

The Imperious Company

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In August 1769, Two Armenian merchants, Johannes Rafael and Gregore Cojamaul, arrived at London's docks. The two were rich men and had made their fortunes in India's most prosperous region, Bengal. But their purpose was not to trade. Instead they sought justice from the most powerful corporation in the world: the East India Company.

In March 1768, Rafael, Cojamaul and two others had been summarily arrested by the Company's chief executive in Bengal, Harry Verelst, who then held them for more than five months under guard. When they were released, they found that the Company had pressured its puppet, the Nawab of Bengal, to ban all Armenians from the Bengal market.

Rafael and Cojamaul appealed to the Company's board of directors, complaining of their "cruel and inhuman" treatment. When this was arrogantly brushed aside, the two went to court, suing the Verelst for damages. An intense legal battle unfolded from 1770 until 1777, when the courts found Verelst guilty of "oppression, false imprisonment and singular depredations". The Armenians won a total of £9,700 in compensation - more than £800,000 in today's money. Thousands of miles from the scene of the crime, the principle of extraterritorial liability for corporate malpractice had been established in Georgian London.

Fast-forward more than 200 years, and Cojamaul and Rafael's revenge still has a powerful resonance for communities seeking to plug the justice gap in 21st century globalisation.

Founded on a cold New Year's Eve in 1600, the Governor and Company of Merchants in London Trading into the East Indies—its original full name—was the mother of the modern corporation. 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 onto India and China. Starting as a marginal importer of Asian spices, the Company became the agent that changed the course of economic history, combining financial strength with military muscle to conquer India and break open China's closed economy. Always with an eye to the share price and their own executive perks, its executives in India combined economic muscle with a small, but effective private army to establish a corporate state across large parts of the subcontinent.

The battle of Plassey is often regarded as the contest that founded the British Empire in India, but is perhaps better viewed as the Company's most successful business deal, generating a windfall profit of £2.5 million for the Company and £234,000 for Robert Clive, the chief architect of the acquisition. Today, this would be equivalent to a £232 million corporate windfall and a cool £22 million success fee for Clive.

Eight years later, Clive followed up his coup at Plassey with another lucrative acquisition: he convinced the Mughal emperor to out-source tax collection in Bengal to the Company. The Company's share price soared on London's financial markets, almost doubling in the next three years. But the rains failed in Bengal, marking the start of a ferocious drought. What turned this into a ravaging famine was the weakened state of Bengal and the Company's negligence and callousness—even increasing the tax rate to ensure that the overall revenue remained level. Some

estimates put the resulting deaths from starvation as high as 10 million—with some regions losing between a third and a half of their inhabitants.

Nor did the Company's footprint stop there. If India was the site of its first commercial triumphs, it was in China that it made its second fortune. Its 'factory' at Canton was the funnel through which millions of pounds of Bohea, Congou, Souchon and Pekoe teas flowed west to Britain, Europe and the Americas. In the other direction came first silver and later a flood of Indian-grown opium, smuggled in chests, defying the Qing Empire's trading ban. When the Qing eventually tried to crack down on the import of 'foreign mud', Britain sent in its gunboats in the first of a series of 'opium wars'.

But before the second opium war was over, the Company itself was no more, the victim of the public backlash in Britain in the wake of the 1857 Indian Mutiny—otherwise known as the 'first war of Indian independence'. On April 30, 1874, its stock was liquidated and the Company's financial heart finally stopped beating.

At first sight, this extraordinary corporate biography might seem to be merely of antiquarian interest. There is clearly a world of difference between the Company's operations in the 18th century and the business landscape of our own times. Yet in its financing, its structures of governance and its business dynamics, the Company was undeniably modern. It may have referred to its staff as servants rather than executives, and communicated by quill pen rather than e-mail, but the key features of the shareholder-owned corporation are there for all to see. What is equally striking is how it not only shaped the *modern multinational*, but also prefigured the same bundle of tensions exhibited by today's global corporations.

The East India Company's rise and fall highlighted three fundamental flaws in the corporate metabolism: first, the unrelenting drive to market domination; second, the inherent speculative dynamic of shareholder-owned businesses; and, third, the absence of effective mechanisms for bringing companies to account for overseas malpractice. Looking back, the parallels with today's corporate leviathans became overpowering, with the Company outstripping Wal-Mart in terms of market power, Enron in corruption and Union Carbide in human devastation.

The example of the Armenian merchants winning their battle for reparations from the Company can also inspire people in today's efforts to hold corporations to account. As one knows from the unrelenting pain of incidents such as the Union Carbide disaster at Bhopal, instruments of justice need to be as international as business. Rafael and Cojamaul's legal triumph can give the underprivileged hope that they too can put in place effective legal mechanisms to enable those affected by corporations to bring action, either in the company's place of registration or in an international court. The realistic prospect of judicial intervention to penalise malpractice, wherever it may occur, would be a powerful deterrent, further encouraging business to adopt responsible practices that prevent problems in the first place. □□□

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