THE VALUE OF THE NORM

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LEGAL DISPUTES AND THE DEFINITION OF RIGHTS
CONTROVERSIE LEGALI E DEFINIZIONE DEI DIRITTI

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Renata Ago
Trading diasporas and chartered companies
Evidence from the coral-diamond trade
between the Mediterranean and India in the
seventeenth and eighteenth centuries

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This paper attempts a comparison between different trading
diasporas and their relation to the institutional framework,
generally labeled as mercantilism, that regulated the participa-
tion of European states in long-distance trade during the 17th
and 18th centuries. I will not be concerned with juridical and
legal matters strictly speaking. But I will show how the
approach presented in the introduction by Renata Ago and
some of the issues raised in other essays in this collection pro-
vide new insights to rethink the opposition between formal and
informal elements of commercial organizations, which polarizes
most literature on the European overseas expansion. My con-
tribution brings attention to the concept and functioning of
norms with regard to practices of trade. I will address two main
questions. First, the process through which states and chartered
companies came to define their monopolies, and of course the
exceptions to such regulation. Second, the ways in which net-
works of private merchants, whose resources consisted in
informal elements such as mutual cooperation, secrecy, transfer of knowledge, etc., both manipulated and circumvented these norms to their advantage. These are closely interrelated questions, simply because of the constant tension arising between prescriptive rules and their practical enforcement as well as non-enforcement. They are also very broad questions.

In order to investigate more closely some of the mechanisms at play, I will confine my analysis to a specific branch of intercontinental exchanges, namely the coral-diamond trade that linked the Mediterranean to the Indian subcontinent. In the 17th and 18th centuries this was not an insignificant rubric of the commerce between Asia and Europe, because coral was one of the few items (besides precious metals) accepted in India in return for goods, and diamonds were a common means to remit money from areas in which it was still difficult to draw credit instruments. Until the late 1720s, India and Borneo were the only known repositories of rough diamonds. In these regions red coral held symbolic meanings that gave it enormous purchasing power. Thus Indian diamonds and precious stones could be acquired largely in exchange for Mediterranean coral. First the Portuguese and then the Dutch and to a greater extent the English enhanced this formidable barter, based on divergent (and somewhat unequal) assessments of values.

The monopolistic institutions that controlled European mercantile activities in the Indian Ocean failed to keep the coral-diamond trade under their control. This volatile and highly specialized market remained a prerogative of private merchants, mostly Jews and Armenians. The characteristics of this trade in luxury goods account for the role played by mercantile diasporas. Their dispersed and at the same time interconnected networks allowed them to conduct these operations successfully. However, divergent patterns can be observed between different trading diasporas active largely in the same areas and markets. This recognition raises the question of which reasons lie behind the weakening of once prospering mercantile dias-
pora communities.

Rather than conclusive evidence here I will present some hypotheses based on the literature available and my research-in-progress about coral-diamond trade. I will suggest that in the period of commercial capitalism, along with changing circumstances, the success of trading diasporas depended on their ability to combine formal and informal resources, meaning their "natural" features (mutual solidarity across distant locations, informal flows of capital and information, secrecy, etc.) and the specific relations they established with institutions and power structures.

1. Monopoly was the standard modus operandi of European trade in the Indian Ocean during the early modern period. The Portuguese, who first doubled the Cape of Good Hope, had inaugurated this policy. Throughout the 16th century, the control exercised by the Portuguese crown was not as strict as generally thought. Still, the Portuguese organization of Asian trade was highly centralized. It revolved around two pivotal elements: the military enforcement of the concession of trading licenses (cartazas), and the mandatory transit of all import and export goods on state vessels and by the Lisbon custom house (Casa da Índia). When the English and the Dutch entered the Indian Ocean, they introduced a new monopolistic institution: the chartered joint-stock company. Between 1600 and 1602, the English and Dutch East India Companies (abbreviated as EIC and VOC respectively) were created as instruments through which the British crown and the Dutch republic attempted to implement monopoly in their trade with Asia. Economic historians generally see these institutions as a major breakthrough in the development of Western capitalism, especially for their ability to lower transaction costs and achieve bureaucratic coordination. I shall return to the theoretical implications of this view. Here suffice it to say that given the complexity of the trading world of the Indian Ocean, these institutions were
more successful in some areas and less so in others. In the trade of precious stones they had to abandon all monopolistic claims. Monitoring costs would have proven excessive. Moreover, this trade required high levels of expertise and tacit knowledge, secrecy and trust among agents, capital availability and medium- to long-term credit. All these elements were best fostered through cohesive networks of private merchants rather than institutional channels.

Until the late 17th century, the VOC was more solid and effective than the EIC. The British company went through a series of adjustments, until its general reorganization after the political unrest of the revolutionary decades. As a consequence, the EIC was for a long time more lenient than the VOC in repressing the action of interlopers. The diamond trade found room in the interstices left open by the loose monopoly of the EIC. Merchants who wanted to remit precious stones from India to Europe along the overseas route could count on the system of “privileges”, which allowed British ship officers to purchase limited amounts of returning goods on their voyages. From the mid-17th century, for about hundred and fifty years, London became the world market for rough diamonds. The readmission of the Jews into England in 1655 was among the elements that attracted entrepreneurial sectors of the Sephardic diaspora, and especially some families resident in Livorno and involved in the coral trade (like the Franco Albuquerque, Levi Sonsino, Supino and Montefiore). The alternating policies of the EIC with regard to the monopoly of coral and diamond trade testify to the nature and limits of its monopolistic control in this sector, as well as to the tortuous path that accompanied the attempt (and failure) to define coherent mercantilistic policies. As a sign of the relevance that the coral-diamond trade bore on national interests, its regulation was discussed not only by the boards of the EIC, but also by the English Parliament.

Until the middle of the 17th century, the Portuguese had
been the major importers of uncut diamonds from India. Thereafter, the English began to play an increasingly important role in this trade. In view of the considerable presence of diamonds among the items enlisted under the system of "privileges", in 1664 the EIC Court of Directors decided to open the trade to anyone willing to pay the appropriate customs of 2% ad valorem on exported rough diamonds, and 2% or 4% on imported diamonds (depending on whether merchants were EIC stockholders or not). In 1680, the EIC changed its policy and decided to put diamond trade under more severe control, but after only one year and a half the decision was reverted (possibly because of the intervention of Sir Josiah Child, who in 1681 became Chairman of the Court of Directors and was generally favorable to Jewish merchants). Thus privateers were again allowed to operate freely. Then, in 1693, a spur of anti-Jewish sentiment, linked to a polemic on illegal exports of silver (itself an essential item in the diamond trade), led the EIC to release a new charter forbidding private merchants from importing diamonds from India. The decision, however, was overturned by Parliament, which in 1694 declared that any English subject might trade with India, unless specific laws prohibited it. Such a concession was seen as a further step towards complete liberalization of the diamond trade. The London diamond merchants continued to petition the crown and in 1698, at the end of long negotiations, obtained that private diamond trade with India was again made lawful. All uncertainty was finally eliminated only in 1715, when the EIC Court of Directors recommended the General Court to allow the export of silver for the purchase of diamonds in India. Finally, in 1732 Parliament abolished all custom duties on diamonds and other precious metals.

The EIC regulation concerning coral trade paralleled those regarding diamonds. The red coral that grew only in the Mediterranean found its largest market in India, where it was widely used for ritual, apotropaic, and ornamental purposes.
During the 17th century, the Tuscan port of Livorno supplanted Marseilles and Genoa as the main center of coral trading and manufacturing. The first shipment of coral made by the EIC to Coromandel dates to 1624, when Thomas Mun, the later author of a classical work on mercantilism, was supervising the EIC purchases of coral in Livorno. In the following decades the EIC left the imports of coral to the initiative of private traders, and the Jewish merchants of the Tuscan port provided the necessary link between Livorno and London. In 1675 the export of coral beads from London was permitted upon the purchase of a license and the payment of transportation fees (fixed at 1% for EIC stockholders and 2% for others). In 1685 severe new restrictions were imposed, raising to 10% ad valorem the fees due to the EIC. Of the three coral exporters who asked for a license in the following months, two were Jews (Abraham Franco and Joshua Gomes Serra). Clearly, the effect – if not the rationale – of this regulation proved fallacious. In 1709 the EIC allowed private merchants to freely ship on board Indiamen «all sorts of corall, corall beads, amber, amber beads, pearl, emeralds, or any other sort of precious stones». Some limitations still applied. Only in 1720 were all restrictions lifted on the export of coral, silver and precious stones, as well as on the import of diamonds lifted.

The norms concerning the coral-diamond trade established by the English between the 1660s and 1720 largely shaped the involvement of privateers in this peculiar luxury trade. In the 1730s, the discovery of diamond mines in Brazil shook the international market by lowering prices and introducing new forms of direct royal control on this trade. The extraction and sale of Brazilian diamonds was contracted out by the Portuguese crown to cartels, while Asian diamonds remained in the hands of privateers. After the initial perturbation, however, the world market of diamonds resumed its previous course for another half century.

The recapitulation of the main steps taken by the EIC in
regard to the coral-diamond trade has shown us how difficult it was to define coherent norms responding to the interests of the institution as well as mirroring the reality of this trade. I will now examine how private merchants circumvented and took advantage of these norms. I will look at the role played by Jews and Armenians in dealing in coral and precious stones at the fringes of the company’s structures and by alternative channels.

2. In the 17th and 18th centuries Sephardic Jews and Armenians were crucial mediators between East and West. They were merchants, brokers, bankers, diplomats, artisans—acting in their own interests, as agents of foreign powers, as correspondents of co-religionists and not only co-religionists. Their commercial and financial activities were diversified, but both groups shared a marked specialization in luxury trade, including precious stones. The market for precious stones was naturally narrow, though important for the profits that it yielded. It was also a very peculiar and highly volatile market. In 1721, a Jew of Livorno (David Sulema) defended himself from the accusation of having bartered pearls and jewels for overpriced turbans, citing the opinions of jurists and theologians who excluded precious stones from the rule of “just price”, which punished all price variations that exceeded by 50% the commonly agreed price (laesio ultra dimidiam iusti pretii)\(^{24}\). In principle, the price of a rough diamond could be calculated according to a simple rule: it matched the square of its weight multiplied by the price of the weight unit\(^{25}\). Even the most assertive proponents of this rule, however, advised caution in its use. A connoisseur explicitly admitted that «For estimating the value of peculiarly fine diamonds, there is no fixed standard»\(^{26}\). Similarly, a manual containing Practical directions for purchasing Diamonds in India stated: «The value of rough diamonds is extremely uncertain: weight and size alone will not direct in this matter; they ever give place to quality and shape.
Experience and practice are the only means that can lead to a certainty.\(^{27}\)

The subjective character of price formation is one of the reasons that cannot be explained in terms of a neoclassical model. Connoisseurship developed thanks to close personal ties rather than institutional forms of human capital formation, and secrecy and trust were essential components of diamond trade. Moreover, this trade required medium- and long-term credit and liquid capital availability. Finally, precious stones traveled over great distances and needed to circulate across extended and safe commercial networks. The combination of all these elements, rather than simply legal discrimination that excluded religious minorities from most European urban guilds, account for the concentration of gem trade in the hands of trading diasporas.

In Italy, Jewish participation in the cutting and sale of precious stones has been documented since the Middle Ages.\(^{28}\) After the arrival of refugees from the Iberian peninsula, their role in the trade grew even more. Sephardic Jews had relatives and correspondents in the Mediterranean and Northern Europe, and were largely involved in commerce with the West and East Indies. From the end of the 16th century, Livorno was one of the Italian port-cities that welcomed Sephardic exiled and granted them exceptional privileges.\(^{29}\) These Jewish merchants greatly contributed to the development of Tuscan coral manufacturing. They also traded diamonds via Lisbon, in conjunction with the Portuguese networks centered in Goa, as well as via Amsterdam and London. In the Dutch capital, Sephardic (and later Ashkenazi) Jews controlled the cutting and polishing of diamonds.\(^{30}\) The close ties created by Jewish families across the capitals of the coral-diamond trade, namely London, Amsterdam, and Livorno, granted them a decisive competitive advantage. Someone like Manuel Levy Duarte (1631-1714), a Portuguese Jew of Amsterdam who attained success in the diamond business, acquired rough diamonds either from crews
and passengers of the EIC Indiamen or from Amsterdam importers of diamonds (who received them from Goa via Lisbon and often Livorno); occasionally, he and his partners invested in cartels to buy diamonds directly in Madras or from the VOC at Surat. More than a century later, in the 1780s and 1790s, a Jewish commercial house of London was active in the diamond trade in Bengal.

This informal organization allowed the Jewish diaspora to overcome some of its structural disadvantages vis-à-vis mercantilistic institutions. In theory Jews could be elected to the EIC Board of Directors, but in the 18th century this privilege was never put into practice. In addition, the majority of Jews in England were not naturalized and therefore, until the appearance of a real stock exchange, could not be EIC stockholders and had to pay higher custom duties. To circumvent this discrimination, they often acted under the name of other stockholders and thus employed the company services (so much that in 1676 attempts were made to punish this abuse). At the same time, prominent Jewish merchant-bankers like Francisco Salvador were extremely influential in the London credit market and royal finances. The London Jews acquired a dominant share of the diamond market by mobilizing both the institutional resources made available by the EIC, and forms of cooperation developed among their relatives and correspondents across Europe and Asia.

Jews, moreover, were not the sole dealers in precious stones. Armenians were too, between the mid-17th century and the second decade of the 18th century in particular. In Amsterdam, the Armenian community specialized in dealing silk and diamonds. From the middle of the 16th century, Armenians were also present in Livorno, where they participated in the establishment of coral manufacturing. In 1730s the richest Armenian merchant of Livorno had a coral firm and traded in diamonds with India both overseas and overland, occasionally relying on the Sephardic networks. In general,
Armenians continued to use the overland caravan routes longer than Jewish merchants, who preferred the overseas passage. This different pattern of trade mirrored the different sources of protection which backed the activities of the two diaspora communities. After 1375 Armenians lacked an autonomous state, but in the 17th century they came under the protection of Safavid rulers, in keeping with the latter’s antagonism to the Ottoman empire. In 1604-5 Shah ‘Abbas I (1587-1629) ordered a forced resettlement of Armenians living in Azerbaijan to a newly-funded quarter, called New Julfa, of the Persian capital, Isfahan⁴⁰. This forced migration imposed heavy losses but also had positive consequences for the Armenian people, and for merchants in particular. Armenians in Isfahan were given many privileges, including freedom of religious practice and administrative autonomy. Their representatives were even granted the use of the royal seal, which enforced the validity of all documents (including business records) stamped with it⁴¹. Armenians had their own courts to adjudicate internal litigation, and when no proper assembly of Armenian merchants was present in the European towns, matters were referred back to New Julfa⁴². In other words, Shah ‘Abbas I guaranteed Armenian traders the necessary political and institutional support.

Armenians became indispensable (as agents, translators, and middlemen) to the operations of the Europeans in Asia⁴³. At the same time, in order to expand their activities, Armenian merchants had to seek the cooperation of European institutions of international trade. In 1618, the Armenians of New Julfa outbid the EIC in the auction for the Persian silk monopoly. For over a century, they controlled the exchange of Persian silk and English cloth both in Persia and the Levant⁴⁴. Because of their position in the trade, the EIC made consistent efforts to establish a closer association with Armenians from the 1680s. The directors of the Company were particularly anxious to reach an agreement with them, while the factors living in Persia were
more suspicious and probably interested in carrying on their private trade with the Armenians\textsuperscript{45}. The EIC also faced the opposition and competition of the Levant Company, which feared that the silk trade would be diverted away from Aleppo. An agreement between the EIC and leading Armenian merchants residing in London was first reached in 1688, and then renewed in 1693\textsuperscript{46}. The Armenians were granted significant privileges: they were given equal status to Englishmen in India, the use of the company ships on advantageous terms, favorable custom duties on their commonly traded items (including coral and diamonds), participation in the Manila trade, and complete freedom of religious worship. The first scholar of the Armenians in India conceived as «the death knell to the extensive and important Armenian trade in India»\textsuperscript{47}. But revisions of this interpretation demonstrate that it was neither beneficial nor detrimental to the Armenians\textsuperscript{48}. It is true though that despite the advantages that they gained, at least on paper, the Armenians did remain suspicious of the monopolistic control of the EIC and in the end preferred the uncertainty of Levantine competitive markets to the obligation of handing over all their silk to the British in Persia. In 1697, the same five Armenians who had come to terms with the EIC openly expressed their reservations: «when we carry it [i.e. raw silk] to Aleppo: we have more ways than one to dispose of it; for there are English, French, Venetians and Dutch; if we cannot sell them for ready money, part money, cloth, Cochineal, amber, Coral, or false pearls; then we carry it to Europe our Selves; but if we bring it to Ispahan there is only you [i.e. agents of the EIC] to buy it, and if you won’t give us a price, then we must let you have it, as you will; and take cloth at what price you will; for you won’t let us put it on board you Ships for England»\textsuperscript{49}.

Some have recently regarded this attitude as a sign that «The Armenian merchant community as a whole was not inclined to cooperate with the Company»\textsuperscript{50}. To be sure, the Armenians’ change of disposition indicates that they chose to
maintain their identity as a trading diaspora rather than becoming an exclusive partner of a Western institution of long-distance trade. Indeed, Armenian merchants were expanding their silk export to Europe via Russia. In 1667 the tsar granted them exemptions precluded to other foreign merchants. Under the auspices of Peter the Great (1682-1725), then, the relations between Persia and Russia continued to improve to the benefit of the Armenians, at a time when they began to suffer increasing religious discrimination and commercial competition both at home and under the arbitrary rule of Ottoman officials in the Levant. In spite of these benefits, the Armenian role in the diamond trade began to decline as a consequence of greater involvement in the Russian markets. During the 18th century we thus observe a decrease in the Armenian presence in European markets, especially in the diamond trade between Western Europe and India. Jews instead remained prominent. There are a number of reasons for these divergent patterns, including the different strategies followed by Armenian and Jewish merchants in relation to Western institutions of long-distance trade. Thus, the question of why some diasporas die out and others adapt to changing political and structural conditions emerges. This issue needs to be understood in the context of a larger theoretical framework that discusses the interdependence between formal and informal organizations of trade.

3. The creation of the VOC and EIC between 1600 and 1602 is often viewed as a major breakthrough in the impact of European commerce in the East and in the development of Western capitalism more generally, because of the radical innovations that they introduced in trade and finance. Until the last decade of the 17th century, the VOC proved militarily and commercially superior to the EIC. But the two companies together came to control the sea route that had been dominated by the carreira da Índia for over a century. They did it so efficiently that
they altered the global pattern of trade, making the caravan routes across the Levant too expensive and unsafe, while outgrowing the Portuguese economically and militarily. This interpretation has been fully argued by Niels Steensgaard, who presents a comprehensive comparison between the Portuguese *Estado da Índia* on the one hand, and the Dutch and English companies on the other. Despite the differences between the latter two, both the EIC and the VOC outgrew the Portuguese patrimonial model of overseas ventures by adopting rational calculation, enlarging the scope of transactions, and internalizing protection costs.

Steensgaard’s analysis is informed by a Weberian model of rationality, but more specifically borrows from the theory of “protection costs” advanced by Frederic C. Lane. During the cold war, this American scholar of maritime Venice devoted a number of theoretical essays to the study of state intervention in securing protection for economic agents. Moving from an examination of the Venetian *fondaco* as the institutional cell of colonial expansion in the Mediterranean to the ways in which the Portuguese transplanted this system to the Indian Ocean, Lane outlined a more general theory to compare the performances of different states in regard to overseas power. Unlike his fundamental studies of Venetian economies and society, Lane’s most important theoretical contribution was long ignored.

It is not a coincidence that this part of Lane’s work was taken up in the 1970s, together with a general tendency by economic historians to draw attention to the role of institutions in economic development. Long-distance trade became a favorite topic for what was later dubbed the new institutional economic history. One of its major spokesmen, the Nobel prize laureate Douglass C. North, maintains that “the development of long distance trade [...] requires a sharp break in the characteristics of an economic structure.” North’s contributions have proved essential in moving beyond a neo-Smithian vision of the market as an invisible hand, and brought institutions
back to the center of economic analyses of past societies. According to the new institutionalists, state-emanated institutions can play the ultimate role in reducing uncertainty, granting the enforcement of property rights and lowering transaction costs. Therefore institutions are crucial in sustaining economic growth. These views have become so influential that they may appear self-evident. It should, however, be stressed how much new institutional economics has strengthened an interpretative mode built upon a set of oppositions: informal vs. formal, traditional vs. modern, impersonal vs. personal, corrupt vs. profit-driven, and so forth. The markedly evolutionist underpinning of this model is again explicated by North: «History [...] is largely a story of institutional evolution in which the historical performance of economies can only be understood as a part of a sequential story»\(^{57}\).

This evolutionist bent informs even in the most sophisticated studies of the new institutionalists. I refer in particular to the work of Avner Greif about the process of change that marked the so called “commercial revolution” of the Middle Ages. Greif critically developed the marvelous studies of Mediterranean traders conducted by S.D. Goiten on the basis of the records of the Cairo Geniza. Goiten had examined the peculiar form of agency that governed the relations between North African Jewish traders, which he called “formal friendship” – a form of service-rendering among co-religionists across distant areas that entailed no monetary remuneration\(^ {58}\). What Greif shows is a transition from informal, community-based merchant operations, as exemplified by the activities of these Jewish communities in the 11th century, to a formal, individualistic system developed by Genoese merchants from the middle of the 12th century whereby legal contracts, such as the commenda, replaced friendship and reputation as binding agreements. Greif interprets the Maghribi diaspora active between North Africa, Southern Italy and the Arabic peninsula as a “coalition”, that is, an institution based on an implicit, non-
legal contract in which opportunism and reputation sanctions created cohesion among self-interested individuals\textsuperscript{59}.

Though from a neoclassical perspective of economic rationality, Greif's attention to trading diasporas participates in a cross-disciplinary surge of interest in this topic. Since the 1980s, under the influence of anthropology and increasingly as part of debates on ethnicity and collective identity, studies of long-distance trade have focused more on agents than on structures and institutions. Philip Curtin has produced the broadest and most systematic analysis of mercantile diaspora groups in different historical and geographical contexts, calling attention to their role as cultural mediators\textsuperscript{60}. Despite some efforts at classification\textsuperscript{61}, terms such as "networks", "diasporas", "transnational groups" tend to be used interchangeably\textsuperscript{62}. In any case, the Indian Ocean offers an interesting laboratory in which to study diasporas and networks for the variety of merchant communities of different ethnic and religious background that were active there, as well as the continuity and change which accompanied the arrival of the Europeans. In introducing a diverse collection of essays reprinted under the title \textit{Merchant Networks in the Early Modern World}, Sanjay Subrahmanyan praises the study of "merchant communities" as an alternative to both the Marxist and Weberian paradigms of the role of trade in economic development. The Indian historian criticizes Curtin for depriving merchants of rationality (embedding their economic action in social and cultural norms) and ignoring all relations to political power\textsuperscript{63}. In his own work, Subrahmanyan has presented a keen critique of the opposition between diaspora and state mercantilism as analytical categories by invalidating the misleading (though dominant) idea that Asian rulers, unlike European ones, were indifferent – or even hostile – to merchants' activities\textsuperscript{64}.

These observations are of fundamental importance in overcoming the opposition between what can be labeled institutional and network approaches. These two differ particularly in
the role that they attribute to formal, legal regulation as a means to reduce uncertainty and problems of agency dominating long-distance trade. According to the institutional approach, military protection, bureaucratic coordination and market integration proved crucial to the success of Western commerce in the Indian Ocean. According to the network approach, instead, trust and reputation mechanisms, personal credit relations and cross-cultural exchanges continued to be indispensable. This schematization, of course, does not do justice to a field of study that in the last two decades has been considerably renewed, also thanks to the contribution of non-Western scholars. It is nonetheless undeniable that most interpretations revolve around the oppositions between traditional and modern, and between informal and formal.

In this paper I have tried to show the fallacies of this antithesis by illustrating the synergy that was created between diaspora communities and mercantilistic policies in the operative conduct of a specific branch of trade – the exchanges of coral and diamonds between Europe and Asia. Conceptually, trading diasporas have commonly been associated with notions of informal organization, while chartered companies have been seen as expressions of formal institutions. The case under investigation has indicated the specific ways in which mercantilistic policies were defined in response to the existence and proliferation of private trade, and its multifarious and continuous process of change. Conversely, I showed how different trading diasporas devised their strategies of success and survival, circumventing as much as they could codified rules, when not taking advantage of them. The example of the coral-diamond trade has introduced a number of general questions concerning the nature and functioning of mercantile diasporas at the peak age of commercial capitalism.

The first conclusion that needs to be drawn regards the specialization of certain minority groups in special urban trades in early modern Europe. Two standard explanations are generally
offered for the role of Jewish merchant-bankers in the gem trade: communities living under constant threat of restrictions and expulsion needed readily-available liquid capital, and legal barriers prevented the access of non-Catholic minorities to craft guilds. Neither of these constraints seems take sufficient account of the Jewish role, considering that Jewish traders' involvement survived all normative redefinitions. Clearly, the special features connected to the precious stone market as described above go a long way toward explaining at once the role that mercantile diasporas played in it and the characteristics of the overseas coral-diamond trade.\textsuperscript{67}

At the same time, the coral-diamond trade, as all inter-continental exchanges, could not be conducted without the protection and structures of formal institutions. Therefore, when comparing Jewish and Armenian operations in this branch of long-distance trade, the issue of their different relations to institutional power needs to be addressed. Of the two institutions that dominated the exchanges between Europe and Asia in the 17th and 18th centuries, the EIC was for long more flexible and less centralized. This institutional fragility created greater opportunities for private merchants engaging in more or less illicit practices of trade at the fringes of the company's monopoly.\textsuperscript{68} In the case of diamond trade we observe a convergence between the interests of the institution, which preferred to surrender a trade whose monitoring and monopoly costs would have been excessive, and diaspora groups such as the Armenians and the Jews, who could negotiate favorable conditions and relied on the protection and structures generated by the institution in order to enhance their activities.

As we come to compare Jewish and Armenian operations in this trade, the issue of their different relations to institutional power, specifically the EIC, needs to be addressed. Jewish and Armenian diasporas shared a number of structural similarities and differences. Among the latter, one should notice that Armenian colonies in Western European towns were small and
they comprised almost entirely men. This necessarily relegated them to a less visible position in comparison to the often large and complex Jewish communities in major European capitals, whose members generally acquired a collective identity and autonomy in the context of a corporate society. At the same time, Armenians were Christians and by and large on good terms with the Roman Catholic Church; therefore they enjoyed easier relations with local rulers as members of the res publica Christiana, while the Jews suffered severe restrictions and persecution. This structural weakness, in turn, made the Jews always extremely sensitive to the need of negotiating their status and privileges with local rulers. Finally, until 1722 Armenian merchants in Europe could refer to the Persian empire as their political center, while the Jews lacked any identity with a state. All these elements account for the different relations that Jews and Armenians established with a formal institution such as the EIC and the choices that they embraced. The Armenians seem to have pursued a more "diasporic" strategy, which granted them freedom of action in the Levant and Asian markets but also weakened their position. A stronger presence, especially in London, the Jews instead maintained better relations with the EIC, thus preserving the strength of their informal networks while developing closer ties to this formal institution. This proved decisive especially once the EIC became the most successful of the European trading organizations operating in Asia at the beginning of the 18th century.

The history of the Jewish diaspora can be seen as marked by a constant struggle both to define individuals' and communities' rights and legal status in more or less friendly host societies, and by the necessity of relying on mutual solidarity with coreligionists across distant regions. Here I have focused on the implications of this tension in the trade organization of Sephardim in specific historical and geographical contexts. Although we lack documents of formal agreements between Jewish merchants and the EIC comparable to those which the
Company signed with prominent Armenian traders, the trading practices of the Sephardi diaspora involved in the coral-diamond trade testify to its members' acute awareness of the need to combine "natural" advantages with state protection and economic structures.

Analogous remarks could be applied to understand the role of other prominent transnational mercantile communities active across continental Asia and the Indian Ocean. More generally, Lane's theory of protection costs, which is central to the institutional approach, might serve as an analytical framework to compare not only the performances of different state-emancipated institutions, but also the strategies enacted by the different trading diasporas that needed institutional protection in order to carry on their activities. Curtin has argued that trade diasporas worked themselves out of business because of the decline in the role of cultural mediators during the period 1740-1860, which witnessed the "Westernization of the world" (especially in military and technological terms). Curtin too, then, traces a change from cross-cultural trade to the rise of new, impersonal institutions. Even before this period, though, the relations of trading diasporas to established power were crucial to their success.

My approach to the study of trading diasporas is closely, though indirectly, tied to the perspectives presented in this collection of essays. It emphasizes the advantages deriving from a flexible organization and the marginal position of transnational communities. At the same time, it does not assume the passive adaptation of members of their communities to changing balances of power and dominant institutions. On the contrary, it calls attention to their need and ability to manipulate prescriptive norms in order to secure protection from state-emancipated institution for their activities. Thus it claims that strategies vis à vis political and economic institutions need to be incorporated in any analysis of the profiles and performances of private merchant networks and trading diasporas.
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Notes

1 I am aware of the ambiguities of the term "mercantilism," which I use for lack of a better word in its commonly accepted meaning. For more sophisticated discussions, see *Revisions in Mercantilism* (1969) and Magnusson (1994).

2 For a classical description of the mines of Golconda, in Southern India, see Tavernier (1676-77), vol. 1, chapter 14 and vol. 2, chapters 15-22. In 1765, diamonds mines were discovered by the English near Banaras, in Bengal; Marshall (1976), pp. 128 and 221. In general, see Lenzen (1970).

3 The standard work on the topic is Yoge (1978). No comparable study is available for the Armenians. Further details on my investigation, in Trivellato (2000).


5 Classical presentations of these arguments in Chaudhuri (1965); Chaudhuri (1978); Steensgaard (1973).

6 Kroell (1987). On the role of English private traders see Marshall (1976) and Watson (1980). Inter-Asian private trade was officially allowed by the VOC only in 1742 (for all goods except spices, copper, tin and opium). At Surat, though, coral too was included among the goods reserved to the Company; Prakash (1998), pp. 232-233.


8 Boyajian calculates that between 1580 and 1640 diamonds and precious stones in general (*pedrarias*) made up on average for the 14% of the return cargoes of the *carreira da India*; Boyajian (1993), pp. 42-43 and 107-122. Considering that precious stones were among the easiest commodities to smuggle, any official statistics or calculations might be an underestimation. One of the earliest description of Indian diamonds can be found in the best seller of the Portuguese physician Orta (1563; 1987, vol. 2, pp. 198-201).

9 Yoge (1978) p. 83. Elsewhere, the same author maintains that import duties on diamonds were 5% *ad valorem* until 1733, when they were lowered to 2.5%, plus 1.4% paid to the captain to whom they were entrusted; *ibid.*, p. 133.

10 *ibid.*, p. 91.

11 *ibid.*, p. 96.
On some European notions of Indian uses of red coral, see Berequen (1661), p. 81.

On coral fishing in the Mediterranean, see Tescione (1968). Coral was harvested along the coasts of North Africa, Southern Italy, Sardinia and Catalonia. Every year, at the end of the fishing season (which lasted from September to November), most coral was traded in a sort of permanent, specialized fair held in Livorno.


Ibid., p. 292 n. 68.

Ibid., p. 107.

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Ibid., p. 100.

Ibid., p. 102.

Archivio di Stato di Firenze, Medico del principato, filza 2476, fols. 123-152. On the rule of "just price" according to Roman and Canon law, see Baldwin (1959).

This rule is mentioned as early as in Malynes (1622; 1996, p. 57), and fully discussed in Jeffries (1751).


Portable Instructions (1779), p. 95.

In 1436, before Jews were officially permitted to reside in Venice, the statutes of the jewelers' guild forbade instructing Jews in the craft. This prohibition was a sign of their ubiquitous presence in the jewelery trade; Biblioteca del Civico Museo Correr, MSS. IV, 139 and 205.


Samuel (1978-80).
32 Fischel (1964).
34 Ibid., p. 85.
36 For example, on the Armenian dealers in precious stones in Surat, see Roques (1996), pp. 156-159. The ledger of an Armenian merchant travelling across Northern India and Tibet included a large number of transactions in precious stones; Khachikian (1967).
37 Van Rooy (1966).
38 Macler (1904); Frattarelli Fischer (1998).
43 On the cordial relations between the English and the Armenians in India, where in 1715 the latter negotiated with the Mughal emperor a decisive firman for the later establishment of British colonial rule, see Seth (1897; 1983).
44 Ferrier (1986).
45 Armenian Merchants (1998), p. XXVIII.
46 Ferrier (1970); Ferrier (1973).
47 Seth (1897; 1983, p. 231).
48 Ferrier (1970); Baladouni (1986); Aghassian, Kévonian (1987).
49 Ferrier (1973), p. 56.
50 Armenian Merchants (1998), p. XXIII.
52 Steensgaard (1973).
53 Lane (1979). Steensgaard (1967) also applied this comparative model inventively to the study of the European presence in the Levant.
54 Critical examinations in Steensgaard (1981) and Kellenbenz (1988),
pp. 177-182.

55 The first major contribution of the so-called new institutionalists dates to 1973: North, Thomas (1973).


57 Ibid., p. 97 (emphasis added).


59 Among numerous essays, see Greif (1989); Greif (1992); Greif (1994a); Greif (1994b).

60 Curtin (1984). For the concept of “diaspora”, Curtin draws from Cohen (1971). Curtin is also indebted to Polanyi for the notion of embeddedness and the role of port-cities in pre-modern markets; Polanyi (1944); Trade and market (1957).


62 Curtin explains his preference for “trade diaspora” rather than “trade network” by reference to the alleged imprecision of the latter. I would contend that this is not a substantive argument. Rather, ‘networks’ and ‘diasporas’ should be considered different categories and analytical tools, because the latter inevitably refer only to closed, however geographically dispersed groups, while the concept of ‘network’ can – if its constituent agents and operations are precisely identified – be used to examine persistent cross-cultural ties – an important theme which is still insufficiently theorized.


64 Subrahmanyam (1995).

65 Chaudhuri refers to the EIC and the VOC as “bureaucratic institutions”; Chaudhuri (1985), chapter 4.

66 On the sophisticated practices of Indian merchants, no longer seen as merely peddlers, see Subrahmanyam, Bayly (1990); and Habib (1990). On the interaction between local practices of trade and European domination, see Wills Jr. (1993). For new approaches to the study of European companies as Janus-headed institutions, see Companies and Trade (1981).

67 Today the diamond industry continues to be largely dominated by Jewish capital and entrepreneurs, and is often referred to in the economic and sociological literature as an example of the role played by family ties, social capital, oral contracts and extralegal adjudication. See Ben-Porah

68 On the participation of EIC servants in diamond trade, see Mentz (1996).

69 In 17th-century Amsterdam the Armenian colony never exceeded a hundred men at one time; Van Rooy, (1966), p. 347.

70 On the Indian diaspora in Iran and Turan in the 17th and 18th centuries, see Dale (1994). On South Asian diasporas from the late early modern to the contemporary period, see Markovits (2000).