

**EAST INDIA COMPANY: THE LARGEST MULTINATIONAL
CORPORATION IN THE WORLD**

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ABSTRACT

The research paper analyses the role of multinational corporations and the British East India Company. From the beginning of the company to its trade in India and then the eventual battles are evaluated. The effects of the East India Company on the political and economic conditions are assessed. The eventual difficulties faced by the company and its decline are also studied. The paper also inquires about the increasing dominant role of multinational corporations in our world. The paper has mainly used secondary sources for the research.

Keywords: Battles, East India Company, Multinational corporations, Monopoly, Trade

INTRODUCTION

Today there are thousands of multinational corporations operating across the globe. Multinational corporations are corporations that operate in more than one country. We have true corporate giants existing in our world operating mostly from its headquarter in the developed world. The profits of Exxon Mobil, Walmart, Toyota are more than the GNP of any third world country. However, nothing compares to the sheer power and size of probably world's first multinational corporation i.e. The British East India Company. From its humble beginnings it became the biggest business in Britain and rose to assert its power through virtually whole of the sub-continent. At its peak it had an army of 260,000 people which is something today's multinationals can only dream of. The pomp and grandeur of the company is inconceivable. At its height, it controlled the vast population of 200 million with just 6000 British soldiers. The multitude of its army comprised of local inhabitants. How a small company aided by the British government came to dominate and defeat the mighty Mughal Empire? We have to see how multinational corporations are very much alike and different from the East India Company which was the robber baron of its time. The British East India Company quickly foreshadowed the Dutch and French companies in the subcontinent. These companies of the time claimed to be trading but

practiced monopoly and they were encouraged by their governments to serve their interests.

HUMBLE BEGINNINGS

From its headquarters in the city of London, it managed a commercial empire that stretched across the Atlantic, around the cape, past the Gulf and on to India and China (Robins). It was around 1600 A.D. that the Queen Elizabeth I granted to the company, permission to carryout trade in Indochina. The Dutch and Portuguese had already infiltrated the markets in Indochina before the British. In 1612, however, an English sea victory over the Portuguese off Surat, finally persuaded Jahangir to grant the East India Company Surat as a factory (Judd, 2004:12). The company was successful in getting acceptance of Mughal ruler to carry out spice and silk trade in India. The European used spices to preserve food and improve its taste while cotton cloth replaces wool. It was tea and later coffee that changed the cultural life of Europeans in the 18th and 19th centuries. Over the next few years the British East India Company fought wars and drove the French, Dutch and Portuguese out of India. It setup factories at Madras, Bombay and Calcutta. These cities flourished and became Mega cities due to trading outposts for the company. In fact, Calcutta became the centre of Company's rule in India. In Pakistan, Thatta was a village which became an important port (Ali, 2002:94). The steady decline of the Mughal Empire helped the British and other groups to assert their power. In fact, the East India Company took advantage of its special status and brought political leverage. The companies whether Dutch or British had the feeling that they cannot trade without war, nor make war without profit of trade.

BATTLE OF PLASSEY

The battle of Plassey (1757) was a decisive clash that drove the East India Company up to the helm of affairs in the sub-continent. The East India Company ceased to become just a company that engaged in spices and silk trade but became a colonial aggressor. The Company was not pleased with the young Nawab of Bengal, Siraj-ud-Daulah and sought to replace him from power. It was one of the first instances that a company sought to intervene in a country's politics to achieve its economic interests.

To win the battle, the company deployed its own private army, some of them European but mostly Indian, against the vastly numerous forces of the Nawab of Bengal (Ruggeri). It was through a mixture of cunning, bribery and audacity that the East India Company won the

battle. Robert Clive, the Governor of the honorable company (as it was called) had bribed the uncle of Nawab of Bengal and also the richest merchants of Bengal. The name of Mir Jafar (uncle of Nawab of Bengal) is still attributed with the word 'traitor' in India and Pakistan. Nevertheless, "Plassey marked a practical and symbolic triumph that guaranteed the future of Britain in India". (Judd: 2004:30).

Bengal was the richest province of the Mughal Empire and it had fallen into the hands of a multinational corporation. Robert Clive is seen as an adventurer and a psychopath. The entire contents of the Bengal treasury were simply loaded into 100 boats and punted down the Ganges from the Nawab of Bengal's palace to Fort William, the company's Calcutta headquarters (Dalrymple). Robert Clive's personal fortune amounted to £ 234,000 which transfers to £ 23 million in today's money and made him one of the richest men in Britain.

For the next few years the company's rule over Bengal had disastrous consequences for the inhabitants of the richest province. Robert Clive convinced the Mughal Ruler, Shah Alam, to permit the company to collect taxes in Bengal. The company was seeing the advantage of markets and the profits that followed from it. The company was using the tax revenues of Bengal to buy the textiles of Bengal; the export of the bullion from Britain ceased and the 'drain of India' had begun (Robins). In the nineteenth century the textile industry of India was one of the largest in the world. The Industrial revolution transformed Britain and Europe and cheap textiles manufactured in factories became readily available in markets. It hastened the destruction of once local industries, because British goods such as machine-made textiles were imported duty free into India (Duiker, 476). Thus India was de-industrialized due to flood of textiles from Britain into India.

A few years later in 1770 severe drought affected the state of Bengal. It is believed that about one million people lost their lives due to the negligence of the East India Company. Corruption was rampant in the early years of the East India Company. The company officials returned to Britain and lived lavish lifestyles. When they came back to England with all the riches that they had accumulated in India, they polluted English politics by buying land and seats in the parliament (Ali). There were referred to as 'Nabob'. A man who had become wealthy due to corruption in the sub-continent. Nehru famously ascribed the word "loot" to the company's rule in India. But the colonialists termed it as having a civilizing effect in the sub-continent and they claimed that Indian society was in chaos and entangled in old customs and values.

BUXAR AND MYSORE

Some historians refer to the Battle of Buxar (1764) as the decisive battle instead of the battle of Plassey. The battle was fought between the forces of East India Company and the combined forces of the Nawab of Bengal, Nawab of Oudh and Shah Alam II, the Mughal Emperor in 1764. The main reason for the battle was the independence and reforms of Nawab of Bengal (Mir Qasim) who refused to remain a puppet leader under the East India Company. It was an important battle for the company as it proved itself on the battlefield after victory at Plassey was achieved by a bit of trickery and bribery. The Indians were defeated by the forces of company. The treaty that followed gave the diwani (right to collect taxes) to East India Company in Bihar, Orisa and Bengal. After victories in the battles of Plassey and Buxar, the English East India Company became the real masters of Bengal (Sagar, 2006:13).

Mysore was another state which challenged the authority of the British. The ruler of Mysore, Haider Ali and his son Tipu Sultan fought four Anglo-Mysore Wars. It was sign of any other multinational which opposes competition and seeks monopoly. As the East India Company gained more power it led to more expansion of the sub-continent. A tiny company, headquartered in a small office in London, answerable to only its shareholders had become the unrivalled masters of the sub-continent.

TEA AND OPIUM

In the eighteenth century tea was exclusively grown in China. Due to the European traders the people in Europe had become addicted to the tea from China and sugar from Caribbean. Britain was buying huge quantities of the stuff – it was top of the national shopping list above exotic Chinese goods like Silk and Porcelain (Rowlatt).

In the early eighteenth century the European states still believed in the economic idea of mercantilism. They believed that state's exports should be more than its imports. A powerful state has more gold and silver reserves. Desperate to find a way of paying for the tea trade without exporting bullion, Warren Hastings (Governor of East India Company) first tried to smuggle opium into China in 1781, defying the Qing Empire's trading ban (Robins). It was another example of a multinational corporation only answerable to its shareholders and seeking profits at the expense of people.

When the Chinese protested against the ill effects of opium, the East India Company sent its ships resulting in the Opium wars. They forced the Chinese to open up ports to British trade in everything – including

opium and to cede the island of Hong Kong (Rowlatt). The British cultivated opium in Bengal and smuggled it into China. The company got a monopoly on Tea and was taken to another of British colonies i.e. America. The East India Company was exempted from taxes on tea that it shipped to American colonies. The British Parliament passed an act in 1773 that “forbade the Americans from buying tea from anyone other than the East India Company” (Gunderson, p-26). The Americans protested and dumped tons of tea in the Boston Harbour and the incident culminated in the American War of independence (1775-83).

EAST INDIA COMPANY AND EDUCATION IN INDIA

In the beginning and up-till the end of the 18th century, the objectives of East India Company were solely trading backed by military power and little attention was paid for the well-being of the people of India (Iqbal, 1977:423). The company was negligent to the education needs of masses, however, the selective education provided with the passage of time had two broad motives: (i) Missionary- i.e. the conversion of Indians to Christianity (ii) Production of Clerks for the administration where the key positions were held by British.

The rush of missionaries and a different system of education by the company made a large portion of Muslims to be defensive in order to maintain their identity of religion (Nayyar). Since Persian was replaced by English at the higher administrative level and Mughal system of justice was also abolished therefore the suspicion of Indians increased that their religious traditions are being attacked (Jalal, 2008:118). Education in colleges was aimed at conversion of Indians to Christianity but this could not materialize as Hindus continued to practice their customs (Iqbal, 1977:422).

Lord Macaulay an administrator and politician emphasized on Western education and wrote a minute on education in 1835 and rejected the Indian and Arabic literature. Therefore, the resolution of March, 1835 made English as the official language and medium of instruction (Iqbal, - 425). Macaulay did not mince his words and said that education in India should create class of officials whose color is only brown while all his manners are English (Hoodbhoy, 1998:2).

Despite their apathy to traditional education in India, the company was although motivated by the interest of their own officers for learning. The local languages opened the following colleges:... Lord Wellesley set up the Fort William College at Calcutta in 1800. By 1803, Dr. John Gilchrist of the Fort William College had... with the use of Roman characters.... Already translated a selection of English stories into

Hindustani, Persian, Arabic, Braj Bhasha, Bengali and Sanskrit. The Agra college was founded in 1823 and later universities were started in each of the presidency provinces of Bombay, Bengal and Madras. In Delhi... Delhi College was founded (Verma, 1989:57).

Muslims in India prevaricated to adopt English as a medium of education therefore they lagged behind in jobs. However, Sir Syed Ahmed Khan supported the view that Muslims should learn English to get a fair share of jobs in government (Rehman, 2010:216). Sir Syed's suggestions proved to be quite valuable as the Western educated elite in India and Pakistan played a significant role in the independence of Sub-continent and the creation of Pakistan.

THE GREAT GAME

The British East India Company and Russia had their forward policy into Afghanistan and Central Asia respectively.. This led to many adventures where shrewd and ruthless agents played significant roles against the adversaries. In the beginning of Great Game in 1810 Henry Pottinger and Charles Christie on the British side and Muraviev and Vitkevich on the Russian side were the prominent secret service agents (Hopkirk, 1990:7). In the Great Game, Russia and Britain were the main adversaries over the areas of Afghanistan, Persia, Xinjiang and Central Asia (Rashid, 1994:18).

There was apprehension that Russia would attack British India through Afghanistan or Iran after annexing Central Asia. This led to British overtures and misadventures in Afghanistan. Therefore, the Afghan war of 1839 was a disaster for British and the image of English officers lessened in the eyes of Sepoys of India (Jalal, 2008:118).

Despite the British setback in Afghanistan, the Great Game did not abate, rather it intensified. When 1400-Kilometer railway line from Caspian Sea to Smarkand was completed in 1888, British too agreed to extend its Railway line up to the border with Afghanistan through Khyber and Bolan passes (Rashid, 1994:19). However, Afghanistan remained a buffer state between Russia and British India up-till 1947.

TIMES OF TROUBLE

Not everything was going well for the East India Company at the end of the eighteenth century. The company had incurred heavy debt and was bailed out by the British government. The East India Company was too big to fail. It was reminiscent of bailing out of banks and corporations by U.S. government after the recession of 2008. The greatest critics of the company were the two great intellectuals of the age i.e. Adam Smith and

Edmund Burke. In *The Wealth of Nations* (1776), Adam Smith used the East India Company as a case study to show how monopoly capitalism undermines both liberty and justice (Robins). Smith was the proponent of liberalism which replaced the mercantilist beliefs in Europe. He specifically condemned East India Company for its abuses. Edmund Burke, the conservative spirit of the age, opposed the French Revolution of 1789 and the company's role in India. He 'accused the traders of the East India Company of using illegitimate ways and means to accumulate wealth pilfered from India (Ali).

However, the event that shook the very foundations of the company and the British Empire, was the Indian War of Independence of 1857. The British referred to the event as a mutiny while the nationalists called it a war of independence. The rebellion began at Meerut (40 miles of Delhi) due to a seemingly innocuous set of circumstances. The cartridges that were supplied to the troops, 'were rumored to have been smeared with cow and pig fat repugnant to Hindus and Muslims alike (Bose, Jalal, 2004:71). The mutineers killed many of their British officials and marched to Delhi and asked Bahadur Shah Zafar to lead the campaign against the British. The real reasons for the rebellion rested in the cruel rule of the company and the emergence of Christian missionaries. The rebellion was confined to North India but it had a profound effect on the British. After months of brutal siege at Lucknow, the British reserves arrived and defeated the mutineers. The savagery of the British revenge afterwards is striking. Entire villages were burned down, mutineers were smeared in pig fat before execution (Paxman). The last Mughal King, Bahadur Shah Zafar was sent into exile to Rangoon (Burma). The most outstanding effect was the end of the British East India Company and the direct rule of the British government over India (British Raj). The company's stocks were officially settled in 1874. The British adopted a policy of divide and rule and with the discovery of gunpowder the British were able to beat with their guns the numerous local opposition.

CONCLUSION

In the twenty first century multinational corporations are an important aspect of globalization. There are thousands of multinational corporations operating in different parts of the world. Their investment is desperately sought after by the third world countries despite of their shortcomings. For all the power wielded today by the world's largest corporations-whether Exxon Mobil, Walmart or Google – they are tame beasts compared with the ravaging territorial appetites of the militarized East India Company (Dalrymple). The company was only answerable to

its shareholders and in pursuit of profits it crossed all ethical bonds and invaded vast portion of the sub-continent.

The case of East India Company is a study in the rise of a petty corporation that became a monopoly and then a colonist. An example that creeps into mind is the removal of Salvadore Allende's government in Chile (1973) by the International Telephone and Telegraph Company. Today most of the leading multinational companies are from the western world and enjoy unprecedented rise in power and profits. The example of East India Company teaches us a lesson that monopolies need to be checked and open markets do not constantly function well. The rule of East India Company can teach us that unbridled rule by corporation's leads to, "abuse of market power, corporate greed, judicial impunity, the irrational exuberance of financial markets and the destruction of traditional economies". The idea of direct colonialism/imperialism is not likely to happen today but the multinational companies have the capacity to manipulate the third world countries in a more subtle way. But multinational corporations are the need of the day and they are encouraged to invest in almost all the countries. What is needed is command and control of multinationals.

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