CHAPTER THIRTY ONE

THE DUTCH IN BUSINESS: THE HIGH END OF TOWN

Arnold Stroobach

The spirit of trade has been important for the Netherlands over many centuries.

Four hundred years ago this spirit led to the discovery of Australia. It was no accident that the *Duyfken,* the first European ship to reach Australia, was in this area. Her mission was to find new trade routes and make new contacts for the *Verenigde Oostindische Compagnie* (VOC). In the following period as a result of changing ocean routes that incorporated the use of the 'Roaring Forties' winds to reduce the journey's timespan, a number of VOC ships were drawn too close to the treacherous Western Australian (WA) shore by challenging sailing conditions. Four were shipwrecked on the shore another four are still missing. Over the 200 years, the VOC traded for spices and other goods in the Indian Ocean Region and until its demise in 1795 (*vergaan onder corruptive* – also VOC), another 30 - mostly Dutch vessels - mapped large tracts of the Australian coastline. However, their skippers failed to see any trading advantages on the Australian shore.

That changed when England established colonies in NSW in 1788, and in WA forty one years later in 1829. Trade with the Netherlands East Indies for foodstuffs - until the new British settlers were more self-sufficient - commenced from then on. Formal ties were also established in the early days. Within decades after its settlement in 1829, the first Consul of the Netherlands to WA was appointed in Albany in 1863, which, was then the WA Port. WA recognizes the heritage tourism value of the early shipwreck sites and the Hartog 400 year festivities at Denham in October 2016 are witness to the 'value add' of these less fortunate beginnings, that continue to link WA to the Netherlands and provide post-mining boom income.

As a small nation, surrounded by larger countries, the Netherlands has always worked very strategically in order to realise the opportunities that came along. Innovation was and is the key, and new complex structures emerged from the mercantile Netherlands. One of them was the appearance in 1602 of a new concept - a 'listed Company'. The States General noted that by uniting a number of independent Trading Firms (*voorcompagnieën*-pre-companies), then in fierce competition plying the SE Asian route, under the VOC banner and trading its shares on a stock exchange, they could minimize competition, maximize gains and take over Portuguese holdings. The eventual unification into one company did not happen spontaneously, but was therefore enforced by the government. The Dutch Republic was at war with the king of Spain and Portugal.[1] An additional motive for amalgamating the *voorcompagnieën* was that one united Company could be a powerful military and economic weapon in the struggle. The States of Holland under the guidance of Johan van Oldenbarneveldt, paved the way for a fusion.

On 20 March 1602 the States General granted the charter by which the *Generale Vereenichde Geoctroyeerde Compagnie* (General United Chartered Company) was created. The charter *(octrooi*) was valid for 21 years. Rivalry was now out of the question: the charter laid down that nobody except the VOC could send ships from the Netherlands to or conduct trade in the area east of the Cape of Good Hope and west of the Straits of Magellan. This area was called the *octrooigebied* (trade zone). The VOC or the Dutch East India Company was thus the first listed company in 1602. In that same year, Amsterdam was the birthplace of the first 'modern' securities market in the world: The Amsterdam Bourse. Prior to that, the market existed primarily for the exchange of commodities.

However, the voyages to obtain precious goods and resources in the East and West Indies were risky. Threats of pirates, disease, misfortune, shipwreck, and various macroeconomic factors all heightened the risk factor and thus made the trip wildly expensive. So, the stock issuance made possible the spreading of risk and dividends across a vast pool of investors. Should something go wrong on the voyage, risk was mitigated and dispersed throughout the pool and investors all suffered just a fraction of the total expense of the voyage. Still, to attract more investors, the trade missions and explorations had to be de-risked and insurance companies went through a massive innovative change, that resulted in new financial products that suited the missions. Companies like the VOC and the WIC (West-Indian Company) spearheaded this new way of doing business.

MULTINATIONAL – STOCKS AND SHARES – SHARE TRADING

Two criteria also acquired the Dutch East India Company (VOC) the nomenclature - multinational, or world's first mega-corporation:

1. It operated in more than one country

2. It issued shares

While trade exchanges were common in Medieval Europe, these were typically for currency, commodities and bonds – not shares. In fact by 1669, its shares were bringing a 40 percent return.[2] However, buyers of VOC shares could not cash them in, only sell them on – and so share trading was born. Many investors were employees, including humble carpenters and bakers. In the early days they were paid their dividends partly in cash and partly in spices – pepper, mace, or nutmeg. Expensive items are often still referred to as being *pepperduur* (as costly as pepper).[3]

The new Stock Exchange and listed company concepts changed the Dutch financial sector dramatically. Both in its public and private components, it came to provide a wide range of modern investment products beside the possibility of investment in trade, industry and infrastructure projects. Such products were the public bonds, floated by the Dutch governments on a national, provincial, and municipal level; acceptance credit and commission trade; marine and other insurance products and shares of publicly traded and their derivatives. Institutions like the Amsterdam Stock Exchange, the Bank of Amsterdam and the merchant bankers helped to mediate this investment. In the course of time the invested capital stock generated its own income stream that caused the capital stock to assume enormous proportions. As by the end of the 17th century, the stream of investments was redirected more and more to investment abroad. The Netherlands came to dominate the international capital market up to the crises at the end of the 18th century, that caused the demise of the Dutch Republic. This was only a few years before a British settlement was established on the western coast of Australia.

In the early days of Western Australia (WA) - then called the Swan Colony - life was tough. Scarcity of capital for industry was still the major barrier to economic development during this period. Lack of funds to establish infrastructure and the difficulty of obtaining supplies, meant that initially, the State's population grew very slowly. In fact, 20 years after first settlement, not more than 4,500 people were living in the colony. At the turn of the century [1900] the population of WA had risen to about 175,000 people. The main goods to be produced and traded were sheep, wool, sandalwood, whale products and livestock. The Dutch, via their trading post in Batavia, Java (now Jakarta), were already a trading partner from the beginning of the WA Colony.

The discovery of gold in Halls Creek in the Kimberley region in 1885 was fundamental in shaping the economic and social landscape of the Colony. News of the discovery travelled internationally and brought an unprecedented rush of immigrants and a level of economic growth previously unknown in the State. Although the Halls Creek goldrush was short-lived, many prospectors stayed in Western Australia and explored other regions, culminating in the discovery of gold at Kalgoorlie in 1893. This discovery of large deposits of gold, brought thousands of diggers from other colonies and from overseas. It also attracted a large amount of investment in mining ventures, marking not only a period of rapid expansion in the Colony but also, for the first time, the new position of being a Colony rich in money capital.

The 'black gold' or oil instigated the next acceleration of the Australian economy. The year Australia became a Federation in 1901, is also the year *Shell* arrived in Australia, which can be seen as a milestone in the history of the oil industry in Australia. On that day, the *SS Turbo* sailed into Melbourne's Hobsons Bay, with the first cargo of bulk kerosene ever to reach Australia.

In 1925 *Shell* began its conversion to bulk trading. Storage facilities were constructed across the country and land was bought for a string of country depots. Rail sidings and tanks were built to allow main country depots to convert to bulk handling, with motor trucks delivering product locally. By 1928, *Shell* had organised its system of oil distribution over Australia: in the great unpopulated and unexplored areas of central and northern Australia, and in the isolated and sometimes remote pastoral and agricultural districts of every State, as well as in the cities and larger country centres. In 1932, The State office building, the *Shell House* in Perth, opened its doors; *Shell* was here to stay in WA.

Dutch expertise was already a recognised commodity in Australia from before the turn of the 20th century. In June 1898, *BHP* invited Guillaume Daniel Delprat - an engineer, metallurgist and pioneer industrialist, educated at Delft University - to become assistant general manager. He became general manager of *BHP* the next year. His daughter Francisca Adriana (Paquita) Delprat married Douglas Mawson (the Antarctic explorer). Current Dutch involvement in the Square Kilometre Array (SKA) at Geraldton in WA, is just one example of the continuing relationship of Dutch expertise in Australia.

However, the real Dutch influx started after the Second World War, when thousands of Dutch people moved 'Down Under' for good. They had a chance to make a new life here. The Dutch immigrants that came post-war to WA were often trades and craftsman people. Many of them started their own business: carpenters, electricians, bricklayers, builders, butchers, bakers, shop owners and so on. In the period from 1947 until 1970, 170,000 Dutch immigrants came by boat or plane and around 75 percent of them made Australia home.

Also the Dutch 'big end of town' started to recognise Australia as an interesting destination to which to extend their business. *Shell* already established itself over the country to satisfy the need of more and more oil products, but more Dutch companies were to come.

In the 1960s, the iron ore boom in the Pilbara generated an avalanche of opportunities that attracted Dutch interest. In 1964, the Netherlands Harbourworks Co (*N.V. Nederlandsche Maatschappij voor Havenwerken*) entered into a joint venture with Clough: the Harbourworks Clough

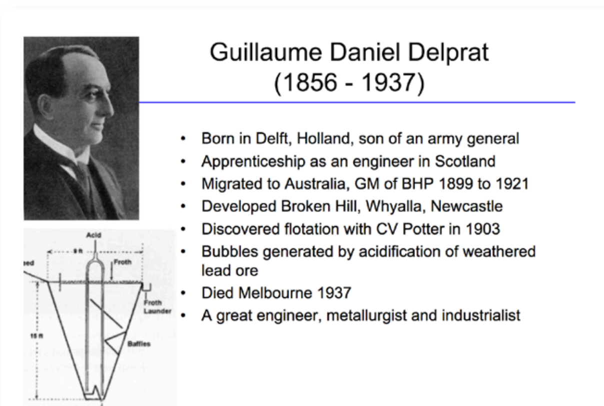

Figure 1
Guillaume Delprat, General Manager BHP
Courtesy: Australian Dictionary of Biography.

Company. The rationale was to take advantage of opportunities associated with the Iron Ore boom in the Pilbara. In 2002 Harbourworks was taken over by BAM and in 2009 the joint venture changed its name to Bam Clough.

The interesting thing about the BAM-Clough marriage was that it illustrates the expertise that the Dutch companies brought 'to the table' in Australia, which was highly appreciated by Clough. Clough was essentially a land-based contractor and Harbourworks had a lot of experience in maritime engineering and handling big equipment over water. With Clough's local expertise and connections and Harbourworks' (BAM) maritime 'know-how', this turned out to be a successful combination, which is still going strong.

While the resources sector was growing, the number of Dutch companies in Australia was growing accordingly - especially the maritime related companies. The Maritime Industry has been an important export sector for the Netherlands over the last 400 years. Since the 17th century, this sector has built up quite a reputation globally. With the acceleration in Australia of the Mining industry in the 1960s and the Oil and Gas industry in the 1970s, more and more Dutch maritime and engineering companies found their way to this side of the world. *Fugro, Boskalis, Herema, Dockwise, Jumbo Offshore and shipping, Damen Shipyards, Huisman, Mammoet, Royal Haskoning, Smit Lamnalco, Strukton, Van Leeuwen, Van Oord and Vopak are just some*. Also suppliers and international partners for these companies followed suit: *De Jong Hoists, Gemco International, DHV, Groeneveld, M&I Labtech, Pon, Primo Marine* and many more.

The Netherlands is a diversified economy and with Australia now in the picture as a favorable destination, other sectors were also trying their luck in Australia. For example: Financial institutions like ING, RABO and Aegon and the Food sector with companies like Unilever, Campina and DSM. Also there are companies that you do not expect to be Dutch: such as Australian Homemade (chocolates from *Veenendaal*), G-star (jeans etc.), TomTom (navigation systems), Randstad (staffing) and AKZO Nobel. Nowadays over 100 Dutch companies have established themselves on Australian soil - on top of that there are numerous companies that use agents or have joint ventures with Australian companies.

The biggest group of companies with a 'Dutch touch' is those set up by Dutch immigrants. Some, like *Austal* and *Lendlease*, have become major players both in Australia and globally.

Over the last few decades, the Netherlands became a significant investment and trading partner for Australia. In 2014, the Netherlands was Australia's fourth largest source of foreign direct investment ($38.4 billion) after the US, UK and Japan and was therefore the second largest European investor. There is good reason for this. Australia has a lot to offer investors: The Australian economy has been growing for 20 years without a break. It is one of the most vibrant economies in the OECD. Like the Netherlands, Australia supports free trade and because of its location and 'know-how', Australia is an excellent base for companies that want to do business in the extensive Asian market.

It works both ways. The Netherlands is a great springboard for Australian companies wanting to enter the European market. Not only because of the strategic location of the Netherlands, but also of its excellent infrastructure. Take Rotterdam, for instance - one of the world's biggest ports. Also Schiphol Airport - a major hub for Europe and the world. And not to forget the digital infrastructure; the Netherlands is a world leader in broadband Internet.

Figure 2
Alluvion – Southern Ocean Edit – TM.
Courtesy: Fugro - TSM.

The mutual successful relationship between Australia and the Netherlands is based on shared fundamental values and a similar global outlook. Furthermore, a very important factor is the human factor: Australia is a pleasant, open and tolerant country. Dutch people feel at home in Australia, just as Australians do in the Netherlands. We both like the informal way of doing business and do not take ourselves too seriously. These basic personal connections build the foundation of a solid and long-term relationship.

Nowadays, the Netherlands continues to adhere to the philosophy of being outward looking, progressive and innovative. The Netherlands is highly dependent on foreign trade and therefore has a direct interest in, and seeks to promote, a stable international legal order. Trade brought Dutch people to this part of the world. And trade is still a cornerstone of the outstanding relations between the Netherlands and Australia.

Figure 3
Southern Ocean and *REM Etive* –
in Field Transfer.
Courtesy: Fugro - TSM.

ENDNOTES

1 In 1568 the Netherlands, led by William I of Orange revolted against Philip II because of high taxes, persecution of Protestants by the government, and Philip's efforts to modernize and centralize the devolved-medieval government structures of the provinces. This was the start of the Eighty Years' War.

2 ibid, p.41.

3 Traditionally, all partners were subject to unlimited liability of the company's obligations. However, the VOC differed in that it was the company that was liable and not its partners. Instead, the liability of the partners was limited to the amount they agreed to pay for shares. In this way the shift from unlimited to limited liability further reduced the risk to the non-managing partners. In fact the role of VOC participants would now be called investors. Moreover, the shares they were issued became tradable at the Amsterdam stock exchange, which was probably the first of its kind in the world.