The East India Company

- A Chartered company, type of corporation, evolved in the early modern era in Europe. It enjoyed certain rights and privileges and was bound by certain obligations, under a special charter granted to it by the King/Queen (granting it sovereign authority). The company’s charter defined and limited rights, privileges, and obligations, as well as the localities in which they were to be exercised. The charter usually conferred a trading monopoly upon the company in a specific geographic area or for a specific type of trade item.¹

- The English East India Company evolved from a small enterprise run by a group of City of London merchants, which in 1600 was granted a royal charter by Queen Elizabeth I conferring the monopoly of English trade in the whole of Asia and the Pacific.

- At its outset the East India Company was interested in the commercial opportunities offered by the spice islands of Southeast Asia rather than India. However cargoes of Indian cloth sparked growing interest amongst consumers in England. The Company also shipped Chinese merchandise from Canton (Guangzhou): tea, silk, textiles and porcelain. Asian commodities were paid for with exported British woollens and metals, supplemented by silver bullion.

The Company’s operations were underpinned by the ‘factory’ system: when the ships returned to Europe, agents known as ‘factors’ were left behind at trading posts to negotiate with local merchants for the sale of current stocks of goods and the procurement of return cargoes for the next year’s voyage.

Company business was overseen by a central administration in London based around the twenty-four elected members of the Court of Directors and a number of specialized committees of the Court. The directors were answerable to the Company shareholders who met regularly at the General Court of Proprietors. The Company sent commercial, political and administrative instructions on its ships to the councils established at its main settlements in Asia, and these councils were in turn responsible for the management of subordinate factories which included Bandar Abbas and Basra.

**Other Chartered Companies:**

![Royal Africa Company (1660-1752)](image1)

![Hudson’s Bay Company (1670-Present Day)](image2)

![French East Indian Company (1664-1794)](image3)

![Dutch East India Company (1602-1799)](image4)
- The East India Company developed beyond a purely commercial enterprise when war between Britain and France spread to India in the mid-1740s. The Company established military supremacy over rival European trading companies and local rulers, culminating in 1757 in the seizure of control of the province of Bengal.²

- By 1700, the Company's base for the China trade was transferred from Taiwan to its "factory" at Canton (Guangzhou). With its Royal Charter, the Company was granted the privilege of monopoly of trade in the East Indies until 1833.

- From 1700 onwards, most foreign traders were confined in Canton, where rigid restrictions were imposed through the practice of Co-hong, a guild of Chinese merchants, the sole recognized agency between foreign and Chinese merchants. The Hongs were the only merchants licensed by the Chinese officials to deal with the foreign traders.
  - They were made responsible not only for all business deals with foreigners, but for their debts and behaviour as well. However rich and influential they were, the merchant class was traditionally despised by the mandarin class in China. The Hong merchants, as a result, could not enjoy the full rights of profiting from the trade. They were under the jurisdiction of a local governor and a customs officer who was required to pay a large sum every year to the government and subsequently he recovered his cost several times over by levying –

heavy taxes on foreign ships (including one for measuring the length of incoming ships) and by taking huge cuts from the deals made by the Hong merchants, who in their turn passed the tax burden to the foreign traders. The limited trading ports and the exorbitant fees paid to the customs officer via Hong merchants were the main grievances expressed by the Company traders. Seeking ways of by-passing the restrictions imposed by the local officials at Canton, the Court of Directors of the East India Company proposed sending a royal envoy to the Imperial Court at Peking to negotiate a preferential treaty.³