shaping their global value chains in the First Global Economy, but without ignoring the persistently important role of local middlemen and communities.

Conference overview:

Espen Storli (Norwegian University of Science and Technology, Trondheim), Introduction to the workshop theme

Marten Boon (Norwegian University of Science and Technology, Trondheim), Theoretical approaches to commodity trading companies

Michael Aldous (Queen's University Belfast), Traders, brokers and auctioneers: Restructuring the Anglo-Indian trade in the 19th century

Christof Dejung (University of Konstanz), Transcending the empire. The colonial cotton economy in India and the problem of quality

Gijsbert Oonk (Erasmus University Rotterdam), Karimjee Jivanjee: A case for a diasporic family-firm

Olisa Godson Muojama (University of Ibadan), European Trading Companies and Commodity Trade in Nigeria, 1840-1929

Thomas Dubois (Australian National University, Canberra), Harbin and the Mongolian meat industry, 1903-1931

Fion So Wai Ling (The University of Hong Kong), Diederichsen and Jebsen, and strawbraid trade in China, 1861 – 1914

Alexis Schwarzenbach (Lucerne University), Modern Silk Roads - Swiss trading companies in Japan and China, ca. 1860 – 1914

Bastian Linneweh (University of Göttingen), Global trading companies in the commodity chain of rubber 1900-1930.

Ines Prodöhl (German Historical Institute, Washington DC), Mitsui & Co. and Its Worldwide Encounters, 1876–1945

Nate Delaney (Case Western Reserve University, Cleveland), Metallgesellschaft, Copper, and Competition during the First Global Economy

Ingo Heidbrink (Old Dominion University, Norfolk), The international whale oil trade at the beginning of the 20th century - replacing international trade in commodities by vertically integrated (multinational) companies?

Espen Storli (Norwegian University of Science and Technology, Trondheim), Commodity Trading Companies in the First Global Economy, 1870-1913

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