



From the desk of Pierre Beaudry



HOW FREDERICK THE GREAT FOUGHT BRITISH FREE TRADE

by Pierre Beaudry, 2/13/2009.



THE COLBERTIAN POLICY OF FREDERICK THE GREAT VERSUS THE “CHEAP AND NASTY” ECONOMIC POLICY OF THE BRITISH EMPIRE.

When the Great Elector, Frederick-William, began to build his Great Trench Canal in 1668, he was preparing the crucial economic link between the Oder and the Elbe Rivers. After him, his son, King Frederick William 1st, increased considerably the flax-linen industry and consolidated the traffic on the Oder by facilitating the right of way for Stettin and Frankfurt on Oder. The new King created and protected the linen industry and improved on the whitening of linen by opening new industries in Bielefeld. At the same time, he created silk and velvet industries in Crefeld, and had the victims of religious wars run them. Everything was done to restore the rights of the German population that had been oppressed during thirty years of war. Hermann Scherer reported that the magnitude of Frederick William 1st industries was so significant that when his own son, Frederick the Great (1712-1786) became king in 1740, all he had to do was to “systematize the scattered components” and “adopt without reservation the mercantile and administrative principles of Colbert.”

This latter policy did not please the British and the Dutch free-trade agents in the least, and the British oligarchy (House of Lords) decided to threaten Frederick with a new war in order to prevent him from getting access to the markets of the Far East. However, this threat did not stop Frederick who followed the Colbertian idea of creating his own East India Company and exceeding all expectations in his policy of population growth. As Scherer put it:

“By the universality of his genius, this prince has a right to a place of honor in our history. The industrial activity, the spirit of enterprise, which since then, has distinguished our kingdom, were of

his making as just as much as his military glory and his administrative organizing. Not a single branch of labor remained foreign to him and escaped his attention. His concern was first turned toward agriculture, to which he gave muscle, by encouraging the establishments of Württemberg and Palatinate farmers. During his reign, the increase in population for the different provinces had reached a total of 42,609 families which populated a total of 539 villages.” (Scherer H., *Histoire du commerce de toutes les nations depuis les temps anciens jusqu'à nos jours*, Vol. 2, Paris, Capelle, Librairie Éditeur, 1857. Op. Cit., p. 578.)

In reaction to this, the British and the Dutch free traders had to regroup their forces out of the region as soon as Frederick had taken over the Western Friese (*Ost-Friesland*) in 1744. Frederick realized the importance of this new acquisition for agriculture and he banned British and the Dutch free trade from the whole region. Scherer noted tongue in cheek:

“Forced to leave Antwerp, the English had made of Emden the center for their operations with Germany, and the Dutch, out of jealousy, had often attempted to take control of it, especially since the inhabitants of Emden were competing with them in the herring fishery. The first measure that Frederick took was to protect this fishing business with subsidies, and forbid the import of Dutch fish into his States. The second measure had a much greater scope. It consisted in creating sustained relationships with East India and China. It was for that purpose that he created an Asiatic Company in 1750, to which the King gave the most advantageous conditions: its imports had all the privileges and only had to pay a 3% tax on its sales. English and Dutch capitalists braving the severe defenses of their governments, contributed, with their subscriptions, to the formation of a capital, in shares, totaling a million thalers. Six ships were expedited to China. However, a bad administration, unfavorable circumstances, and war preoccupations brought the enterprise to ruin within a few years. The company disappeared without leaving any other trace but those of a long court case.” (Scherer H., Op. Cit., p.582.)

The reason for restricting British and the Dutch free trade in Emden was that Frederick had chosen to follow the French dirigist strategy of Jean-Baptiste Colbert and put Prussia on an equal footing with other European powers in international trade. Thus, he created the Asiatic Trade Company of Emden in the newly built-up region of Ostfriesland. The British were very upset at having to deal with another foreign competitor with a different economic orientation, and immediately launched an offensive to destroy the new Prussian trade company. English essayist, Thomas Carlyle (1901), was sent from London to Prussia to become the British watchdog of Frederick. Carlyle’s study on the subject of Frederick the Great, and especially his *Ost-Friesland and the Shipping Interests*, reads like a series of anecdotes gleaned in the field, during the 1751-53 period, and put together half-hazardly as intelligence reports for his London superiors.

On September 1st 1750, Frederick went on an official State visit to Emden accompanied by his three brothers, and by Prince Ferdinand of Brunswick. A triumph arch had been erected at the entrance of Ostfriesland to crown this important visit, celebrating the opening of a new historical era. Carlyle reported that “above about a hundred such arches spanned the road at different points; multitudinous enthusiasms reverently escorting, ‘more than 20,000’ by count: till we enter Emden, where all is cannon-salvo and three-times-three; the thunder shots continuing, ‘above two thousands of them from the walls, not to speak of response of the ships in harbor’.” (Thomas Carlyle, *Complete Works of Thomas Carlyle*,

History of Friedrich the Second, Called Friedrich the Great, Volume V, New York, P. F. Collier & Son, 1901, p. 151.)



Figure 1. Frederick the Great (1712-1786).

The British were livid. What was all of this commotion about? The royal visit was meant to celebrate the first launching of a Prussian ship to China, making official the birth of the Asiatic Trading Company of Emden. For the past six years, the whole region had been preparing this great day. After having reclaimed from the sea 120 miles of dykes, sea-embankments on both sides of the Ems River, whose mouth had been dug out widely for sea-going ships, the day had come to conquer the sea itself as far and wide as any other peace loving nation had been able to do. Everything had been made ready for the King to declare Emden the new “Free-Haven” of international trade, the new great Prussian center of economic conquest. Carlyle understood the significance of the moment and filled in the details, probably given to him by his fifth column agent, inside of the Prussian company, another British agent by the name of Biefield:

“The Asiatic Trading Company stepped formally into existence, Emden the Headquarters of it; Chief manager a Ritter De la Touche; one of the directors, our fantastic Biefield, thus turned to practical value. A Company patronized, in all ways, by the King [...] a thing looked at with umbrage by the English and by the Dutch. A shame that English people should encourage such schemes [...] At the time of Friedrich’s visit, the Asiatic Company is in full vogue; making ready its first ship for Canton. First ship Koenig von Preussen (tons burden not given), actually sailed February next (1752); and was followed by a second, named Town of Emden, on the 19th of September following; both of which prosperously reached Canton and prosperously returned with cargoes of satisfactory profits. The first of them, Koenig von Preussen, had been boarded in the Downs by an English Captain Thompson and

his Frigate, and detained some days, - till Thomson 'took seven English seamen out of her.' 'Act of Parliament express!' said his Grace of Newcastle. Which done, Thomson found that the English jealousies would have to hold their hand no further, whatever one's wish may be." (Thomas Carlyle, Op. Cit., p. 153.)

The whole purpose of Thomson and his "discovery" of "the seven English seamen" were to have the new Prussian Company bogged down into the mud of an interminable commercial trial. The Asiatic Trade Company of Emden was railroaded! The irony was that Frederick had declared Emden a "Free-Haven" for all peace-loving nations that had interests in sea-going trade, but the so-called British "Free-Trade" did not see this peaceful venture with the same eye. Needless to say that the British Admiralty Courts took hold of the whole affair and immediately began to put a stop to the whole Prussian venture. The British Admiralty Court was entirely run by the privateers of the British East India Company. The case was not based on something that Frederick had done wrong, but on the fact that he had disagreed with free trade. The court case sank into muddy procedures that went on endlessly for years and succeeded in completely paralyzing the Prussian Company. Carlyle gave the following explanation for the case.

"He had declared Emden a 'Free-Haven,' inviting trade to it from all peaceable Nations; - and readers do not know (though Sir Jonas Hanway and the jealous mercantile world did) what magnificent Shipping Companies and Sea-Enterprises, of his devising, are afoot there. Of which, one word, and no second shall follow [...] To prevent disappointment, I ought to add that Friedrich is the reverse of orthodox in Political Economy; that he had no faith in Free-Trade, but the reverse; - nor had he ever heard of those ultimate Evangels, unlimited Competition, fair Start, and perfervid Race by all the world (toward 'Cheap-and-Nasty,' as the likeliest winning-post for all the world), which have since been vouchsafed us. Probably, in the world there was never less of a Free-Trader!" (Thomas Carlyle, Op. Cit., p. 156.)

There was the rub. Frederick was against the "Cheap and Nasty" British free trade policy. Indeed, the fight was between two opposite economic principles: fair-trade versus free-trade, in other words, "the advantage of the other" versus "taking advantage of the other." In fact, it was Frederick's contact with free trade, rather his collision with it, and his collaboration with Colbert, that made him realize the fundamental difference between Sea-based power and Land-based power. The fight that Frederick the Great put up against British free trade at Emden was essentially based on the difference between the land-based Peace of Westphalia policy of Mazarin-Colbert and the sea-based free-trade cheap-labor commerce that the British Empire East India Company had control over. The new internal development of Silesian linens, the timbers from Memel, the silk and velvets from Crefeld, and products from every other branch of Prussian industrial progress had to find outlets inside as well as outside of Germany. It was these advances in the productive powers of labor that the British imperialists were against, because such advances in technologies were the poisons that threatened to kill the Queen of Free Trade, "Cheap-and-Nasty."

Meanwhile, on January 24, 1753, Frederick created another company, this time an East India Company, the *Bengalische Handelsgesellschaft* that sent out two more ships to the Far East. "But luck was wanting," reported Carlyle, "And, in part, mismanagement, and in the whole, the Seven Years' War put an end to both companies." (Thomas Carlyle, Op. Cit., p. 154.)



Figure 2. The Ostfriesland province reclaimed from the sea by Frederick the Great.

Solely from Carlyle’s book on Frederick the Great, it becomes clear that the Seven Years’ War was executed for the purpose of creating the British East India Company as a Privateer Empire. The British Privateer Question required two immediate objectives: one was to destroy Frederick the Great’s Asiatic Trade and East India Companies of Emden, and two, expand the British controlled American colonies by taking over Quebec from the French. Indian historian, Abida Shakoor, confirmed that it was British free trade that was the main cause of the failure of Frederick’s Far Eastern international trade. He reported: “The failure of Emden to develop its trade with India and China was due partly to the inexperience of Prussian entrepreneurs and partly to the opposition of England and other maritime states to those who intruded upon their preserves.” (Abida Shakoor, *Origins of Modern Europe*, Aakar Books, Delhi, 2004, p. 92.) The irony is that in 1786, the British Ambassador to Berlin, Lord Dalrymple, concluded that Frederick’s homegrown Colbertian economic system “was too complicated and confused to admit of a clear and satisfactory explanation.” If that protectionist form of economic program was so bad, then, why is it that it was so successful?

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