

## **A Historical Revisionp of East India Company**

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### **Abstract :**

The legend of the East India Company that set out as a mere trading venture of sea-faring merchants that eventually went on to become a strong military power in just a little over two centuries to rule one-fifth of the global population, and more particularly, to acquire for the British Empire the kingdom of India. For, indisputably, the English East India Company stood out as the most remarkable edifice of commercial capitalism between Asia and Europe from the 16th to the 18th century. In this article I have made attempts to sketch a brief chronological narration of the ascend and descend of the great British company that began in 1600, with much pomp and fair, but whose rule and role in the affairs of India, at both the political and commercial level, ended abruptly in 1857, following the proclamation of Queen Victoria.

### **Introduction :**

It is important to note that for centuries, the spice trade of India and south-east Asian countries (known as East Indies in medieval times) with Europe was dependent on land routes across Asia and the Middle East. The discovery of Cape of Good Hope in the 16th century brought about a transformation in trade routes. The superior navigational technology of the Portuguese permitted them for the first time to spread across several in-between countries on land routes, by accessing East Indies directly by sea round the Cape of Good Hope. That enabled them to make much more profits than those they were making previously through indirect land trade, as no longer were they required to sell to various intermediaries en route to East Indies. Being pioneers in sailing ships over oceans, the Portuguese, and subsequently the Spanish and the Dutch had almost a monopoly of the East Indies spice trade. The Dutch and the Portuguese were able to get their goods at source, and with the change in the transport pattern for the spice trade from overland to oceanic routes, they were also able to reduce transportation costs and increase their profit margins.<sup>1</sup>

Before the birth of the English East India Company, as a whole the Portuguese had dominated the trade in the Indian Ocean and monopolized the spice trade to a large extent. The Portuguese system of passes or cartazes was enforced for the movements of the ships from Malacca in the East to Ormuz in the Persian Gulf to the best of the Indian subcontinent. Almost all traders collected passes from the Portuguese to carry the commodities of India to West Asia and other places. But in the closing years of the sixteenth century under the Spanish hegemony the Portuguese trade started to decline in the East. On witnessing the dwindling power of the Portuguese in the Indian Ocean, the Protestant nations had found a chance to establish their direct commercial contacts with the East to quench their thirst for spices.<sup>2</sup>

It is in this context that the Dutch after their liberation from the Spanish sway In 1581 had begun to push their business activities in all directions and Amsterdam became an emporium of Indian commodities. The Dutch had gained enormous profit from the East India trade. The successful and lucrative commerce of the Dutch in the East further boosted the activities of the English Company to initiate direct commercial intercourse with India. The prosperous trading activities of the Dutch in the East had brought the English in close relationship with the Dutch and both joined together to question the monopoly rights enjoyed by the Portuguese in the Eastern trade with an eye to have a share.<sup>3</sup>

With the turn of the seventeenth century In India, the local merchants who were bound to take cartazes from the Portuguese In the previous period, began to send ships loaded with pepper and other items to central Asia and other places. They rarely cared for the cartazes to be collected from the Portuguese. The practice of the local merchants encouraged the Directors of the East India Company to question the validity of passes or the claim for supremacy over the Indian Ocean put forward by the Portuguese. When the Portuguese position had become weak, the English found it feasible to have direct commercial contact with India.

The British East India Company was established in 1600 mainly to challenge the Dutch–Portuguese monopoly of the lucrative spice trade. The high profits reported by the Company after landing in India initially prompted King James I to grant subsidiary licences to other trading companies in England. But in 1609, he renewed the charter given to the Company for an indefinite period and included therein a clause, which specified that the charter would cease to be in force, if the trade were to turn unprofitable for three successive years. To start with, the Company bought four used ships for its first voyage, and the same ships were used for its second voyage, also. When in 1607, the Company decided to replace its lost ships and expand its activities, it sought to charter ships. But to its dismay, no tenders were submitted by any English ship owners.<sup>4</sup>

This situation forced the company to search for other options. As a result the Company finally decided to construct its own ships. It established its own dockyards for constructing, fitting and repairing its Asian-bound ships. These dockyards became a focus of the company's attention, as it required a large capital investment in building materials, and local labour. The ships were indeed large enough by the English standards of the 17th century. Surely, the Company needed even larger ships to meet the challenges of the route, as also of the competitors. Once the joint-stock corporation was established firmly with the support of both the Levant entrepreneurs and passive investors, the financial constraints eased significantly by 1620s, and the number of large ships built by the Company increased.

The British East India Company was aware even before the launch of its first voyage that it could not depend on England's traditional export goods, namely wool and woolen cloth, because the demand for these in the Indonesian archipelago was very low due to the hot and humid climate there. Since the bilateral exchange of cloth and spices was ruled out, the Company searched for markets for English cloth in the colder parts of Asia moving west and north. This strategy met with little success, however. It then started exporting precious metals, particularly silver, the monetary standard in Asia, so much so that not infrequently more than two-thirds of the Company's exports in its early years consisted of precious metals, primarily silver.<sup>5</sup>

This strategy, however, came to be opposed by an influential school of economic thought at home, which believed that export of precious metals was detrimental to the wealth of the nation. The fact that the exported silver was American silver bought at markets in Spain,

Portugal and the Netherlands rendered this matter much more complicated politically, also. In fact, the subject of exporting species proved to be one of constant bone of contention between the Crown and the Company. That partly led to the adoption of the third strategy, which involved the Company selling small quantities of lead, tin, sword blades, and ivory and coral (imported from Europe). It was this strategy which brought the Company into India, and then into the Persian market.<sup>6</sup>

Ultimately, the character of diverse Asian markets not only forced the Company to abandon the simple bilateral barter and spot-based exchange of goods at the ports of origin of spices in different countries, but led it into multilateral trade stretching across the Indian Ocean. As a result, the Company developed an Asia-wide trading system stretching from Yemen to the Spice Islands, from Basra to China, and from Persia to Japan, with hubs in Bantam (Java) and Surat (India).

It needs to be noted that the British East India Company achieved a major victory over the Portuguese in the Battle of Swally as early as in 1612. Slowly, the Company eclipsed the Portuguese Estado da India, and as it moved into India after the adoption of its third trade strategy, it saw a massive expansion of its trading operations across India. Numerous trading posts were established along the east and west coasts of India, and several English communities came to be established in and around the three presidency towns of Madras in 1639, Bombay in 1668, and Calcutta in 1690. By 1647, the Company had as many as 23 factories, each under the command of a factor, master merchant, or a governor, if he were so chosen.<sup>7</sup>

All the while during the years from 1650 till 1656, the Company was steadily making inroads into the Dutch monopoly of the spice trade in the Malaccan straits, which were acquired by the Dutch after ousting the Portuguese from there in 1640–41. By a series of five Acts around 1670, King Charles II gave it the rights to territorial acquisitions, to mint money, to command troops and fortresses, to form alliances, to make war and peace, as also to exercise both civil and criminal jurisdiction over the acquired areas. In short, the King invested the Company with full colonial powers to acquire territories and rule them.

Meanwhile, with the Company gaining powers, ambitious tradesmen and former associates of the Company, who wanted to establish independent private trading companies in India, pressurized Parliament to pass a deregulating Act in 1694, which annulled the monopoly charter of the Company that had remained in force for almost a century. The 1694 Act allowed any English firm to trade with India, unless prohibited specifically by any subsequent Act of Parliament. By 1720, nearly 15% of British imports were from India, almost all passing through the Company. The other British trading firms just vanished in the face of cut-throat competition from the Company, or chose to work as the Company's associates. That fact reasserted the influence of the Company. The Company also came to rule large areas of India through its conquests by exercising its military might, and even assumed governing functions over the acquired territories, besides carrying out its commercial pursuits.<sup>8</sup>

Meanwhile, Britain and France became bitter rivals in both Europe and India. Frequent skirmishes between them took place for the control of colonial possessions. In 1742, fearing the monetary consequences of a war, the British government agreed to extend the deadline for the licensed exclusive trade by the Company in India until 1783, in return for a further loan of £1 million by the Company to the government. Between 1756 and 1763, the Seven Years' War between England and France diverted the British government's attention towards consolidation and defense of its territorial possessions in Europe and its colonies in North America.

In the meantime, the Company continued to experience resistance from local rulers during its expansion. Robert Clive led the Company forces against Siraj ud-Daulah, the last independent Nawab of Bengal, Bihar, and Midnapore district in Orissa to victory at the Battle of Plassey in 1757, resulting in the conquest of Bengal.

In this context, it needs to be kept in mind that the Seven Years' War (1756–1763) in Europe between England and France resulted in the defeat of the French forces, and, as a consequence, restricted the French imperial ambitions. By the Treaty of Paris (1763), the French were allowed to maintain their trade posts only in small enclaves in Pondicherry, Mahe, Karikal, Yanam, and Chandannagar (formerly known as Chandernagore) without any military presence. With the defeat of the French on the Indian soil, the Company consolidated its trade interests in India.<sup>9</sup>

During the mid-18th century, after the advent of the Industrial Revolution, Britain surged ahead of its European rivals in economic growth. Demand for Indian commodities had already received a big boost by the need to sustain the troops and the economy during the Seven Years War in Europe. The Industrial Revolution further enlarged the demand for raw materials like cotton. Simultaneously, Britain began to experience higher standards of living.<sup>10</sup>

The spiraling cycle of prosperity, demand, and production had a profound influence on Britain's overseas trade, which grew rapidly. The Company benefitted immensely from this growth. It became the single largest player, and had virtually a complete trade monopoly in the British global market. It acquired an unassailable position in even the decisionmaking process of the government in India. The Company exported from India mainly cotton, silk, indigo dye, salt, saltpetre, tea and opium. In turn, it imported into India cotton and woolen cloth, iron and steel products, besides silver and gold.<sup>11</sup>

## Conclusion

To conclude, the English Company trading with India exported indigo and saltpetre in the early stages and later shifted its attention to textiles when they had greater demand in Europe. Among the commodities of export the textiles occupied a major share. The Eastern merchandise sent by the Company were disposed of in the home market and re-exported to European markets. Thus, the Company earned huge profits.

## References

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