Author Accepted Manuscript version of the paper by

Boon, M., & Storli, E. (2023).

Creating global capitalism: An introduction to commodity trading companies and the first global economy. *Business History*, 65(5), 787–802.
https://doi.org/10.1080/00076791.2023.2172163

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Creating Global Capitalism: An Introduction to Commodity Trading Companies and the First Global Economy

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Abstract
During the first global economy, commodity trading companies emerged as important organisers of the global trade in commodities. The article has four main aims. In the first part we introduce the existing literature, explain the basics of commodity trading and discuss theoretical concepts and frameworks for understanding the business. In the second part we present the context of the first global economy and discuss why specialised commodity traders started to become important in this period. In the third part we propose a research agenda for using the global value chain framework from institutional economics to provide an appropriate link between the agency of the trading companies and the structural drivers of trade globalisation. In the final part, we introduce the seven articles which make up the special issue.

Keywords
First global economy; commodity trading; international trade; globalization; natural resources

Introduction

Recently there has been a surge in interest in the role of commodity trading companies in the contemporary global economy. During the last decade, the dominant commodity traders have had very high annual revenues, while at the same time several firms have been involved in a number of controversies, including cases concerning allegations of contributing to deforestation to ecological damage, to benefitting from child labour, corruption, manipulation of commodity markets, as well as destabilizing the world economy through speculative activities in the derivatives markets (Baines and Hager 2022:1054). While journalists have written best-selling exposés of commodity traders focusing on spectacular stories of fascinating personalities in a cut-throat business world (Amman 2009, Kelly 2014, Blas and Farchy 2021), political scientists and economists have especially concentrated on the financialization of commodity trading, the societal effects of increasing volatility in foodstuff, the role of commodity traders in the trade of conflict minerals, and possible links to child labour (Murphy et al. 2012; Clapp and Helleiner 2012; Freidberg 2017; Salerno 2017; Clapp and Isakson 2018; Hofman et al. 2018; Clapp 2019; Dobler and Kesselring 2019; Grabs and Carodenuto 2021; Baines and Hager 2022).

Although very different in character, both the scholarly and the popular literature on commodity traders employ a common motif by focusing on the secretive nature of the companies and how little the public actually knows about their influence and importance. As an example, Kelly (2014) promises the readers to take them into the “secret club that runs

the world", whereas the dust jacket of Blas and Farchy´s (2021) book asserts that inside is the "eye-opening story of the most powerful and secretive traders in the world". In the academic prose, the wording is often more restrained, but the sentiment is similar. For instance, Freidberg (2017: 500) makes the point that key commodities are "bought, stored, shipped, processed and sold by a small number of corporations unknown to most consumers of their products", and that "[w]hen watchdog organizations do turn their sights on the commodity traders, they tend to expose not secrets, but rather the extent of their secrecy." And while Baines and Hager counter Kelly´s argument that commodity trading firms are a secret club, they do agree that "the commodity traders are among the most important firms in the world, and yet most people have never heard of them" (Baines and Hager, 2022: 1054).

To some extent, the secrecy and lack of public visibility of these companies are surprising. Not only have the dominant commodity trading companies over the past two decades generally had very high, at times sky high, gross margins, which also have translated into record net profits (Blas 2022). The dominant firms are also very well-established. In soft commodity trading, the four dominant operators have a long history, and they were all founded well before World War I: Bunge in 1818, Cargill in 1865 Louis Dreyfus in 1851, ADM in 1902 (Murphy et al. 2012). And while the major oil, metals, and minerals traders are newer entrants into the industry, the founders of the majority of these firms were trained in companies with a history that can be traced back to the period before 1914. Four of the major metals, minerals and energy traders have direct or indirect connections to Phibro, a commodity trading company established in 1901 which originally specialised on metal trading. The founders of Glencore, Mercuria and Noble Group all started their careers at Phibro, and the founders of Trafigura were trained at Glencore, giving the company an indirect link to Phibro (Schneyer, 2011).

It is a paradox that a global industry with deep historical roots which is enormously important economically on a global scale can remain anonymous and comparatively unknown. What is even more striking, is that we know even less about the commodity traders' historical role than about their current operations. The aim of this special issue is to further the historical knowledge of cross-border commodity trade by focusing on the period when large, specialised commodity trading companies started to appear, namely in the second half of the 19th century and the first decades of the 20th century. The articles analyse the emergence of the companies, the key role they played in shaping commodity chains, and their impact on the home and host economies in which they operated. In addition, they discuss the role of trading companies across a range of commodities and geographical regions during in the period and study firms that had to relate both to local producer and middlemen, as well as to colonial and imperial officials and institutions.

This introductory article has four main aims. In the first part we introduce the existing literature on the subject, explain the basics of commodity trading and discuss theoretical concepts and frameworks for understanding the business. In the second part we present the context of the first global economy and discuss why specialised commodity traders started to become important in this period. In the third part we propose a research agenda for using the global value chain framework from institutional economics to provide an appropriate link between the agency of the trading companies and the structural drivers of

trade globalisation. In the final part, we introduce the seven articles which make up the special issue.

The special issue is the outcome of two workshops focusing on analysing the historical role played by commodity trading companies in shaping the first global economy. The workshops were held at Erasmus University, Rotterdam in February 2017 and at NTNU Norwegian University of Science and Technology, Trondheim in March 2018. We would like to thank all the authors, and the other participants at the workshops, for their stimulating presentations and insightful comments.

Commodity traders in theory and historiography

Commodity trading, at its core, is the economic activity of purchasing a physical commodity from a seller and then reselling it for a markup. In this process, the trader will typically link different stages of a production chain together by buying the output from one stage, transporting it to another place to sell on the commodity to the producer of the next stage. The business model of commodity trading companies is based on the fact that natural resources must undergo a variety of processes to be transformed into things that can be consumed (Pirrong 2014: 6). The term commodity itself can be defined in different ways, but within the field of economy (and within business life) commodities are commonly understood as raw materials or primary products which can be traded in bulk and where the units are interchangeable for the purposes of trading (Oxford English Dictionary; for a good discussion of different ways of understanding commodities, see Topik and Wells 2012: 7-8). Commodities are often categorized into hard and soft commodities, where the hard commodities are those which are mined or extracted from the earth such as metals, minerals and petroleum. Soft commodities generally refer to agricultural products or livestock. Although by definition a commodity is conceived as a t ype of product of uniform quality, since they are products that ultimately come from nature, the chemical form of a commodity depends on its origins, and thus there is really no such thing as a standard physical commodity (Buchan and Errington 2017).

The contributions in this special issue focus on the development of multinational commodity trading companies, which according to Geoffrey Jones´ definition are firms that engage in trade intermediation between countries and own assets in more than one country (Jones 1998: 2). From a theoretical viewpoint, Mark Casson has argued that these firms are engaged in market-making intermediation where they interact with both buyers and sellers. By doing that, the traders are central in setting prices and overseeing the flow of good between the buyers and sellers (Casson 1998: 23). Casson divides trading firms into two main types: brokers and resellers. While brokers do not own the commodities they trade, a reseller will take ownership. Reselling therefore involves greater risk than brokerage. Not only does the reseller assume the risk of physical damage to the good whilst it is in the trader´s possession, but it also carries the risk that the value of the good may change between the time of purchase and of sale. The risk increases with the length of time between purchase and resale. Reselling is also more capital demanding (Casson 1998: 24-25). In a pure form, commodity traders do not usually plant, grow, mine, process or refine the commodities they trade in. However, to secure access to supplies, they might also take

ownership of one or more stages of the manufacturing process. Geoffrey Jones has therefore argued that many “pure” trading companies over time have become “hybrid” trading companies through diversification from trading into related (or unrelated) activities (Jones 1998: 1).

Based on his research on Rotterdam coffee traders and inspired by transaction cost economics, Hugo van Driel (2003) has proposed a multidimensional framework for understanding the role of middlemen such as commodity trading companies in the economy. He argues that there are four dimensions of conditions of supply and demand: place, time, quantity, and quality. Large gaps in these conditions will create relatively high uncertainty for buyers and sellers, but traders are especially suited to reduce this uncertainty by bridging the gaps. In van Driel’s framework, middlemen reduce transaction costs by managing transport (transforming in place), by storing the commodities for sale at a convenient time (transforming in time), by collecting and distributing raw materials (transforming in quantity), and by processing, sorting, assorting and screening commodities (transforming in quality) (van Driel 2003: 80-81). Craig Pirrong has suggested that commodity trading companies fulfill important functions in the international economy because of their ability to transform commodities in space (through logistics), in time (through storage) and in form (through processing commodities). To be successful, commodity trading companies will try to identify and carry out the most valuable transformations (Pirrong 2014: 6-7).

In practice, the exact line between a trading company and a manufacturing or service company is often difficult to draw. In his research on general trading companies, Michael Aldous (2020) has argued that the significant variation in function and organization of these firms make sharp definitions and subsequent categorization of trading companies difficult. Trading companies, in addition to engaging in trade intermediation, historically tended to perform activities that would go beyond merely buying and then reselling commodities. Frequently, as contributions in this special issue point out, traders would invest in manufacturing or resource exploitation to secure access to tradable resources, they diversified into related services including shipping and insurance, or they supplied credit or other kinds of business services to manufacturing enterprises as a central part of their business model. For instance, Linneweh shows how British rubber trading companies expanded their commercial operations by investing in rubber plantations, while Aldous investigates the shifting roles of traders in the indigo value chain (both in this issue). In addition, with an expertise in logistics, some commodity trading companies have historically been involved in shipping as well, and not only to transport the products that the company was selling on its own part. Papadopoulou’s research in this issue explains how Greek merchants became important in the Black Sea grain trade to Mediterranean and Western Europe, and many of them had started out as shipowners.

There are no existing broad studies of the role and impact of specialized commodity traders in the global economy. However, the development of commodity trading companies is integrated into and discussed in some excellent general introductions to the role of multinational companies (Wilkins 1970 and 1974; Jones 2005; Fitzgerald 2015; Colli 2016). Analysis of aspects of commodity trading also figures prominently in influential edited volumes on free-standing companies (Wilkins and Schröter 1998; see also Wilkins 1988) and

multinational trading companies (Jones 1998). The Japanese general trading companies are a specific subset of trading companies and there was a significant scholarly interest in these companies during the 1980s (Yoshihara 1982; Yonekawa and Yoshihara 1987; Yonekawa 1990). Commodity trade is also discussed in volumes focusing on international business from or within specific states (Jones 2000; Ville and Merrett 2022). In their analysis of international business in Australia before 1914, Ville and Merrett show the organisational diversity that was present among multinationals in 19th century Australia. They separate multinational companies into three main categories: merchants and trading groups, free-standing companies, and "modern" multinationals (Ville and Merrett 2022: 48).

Apart from Philippe Chalmin's (1989) monograph on the economics of commodity trading and a short introductory chapter to the history of global commodity trading companies (Storli 2020), the existing research dealing specifically with commodity traders focus on individual companies. Most research has been done on companies specialised on trading soft commodities, and some have even been able to have access the archives of the companies that they have studied. Wayne Broehl's three volume study (1992, 1998, 2008) of the giant grain trader Cargill, Philipp Chalmin's work on the sugar company Tate & Lyle (1990), and Christof Dejung's monograph on the coffee and cotton trader Volkart Bros (2018; see also 2013 and 2022) are all based on original source material created by the companies and give invaluable contributions to our understanding of commodity trading. The other major soft commodity traders are less well served (an exception is Philipp Dehne's 2013 article on Bunge & Born). There is even less research on hard commodities. The two main contributions are Susan Becker's monograph on the pre-World War I history of the German dominant metal trader Metallgesellschaft (2002; see also 1998) and Helmut Waszkis' (1992) study of Philipp Brothers (Phibro). While Becker utilized the Metallgesellschaft archives, Waszkis, who had a background as a metal trader in Phibro, had access to some internal correspondence, in addition he conducted interviews with company employees. Waszkis, together with his son Peter, has also published a history of metal trading from antiquity to recent times (2003). In addition to these larger works, there are also articles dealing with aspects of the history of metal trading (Guex 1998; Ball 2004; Storli 2015; Delaney 2017).

Overall, the existing research on commodity trading is limited, and there is especially a lack of studies of the role of non-western commodity traders from the 19th century and to today. A recent exception is Apicha Chutipongpisit's PhD-thesis (2018) on the rice trade from Siam to Singapore from 1855 to 1918.

Commodity trading companies in the first global economy

Natural resources are spread unevenly across the globe and no state has ever been self-sufficient in all raw materials. Throughout human history, the need for access to raw materials has therefore always been a driver for cross-border trade. However, until the start of the industrialization process of the 18th and 19th century, long-distance trade was the preserve of goods of high value and low weight. Industrialization increased the demand for raw materials and the urbanization that followed in its wake drove up the need for sourcing foodstuffs from further afield. New transport and information technologies, symbolized by

the steam engine and the telegraph, made distance trade possible to an extent formerly impossible. As has been well established by economic historians, the development led to the speeding up of market integration, a process which especially picked up pace in the last decades of the 19th century (O'Rourke and Williamson 1999). From 1850 to 1913, global trade increased by a factor of more than ten (Dejung 2018:6). As a result, different regions of the world were connected through value chains that were increasingly global in scope, leading to what is now generally known as the first global economy (Jones, 2005: 18-19).[1]

The transport and the information revolutions of the 19th century had important consequences for small and middle-scale merchant houses, which often over several generations had made a profit through small-scale trading of a wide range of products. Christof Dejung, in his work on the Swiss commodity trading company Volkart Bros., has argued that the introduction of the telegraph led to a radical change in business practices. The increased speed of information allowed purchasers to compare the offers from different traders, and they no longer had to grant advances. This meant that traders had to shift from being brokers to resellers and to focus on trading on their own account which led to a need to secure short-term credit. The result was market concentration and a development towards fewer and larger commodity trading companies. The drive towards concentration was only strengthened by the rapid increase in demand from industrial manufacturers who needed commodities on a scale which could only be supplied by traders with large enough operations to set up the necessary infrastructure to source raw materials on a larger scale (Dejung 2013: 1005).

During the first global economy, specialized commodity trading companies increasingly became central to the international trade in specific commodities. These companies would typically focus on one or a few commodities, and they were especially important in commodities with a large number of independent producers (Storli 2020). The commodity trader did not only push smaller trading companies to the side, but they would also come to fulfill functions in the international economy which had previously been dominated by chartered general trading companies. From the 1500s and until the start of the 19th century, European governments, as a part of their mercantilist policies, had given selected chartered companies monopoly rights and protective tariffs for trade with specific overseas regions. (Carlos and Nicholas 1988; Fitzgerald 2015). Between the 16th and 17th centuries more than fifty such companies were founded in different countries in Europe (Colli 2016: 41). In the 19th century, the chartered companies would lose their monopoly positions, and many of

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[1] The concept of a first global economy is today ubiquitous and in general use by economic and business historians, yet its intellectual lineage is unclear. The term "globalization" first appeared in the 1960s, but only became a common label in the mid-1980s and with a "take-off" after 1992 (Fitzgerald 2015: 10). The earliest use of the term "first global economy" that can be found by using google ngram-viewer is in Immanuel Wallerstein's second volume of his *The Modern World-System* (Wallerstein 27). The term is only used once in the book, and it appears in a footnote quoting a 1966-work (*La Civilisation de l'Europe Classique*) by the French historian Pierre Chaunu. No other use of the term has been found until the 1990s, and it started to be used frequently in the second half of the 1990s, when the public debate about the consequences of globalization was at its most heated.

them would disband. However, general trading companies still continued to be of importance in some regions and for some commodities. Two key examples are the Hudson Bay Company, with a history going back to the 16th century, which remained one of the dominant forces of the Canadian fur trade (Declercq in this issue), and Mitsui Bussan, the Mitsui group's trading arm which emerged as the major trader of soybean oil from Manchuria to the European market in the early 20th century (Mizuno and Prodöhl in this issue).

Linking companies and commodities through global value chains: a research agenda

While there is a growing literature on the historical development of commodity trading companies, our understanding of their impact on trade globalization is still limited. A possible way to explore this issue, is by looking more closely at the history of commodity traders in relation to the development of the global value chains they operated in. Global value chain analysis comprises the examination of the economic geography and political economy of the production, trade and consumption of goods. As such, it questions how the organization and governance of production and trade affected global trade flows and the distribution of the gains from trade. The framework, moreover, utilizes information and transaction costs as explanatory concepts; concepts that it shares with some of the central debates in business history. Global value chains analysis provides a link for these debates to be integrated within the historiography of trade globalization. This implies drawing in an examination of how multinational trading companies interacted with other actors in the value chain, the governance of these relations, how they were affected by their cultural, political, technological and geographic contexts, and how these institutions in turn affected trade.

Global value chains analysis (GVC) emerged under the name of global commodity chain analysis in the 1980s. Inspired by world systems theory, it considered the political economy of the organization of activities linking the production and consumption of commodities on a global scale (Hopkins & Wallerstein 1986). Early work emphasised European power and technological superiority in crafting a persistent core-periphery division of labour in the world system (Hopkins & Wallerstein 1994). The term value began to substitute commodity in the 1990s, reflecting accelerating globalization and offshoring. Instead of exploitation, the framework increasingly emphasised the economic benefits of GVCs for upgrading developing and emerging economies by participating in GVCs (Ponte & Sturgeon 2014).

GVC analysis has a descriptive element, which describes the value adding steps in the chain, the number and type of actors involved, the relations between them and the chain's economic geography. The explanatory framework is based on transaction cost economics and the literature on firm capabilities and learning (Gereffi et al., 2005: 81-4). Special emphasis is put on asset specificity and the nature of information required for transactions to explain how the value chain is organized and governed. Asset specificity is a central problem for the organization of economic activity because goods and technologies are seldom standardized to the point that it doesn't matter with whom one trades. In other words, in the face of asset specificity, two parties to a trade have to make specific investments to make the transaction work. Low asset specificity generates a loosely

structured value chain where most transactions are done through the market, while high degrees of asset specificity will lead to a more tightly structured value chain governed by strong bilateral relationships or vertical integration.

The nature of information is important because it affects the governance of the value chain in similar ways to asset specificity and is closely related to it. Greater asset specificity implies greater specificity and complexity of the information involved in consummating transactions. GVC analysis discerns three aspects of information costs: complexity of information, codifiability of information and the competence of suppliers to act upon information (Gereffi et al., 2005: 84). Transactions generally require information to be executed. This ranges from standard, repetitive information to highly complex and tacit information detailing exact properties of the production and supply process. Complex and tacit information is also harder to codify and therefore to transfer to the supplier. The complexity and codifiability of information also interact with the competencies of the supplier. If highly competent, the supplier might maintain a loose relationship to the buyer because the latter can trust the former to deliver, even if the transaction is subject to highly complex and tacit information. Otherwise, the supplier will be either integrated by the buyer or bound in a tight bilateral relationship. The behavioural assumptions of transaction cost economics also apply to GVC structure and governance. Opportunism and bounded rationality—i.e., the circumstance that rational action is bounded by limited information—subject transactions to the possibility that counterparties might cheat or inadvertently operate in a way that harms the transaction (Casson 1997: 153; Williamson 1985: 30).

The mechanism of transaction costs clarifies the relationships between buyer and supplier at individual nodes of the value chain but do not directly explain the governance of the entire value chain. Different nodes can be governed by different relationships because each node has different transaction characteristics. In some chains, where asset specificity and complexity are prevalent at every node, governance of the value chain resides in a dominant lead firm, sometimes to the extent that it has internalized most up- and downstream activities. Other chains with a more varying pattern of transaction characteristics at individual nodes might have a multipolar governance structure, with multiple types of governance coordinating different sections of the value chain (Gereffi et al. 2005). Upstream nodes involving the sourcing, transportation and transformation of raw materials might be governed by market exchange because of low asset specificity and complexity, while downstream nodes might be governed by captive bilateral relationships because asset specificity and complexity are higher.

GVC analysis enables the integration of company and commodity because it embeds individual actors in a coherent system of transactions. However, a specification needs to be made with regard to information costs. GVC analysis is preoccupied with material flows, i.e. the exchange of raw materials, intermediate products and finished goods through a staged process of value adding. Its treatment of information is limited to what is needed for bilateral transactions and emphasises the costs of transmitting information. However, most of this information first has to be collected and processed before it can be applied to make-or-buy decisions in a value chain setting. The collection, processing and synthesis of information is costly too, and is subject to specialization (Casson 1997: 155). What is missing in GVC analysis, therefore, is an appreciation of the value added by such market making

intermediaries as trading companies. All exchange is premised on the type of information that these companies gather and utilise.

The neoclassical assumption is that information is costless and that goods are of homogeneous quality. Price is therefore the only datum that needs to be communicated to enable exchange. In reality, however, information is costly to acquire and goods are idiosyncratic because their production and consumption is subject to different institutional, legal, cultural, social and technological conditions. The contextuality of production and consumption affects how and where goods are manufactured and traded. A commodity produced under a domestic quality convention that emphasises traditional artisanship is inimical to the industrial or commoditized quality conventions used by industrial buyers of raw materials (Ponte & Sturgeon 2014: 206-10). Similarly, intermediate and final goods require different specifications depending on the varying capabilities of suppliers and needs of consumers in different locations. Information on those specifications is vitally important for the synchronization of value chains. Collecting, processing and synthesizing such information is costly, however, and often exceeds the willingness or capability of individual manufacturers and buyers to incur these costs. Trading companies have a large role to play in coordinating material flows and synchronizing subsequent steps in the value chain because of their specialized information capabilities. As such, trading companies exploit information and transaction economies of scale (Van Driel 2003: 79; Roehl 1983: 126-7). This allows them to play a large role in market-exchange governed chains by matching buyers and sellers, sorting quality issues, conducting different types of price arbitrage and handle supply chain operations (Pirrong 2014). They might also play a role in less flexible chains, for instance by acting as lead firms that coordinate through small equity stakes in different value chain activities (Hennart & Kryda 1998) or even internalizing parts of the value chain, depending on the transaction characteristics of individual nodes.

Mark Casson argues that the cost of information determines the organization of trade, i.e., “changes in the organization of trade are driven by changes in the pattern of intermediation, and these changes in turn represent a rational response to changes in information costs.” (Casson 1997: 168) The relationship between information costs and intermediation implies that the value chain—the organization of trade—can be structured in different ways, depending on the cost of information. When information costs are high and information is not widely available, the organization of trade typically involves many intermediaries and transactions to allow goods to be produced, traded and consumed. When information costs are low, few highly efficient intermediaries remain, implying that the organization of trade becomes functionally more integrated and geographically more extended.

Information costs are of course strongly affected by the speed and cost of communication, but also by the individual and collective efforts of trading companies to push down transaction costs in the interest of expanding their volume of trade. Firstly, some classes of trade intermediaries—such as brokers, commission merchants or auctioneers—earn money from selling information rather than reselling commodities, which helps market information to disperse. Secondly, efforts to reduce transaction costs give rise to meso-level or intermediary institutions that seek to standardize quality conventions and practices among suppliers and buyers across different geographies, thereby harmonizing the terms of

exchange in value chains and expanding the volume of trade. This is often the result of localized collective action by market participants in an attempt to increase the efficiency, competitiveness and attractiveness of a local market or cluster.

Such institutions, termed private ordering by Oliver Williamson (1985: 164-6), emerge because different quality conventions complicate exchange, general property rights fall short of commercial needs or because the court system alone is not wholly capable of settling commercial disputes arising from imperfectly defined property rights or incomplete contracts (Brousseau 2000). This is particularly relevant to GVCs because they span multiple geographies and jurisdictions. Private institutions are typically established to harmonize quality and contracting standards as well as establishing commonly accepted arbitration institutions, rules and processes to settle disputes based on these quality and contractual standards. As such, private institutions are private collective arrangements governing trade and exchange between participants in a sector of the economy (Brousseau & Glachant 2008). Although they often emerge to make the operations of the local market or cluster (cf. Giacomin 2016: 93, 100-1) more competitive, such institutions have the ability to travel through value chains and markets, regulating exchange at a regional or even global level. What is important in the context of this article is that they are created, maintained and changed by market participants. As specialized intermediaries, trading companies typically gain from such institutions because they enable trading companies to further economize on information and transaction costs beyond what is possible through organizational change at the firm level (Brousseau & Glachant 2014).

Finally, the GVC framework considers how value chains are affected by non-market dynamics. Indeed, "the bulk of market power rests with different actors along the chain at different times, in part depending on the dominant international trade regime at the time." (Topik, Marichal & Frank 2006: 14) For example, Sven Beckert argues that it was the willingness of the early-modern European states to allow private interests the use of military power—what he terms war capitalism—that gave European merchants a dominant position in the emerging global value chains of cotton and other colonial commodities that lasted throughout the colonial and imperial period (Beckert, 2015). After decolonization, states in many postcolonial countries chose to bring commodity production and exports under state control and participate in international commodity agreements, thereby reducing the role of intermediaries in international commodity trade after World War 2 (Gendron et al., 2013: 10-12; Van Driel, 2003). Economic crises, structural adjustment and trade liberalization forced the state to retreat again, allowing global commodity trading companies to dominate many global value chains again since the 1990s (Giacomin 2016: 26).

In summary, the GVC framework and related concepts from institutional economics provide an appropriate link between agency of trading companies and the structural drivers of trade globalization. Making this link is important to gain a better understanding of the role of trading companies in establishing and expanding global trade.

Synopses

The issue starts with Michael Aldous' investigation of the Anglo-Indian indigo trade in the 19th century. Since the end of the 18th century, India was the main supplier of indigo to Britain, and by the 1820s, the dyestuff was India's most valuable export crop. Trading companies were central in the indigo trade and grew in importance after the East India Company's monopoly was rescinded in 1813. The article utilizes transaction cost analysis to reassess why the traders diversified beyond their core market intermediation activities into banking functions as well as vertically integrating into indigo production. The shifting function of trading companies into hybrid companies is explained by shifts in the production systems in the upstream part in India, which was partially a result of the growing power of the colonial state which enabled European planters to extend their operations within Bengal through direct ownership of land. The development was also contingent on limitations in the availability of credit which encouraged the larger trading companies to extend into banking functions to reduce transaction costs. Aldous' article shows the importance of carefully studying the value chains of specific commodities, and by pointing to the trade in cotton from Bengal where there was very little vertical integration, he shows how there could be distinct differences between different commodities, even within the same territory.

The next article takes us into the Black and Azov Seas, where Alexandra Papadopoulou analyses the role of foreign merchant businesses in integrating the grain production of the Russian Empire into the international economy. The growing grain trade was linked to the Russian Empire's colonization of the steppes north of the Black Sea, and traders and merchants of many different nationalities settled, especially in the free port of Odessa. Over time, Greek and Jewish merchants became the dominant traders. The Greeks especially utilized their extended trade and shipping networks in the Mediterranean, while Jewish traders became increasingly important from the 1850s where big European continental grain traders such as Swiss-Jewish Louis Dreyfus & Co. could tap into regional networks of small- scale Jewish traders and brokers in the region. The article shows how commodity traders from different ethnic and religious communities cooperated and competed in the area in course of the 19th century, and in the process contributing to transforming the Black Sea region into one of the largest grain exporting regions of the world, a position the area has kept to this day.

Amy Stambach's contribution to the special issue investigates how the Smithsonian Institution in Washington, DC, built up its collection of East African artifacts in the late 19th century. The article focuses on a sourcing trip by the naturalist William Louis Abbott to the Kilimanjaro region, where he relied on the protection from the powerful local leader Mangi Mandara to acquire objects through gifts and trade. Stambach shows how Abbot was able to use the trading infrastructure that the US commodity trader Arnold, Hines & Company had built up in the interior of East Africa to trade ivory, an infrastructure which in turn was dependent on centuries old trading routes from East Africa to the Indian Ocean. The article demonstrates how local indigenous and regional trade networks connected and integrated into European value chains, but also how US traders were able to coopt these traditional and new imperial systems. In addition, the article illustrates how commodity markets were fundamentally shaped by interactions between local leaders, entrepreneurs and middlemen.

Natural rubber was one of the major new commodities which entered the global markets in the last decades of the 19th century. In his contribution to the special issue, Bastian Linneweh analyses how transformations in the global value chain for rubber affected commodity traders. Rubber emerged as an important commodity in the second half of the 19th century, and until the start of the 20th century, rubber production depended almost exclusively on two regions: the Amazonian basin and the equatorial regions of Africa. However, from around 1905 the establishment of rubber plantations in especially Southeast Asia altered the markets. This had significant implications for the commodity companies which controlled the trade. Linneweh shows how British rubber traders vertically integrated by increasingly investing in plantations, while the major German rubber traders either remained essentially commodity trading companies or exited the rubber chain altogether.

In their contribution, Hiromi Mizuno and Ines Prodöhl examine how soybeans went from being a plant that was almost exclusively grown in Northeast China to become a global commodity and one of the world's most valuable crops. Central to this story, and to the article, is the role of the Japanese trading company Mitsui Bussan. The authors show how complex imperial rivalries between China, Japan and Russia in the region (which at the time was known as Manchuria) allowed Mitsui Bussan to establish itself in Manchuria. With strong support from the Japanese government and military authorities, with access to Japanese-built railways, and by utilizing Chinese middlemen, the company was able to take advantage of the insatiable demand for vegetable oil in industrial societies to become a major international trading company selling soybeans to Europe. The article places the soybean trade within its geopolitical context and makes a compelling case for the importance of studying the intersection of global commodity markets, trade, geostrategic interests and colonial empires.

In the next article, Thomas Dubois analyses how condensed milk was transformed from a commodity to a branded good. The article focuses on the branding and retail strategies of the US company Borden and the European Nestlé in East Asia during the first global economy. These two companies were the two dominant producers of condensed milk in the period, and each of the companies profited from growing markets in colonial Southeast Asia. Dubois shows how quality and safety concerns with the sale of fresh milk made branding increasingly important for the sale of condensed milk and how the two milk giants chose different strategies when they built up their business in East Asia. While Borden let local merchants and import houses handle their overseas sales, Nestlé first used European import firms, and then built up its own representation in the region, effectively cutting out major trading middlemen.

In the final article, we turn to the history of one of the few surviving old chartered trading companies active during the first global economy. Robrecht Declercq explores how the Hudson Bay Company tried to use science and technology to develop its trade in commodities. In the interwar years, the company set up a new department with the aim of using scientific abilities to overcome environmental constraints in organizing the extraction of wild animals. The article argues that the company not only turned to science in the hope of diversifying its operations but also to better streamline is trading methods. The scientific orientation can therefore be seen as a response to the increasingly competitive global fur

markets. The Hudson Bay Company's new department tried to find methods to utilize more wild animals and to create better predicting tools to harvest nature better. Although the scientific department was soon dissolved, it did result in attempt to push the frontiers of where commodities were created and harvested, and by doing that the company participated in unlocking new commodity markets at the fringes of the first global economy.

Conclusion

The contributions in this special issue utilize the study of trade intermediaries as a starting point to investigate a number of issues. The approach is beneficial for two reasons. First, traders were able to access faraway territories, negotiate political, cultural, and social barriers, and organize international trade and global value chains in the face of weak institutional environments, long distances and uncertainty. They were at the centre of the process of integrating commodity-producing regions in the non-Western world with the industrialized regions of the world, and bridged the often prohibitive barriers to international commerce, opening and integrating new resources and territories into global trade. Second, as middlemen, they interacted with other important actors that shaped the way that the different commodity chains developed. Through the study of traders, as the contributions in this volume illustrate, we therefore get the possibility to get a glimpse into the role of local entrepreneurs and local political authorities in shaping globalization, actors that are frequently left out of the story. By focusing on the commodity trading companies, we can study how the global connections between the commodity producing region and the consumer regions were created. The articles in this special issue thus contribute to our understanding of economic globalisation and demonstrates the potential that lies in studying the creation of global capitalism from the vantage point of intermediaries.

The growing importance of commodity trading companies in the organization of international trade in the second half of the 19th century was intimately connected to the insatiable demand for raw materials in the industrializing parts of the world. At the same time, as the articles illustrate, demand in itself was not enough, the traders relied on shifts in the international political economy to be able to access new regions to source the sought-after natural resources. The growth of the first global economy thus also rested on imperial expansion, where the projection or use of military power enabled trade. Yet the connection between trade and power also meant that not all traders had similar opportunities when imperial powers expanded into new regions. For instance, while German trading companies were central to the development of the trade in wild rubber from Brazil and equatorial Africa, it was British and Dutch trading firms that came to dominate the marketing of plantation rubber from south-East Asia. As Bastian Linneweh shows in this issue, British trading firms used their connections to imperial institutions to bring themselves into a favorable position and secured control over plantation rubber from British Malaya. Similarly, when the imperial rivalries between China, Japan, and Russia in the territories of Manchuria ended with Japanese domination, it was the Japanese Mitsui Bussan, with its close connections to the Japanese state, which emerged as the major international trader of soybean from the region. The business was also developed through a heavy reliance on the use of the Japanese state-subsidized railways in Manchuria (Mizuno and Prodöhl in this issue). However, imperial structures did not necessarily only benefit traders close to the colonial power centers. In East Africa, traditional trade networks were connected and

integrated into European value chains through British and German expansion into the area, but US traders were able to coopt these systems to develop a large trade in especially ivory (Stambach in this issue). These trade routes could be utilized not only for trading commodities, but also to source artifacts of cultural value. Overall, the imperial competition for political and military control in the period, had important repercussions also on the economic sphere and for the competition between commodity traders of different nationalities.

Commodity traders were able to create commodity chains by linking nodes of production and consumption across continents. The successful traders coordinated material flows and synchronized subsequent steps in the value chain by exploiting information and transaction economies of scale. To do this, they had to match buyers and sellers across large geographic distances, sort quality issues, conduct different types of price arbitrage and handle supply chain operations. As the papers in the issue illustrates, this meant that the traders had to create close connections with the producers or intermediaries involved with the commodities, be they Inuit hunters and trappers in the Arctic North of Canada (Declercq), local merchant networks in Singapore (Dubois), the Chagas of Kilimanjaro (Stambach), Chinese wholesalers in Manchuria (Mizuno and Prodöhl), small grain farmers in the hinterland of the Black and Azov Seas (Papadopoulou), *seringueros* in the Amazon (Linneweh), or *ryots* in Bengal (Aldous). One of the ways that commodity traders were able to successfully operate across different regions was by tapping into diaspora communities. For instance, Papadopoulou argues that the privileged role of Greeks in the export trade of Eastern Mediterranean grain was based on business collaboration that was rooted on trust embedded on kinship tires, common origin and marriage alliances.

This special issue also demonstrates an underlying challenge with the study of international business during the first global economy. As Geoffrey Jones have recently argued, business historians have concentrated far too much on the drivers of global business, and far too little on its impact (quoted in Ville and Merret 2022: 30). By building on the contributions from the existing research on commodity trading companies (including the articles in this special issue), it is possible to investigate the influence the traders had not only on creating avenues and infrastructure for international trade, but also the deep societal impact they had on the regions in which they operated.

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