

**Embryonic Multinational Corporations and Private Military
Companies in the Expansion of the Early-Modern Overseas
Charter System**

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In His 'infinite and unsearchable wisdom'...God had so ordained matters that no nation was self-sufficient and that 'out of the abundance of ffruit which some region[s] enjoyeth, the necessitie or wante of others should be supplied'. Thus 'several and ffar remote countries' should have 'traffique' with one another and 'by their interchange of commodities' should become friends.¹

Elizabeth I

The private exercise of lethal violence is clearly not a recent historical development. From antiquity to modernity, private military actors have played a legitimate role in warfare. In this historical trajectory, Private Military Companies (PMCs) tend to be contextualized as part of the evolution of mercenary practices, particularly since the late-Middle Ages.² Whereas authors such as Davis, Milliard, Spicer, and Zarate establish historical links between PMCs and the 'free companies' and the *condottieri* of the late Middle Ages,³ Singer, Smith, and other authors do so with the overseas trading companies of early modern times.⁴ Links with the *condottieri* tend to be established in light of the more permanent constitution of mercenary groups under the *condottieri* system and the contractual relations established between these groups and their employers. Yet the *condottieri* system was a phenomenon largely confined to the Italian peninsula that did not significantly transcend its geographical origins. Therefore, it lacked a multinational character that I argue in this paper is necessary to establish a parallel with PMCs. Links between PMCs and the overseas trading companies, on the other hand, are established in particular due to the corporate constitution of the companies and the extensive use of force they made in the conduct of their business. However, the overseas trading companies tend to be approached as military actors as a whole, whereas I establish the need to identify their forces from the overall commercial

¹ Cited in Keay, John. *The Honourable Company. A History of the English East India Company*. London, HarperCollins, 1993, pp. 9-10.

² I define Private Military Companies as *legally established multinational commercial enterprises offering services that involve the potential to exercise force in a systematic way and by military means and/or the transfer or enhancement of that potential in clients*.

³ See Davis, James R. *Fortune's Warriors. Private Armies and the New World Order*. Vancouver, Douglas & McIntire, 2000, pp. 127-8; Milliard, Todd S. 'Overcoming Post-Colonial Myopia: A Call to Recognize and Regulate Military Companies'. *Military Law Review*. June 2003, vol. 176, p. 9; Spicer, Tim. *An Unorthodox Soldier. Peace and War and the Sandline Affair*. London, Mainstream Publishing, 1999, p. 40; and Zarate, Juan Carlos. 'The Emergence of a New Dog of War: Private International Security Companies, International Law, and the New World Disorder'. *Stanford Journal of International Law*. 1998, vol. 34, p. 91.

⁴ See Singer, Peter W. *Corporate Warriors. The Rise of the Privatized Military Industry*. New York, Cornell University Press, 2003, pp. 34-5; and Smith, Eugene B. 'The New Condottieri and US Policy: The Privatization of Conflict and Its Implications'. *Parameters*. Winter 2002-03, vol. 32, no. 4, pp. 107-8.

enterprises. Approaching the problem from this perspective would allow me to argue that these private forces constituted an embryonic form of PMC. Thus, O'Brien is correct in pointing out the 'security elements' maintained by the 'great exploration companies' such as the Dutch VOC and the British South Africa Company in his analysis.⁵ Nevertheless, my argument encompasses not only the larger companies, but also the many overseas trading companies that proliferated during the early modern period.

A wide-ranging account of early-modern overseas history and political economy is beyond the aims here.⁶ This paper focuses on the following historical aspects. Firstly, the logic of the charter system and the environment in which it developed are outlined. Secondly, I draw attention to the close links between the expansion of trade, monopoly rights, and the private use of force. Thirdly, I elaborate on the constitution of the armies and navies of the trading companies and the services they rendered. Finally, I argue that the multinational character of the charter business resulted in the evolution of the private forces maintained by the trading companies into the closest historical antecedent to PMCs. The historical period covered in this paper corresponds to the time when the modern world system was developing.⁷ While the points raised here do not intend to conform strictly to world system theory, authors that belong to this tradition are cited. Although the expansion of the charter system to locations all over the world is acknowledged, the chief focus is on the ventures in the Indies,⁸ where trade remained a strong imperative for nearly two centuries and the forces maintained by the trading companies were active agents in facilitating it.

⁵ See O'Brien, Kevin A. 'PMCs, Myths and Mercenaries: the debate on private militaries companies'. *Royal United Service Institute Journal*. February 2000 (8 May 2000): <http://www.kcl.ac.uk/orgs/icsa/pmcs.html>; and O'Brien, Kevin A. 'Private Military Companies and African Security 1990-98', in Musah and 'Kayode Fayemi (eds.), *Mercenaries. An African Security Dilemma*, p. 43.

⁶ By early modern times, I refer to the 1600-1800 period. These two centuries cover the Europe of the *Ancien Régime* (spanning from the late sixteenth century until the French Revolution) and the 'military revolution' military historians argue took place. During these two centuries, Europe underwent far reaching social, political, and military transformations, which cemented the basis for the creation of the modern world system.

⁷ I use the term 'world system' to denote the consolidating international order that developed out of the establishment of permanent patters of interactions between Europe and the rest of the world, and 'world economy', to refer to the emergent capitalist economic system created by the global expansion of merchant capital.

⁸ The 'Indies' was a term commonly used to designate the nations east of the Mediterranean Sea. A distinction subsequently emerged between the East Indies (Asia) and the West Indies (South America and the Caribbean). In this paper, I use the term Indies to refer to the East Indies.

Long-distance trade in early modernity

In early modern times, private enterprising in Europe found a new form of expression in collective capitalism, which materialized in part by the formation of 'joint-stock' trading companies. Governments sanctioned these new entities through 'charters'. A charter stipulated the rules for the governance and constitution of a company and granted a trade monopoly over particular goods and geographical areas of trade. European countries saw it necessary 'to adopt the principle of the charter in one form or other', with the direct involvement of governments into the companies' activities varying in each country.⁹ Chartered ventures differed in certain characteristics, e.g. date of charter, duration, and area of trade, yet 'they were remarkably similar in the way they organized their business.'¹⁰ This new form of enterprising introduced the idea of incorporation, with stockholders supplying the capital needed for companies to operate. Companies assumed a unified identity, which was managed by courts of directors and sanctioned by public charter. Stavrianos summarizes some of the features that turned joint-stock companies into attractive investing opportunities:

their joint-stock character limited the responsibility of the investor, separated the functions of investing and management, and also made possible the mobilization of large amounts of capital for specific ventures. Anyone who wished to speculate with a little of his money could do so without risking his whole future. He risked only the amount he invested in company shares, and he could not be held further liable for whatever losses the company might incur.¹¹

Carr notes that in England 'incidents of corporateness' turned into a 'common form', with companies increasingly being characterized by 'the right of perpetual succession, of suing and being sued, of having a common seal, of dealing with lands and of making by-laws.'¹² Klein further observes that by the sixteenth century 'the commercial application of incorporated entrepreneurship had been firmly implanted in North-West Europe.'¹³ North-western European nations, notably England and the United Provinces (the Dutch Netherlands), positioned themselves at the forefront of the charter system. The principle of the charter was emulated by other European nations and used to sanction mercantile

⁹ Griffiths, Percival. *A Licence to Trade. A History of the English Chartered Companies*. London, Ernest Benn, 1974, p. xi.

¹⁰ Carlos, Ann M, and Nicholas, Stephen. "'Giants of an Earlier Capitalism": The Chartered Trading Companies as Modern Multinationals', in Irwin, Douglas A (ed.). *Trade in the Pre-Modern Era, 1400-1700* (vol. 1). Cheltenham, Edward Elgar, 1996, p. 124.

¹¹ Stavrianos, L. S. *The World Since 1500. A Global History*. Englewood Cliffs, N.J., Prentice-Hall, 1966, pp. 21-2.

¹² Carr, Cecil T. (ed.). *Selected Charters of Trading Companies A.D. 1530-1707*. London, Bernard Quaritch, 1913, p. xiii.

operations in every continent.¹⁴ The proliferation of this type of enterprises resulted in the creation of a European charter system of global reach.

The duration of the stock varied. Whilst in some instances companies were created with a terminable stock, used for single or seasonal trips abroad, in some other cases the duration of the stock allowed companies to exist for substantially longer periods of time. Still, charters were continuously modified, resulting in companies gaining or losing privileges, modifying their stock composition, and being governed and organized in alternative ways. For example, the Danish East India Company (*Danske Ostindiske Kompagni*) in the period between 1616 and 1800 underwent several reorganizations to the point where it can be argued that 'there were several distinct' companies'.¹⁵ The Company was reorganized in 1732, becoming the Danish Asiatic Company (*Danske Asiatiske Kompagni*); its charter was renewed again in 1772, throwing open the India trade but keeping the monopoly on China trade; finally, the Company was broken up in 1844.¹⁶ Steensgaard highlights the remarkable nature of a relatively few overseas trading companies that 'became permanent, anonymous associations of capital, comparable to modern business corporations'.¹⁷ The United Dutch East Indies Company (*Verenigde Oostindische Compagnie* or VOC) transformed into this type of entity 'apparently by 1612', whereas the English East India Company (EIC) 'had certainly made the transition by 1659'.¹⁸

¹³ Klein, P. W. 'The Origins of Trading Companies', in Blussé, Leonard and Gaastra, Femme (eds). *Companies and Trade. Essays on Overseas Trading Companies during the Ancien Régime*. Leiden, Leiden University Press, 1981, p. 23.

¹⁴ Not all chartered companies were joint-stock enterprises. Some companies lacked incorporation features and were simply trade associations, with charters granting groups of merchants monopoly rights over specific products or trading destinations. For example, in England the Merchant Adventurers was one such company. They monopolized the export of cloth to the continent and did not see this monopolistic privilege challenged until 1689. Braudel reminds us that the term 'adventurers', also adopted by other companies, in fact meant any merchant engaged in foreign trade'. See Braudel, Fernand. *Civilization and Capitalism 15th-18th Century* (vol. 2). *The Wheels of Commerce*. London, Fontana Press, 1985, p. 448.

¹⁵ Furber, Holden. *Rival Empires of Trade in the Orient 1600-1800*. Minneapolis, University of Minnesota Press, 1976, p. 211.

¹⁶ Gøbel, Erik. 'Danish Companies' Shipping to Asia, 1616-1807', in Bruijn, Jaap R. and Gaastra, Femme S. (eds). *Ships, Sailors and Spices. East India Companies and their Shipping in the 16th, 17th and 18th Centuries*. Amsterdam, NEHA, 1993, pp. 99-101.

¹⁷ Steensgaard, Niels. 'The Companies as a Specific Institution in the History of European Expansion', in Blussé and Gaastra (eds), *Companies and Trade*, p. 247.

¹⁸ Neal, Larry. 'The Dutch and English East India companies compared: evidence from the stock and foreign exchanges', in Tracy, James D. (ed.) *The Rise of Merchant Empires. Long-distance Trade in the Early Modern World, 1350-1750*. Cambridge, Cambridge University Press, 1990, p. 195. The EIC was first chartered in 1600 as the Governor and Company of Merchants of London Trading into the East Indies. In 1698, a rival 'English' East India Company was established. At the beginning of the eighteenth century, an Act of parliament forced the merger of the two companies, which gave rise to the United Company of Merchants of England Trading to the East Indies (or the United EIC).

It seems prudent to acknowledge further that ‘the European system of collective capitalism did not develop as a simple, undifferentiated category.’¹⁹ There were variations in the constitution, operation, and governance of joint-stock companies reflecting differences in the organization of national economies and governmental attitudes towards private enterprising. For instance, in contrast to the United Provinces, ‘England was not a republic dominated by merchants and rentiers, but a kingdom ruled by sovereigns on whom nobility and gentry had great influence.’²⁰ In the case of the Danish and the French East Indies Companies, while the former ‘never succeeded in raising capital large enough to draw full advantage of the company form of organization’, the latter ‘only worked as a fully integrated organization for a short period’ in the seventeenth century, and ‘not until the time the ages of companies was drawing towards its end had it reached’ an organizational level sophisticated enough to rival the Dutch and the English.²¹ Yet in the context of their history, the Danish, the Dutch, the English, and the French East Indies Companies were overall profitable ventures.

Some companies chartered for trade in other regions, on the other hand, did not meet with prosperity. For example, the Scottish attempts at overseas trade with the so-called ‘Darien’ company, chartered in 1695 as the Company of Scotland trading to Africa and the Indies, met with catastrophe.²² The Act of Union with England has something to do with the misfortunes of the Darien Company, as London merchants ‘were anxious to stop the loophole whereby rivals and competitors could circumvent English laws by incorporating in Scotland.’²³ The Portuguese established in the 1640s the *Companhia Geral para o Estado do Brazil* with the purpose of providing military assistance to the Portuguese fighting the Dutch West Indies Company in Brazil in return for trade privileges.²⁴ Although the Company as a commercial venture was unsuccessful, the military assistance offered contributed to save Brazil for the Portuguese. Many companies were also chartered for the establishment of plantations and settlements in the Americas. The north-American companies, Steensgaard argues, were perhaps the ‘most successful’ colonizing enterprises ‘but as business ventures, they were all failures.’²⁵ The trading companies ‘were the result of

¹⁹ Klein, ‘The Origins of Trading Companies’, in Blussé and Gaastra (eds), *Companies and Trade*, p. 28.

²⁰ Furber, *Rival Empires of Trade in the Orient*, p. 39.

²¹ Steensgaard, ‘The Companies as a Specific Institution’, in Blussé and Gaastra (eds), *Companies and Trade*, p. 255.

²² Furber, *Rival Empires of Trade in the Orient*, p. 217.

²³ *Ibid.*

²⁴ Winius, George D. ‘Two Lusitanian variations on a Dutch theme: Portuguese companies in times of crisis, 1628-1662’, in Blussé, Leonard and Gaastra, Femme (eds). *Companies and Trade*, pp. 119-34.

²⁵ Steensgaard, ‘The Companies as a Specific Institution’, in Blussé and Gaastra (eds), *Companies and Trade*, p. 258.

dynamic improvisation and experiments, not of the experience of generations'.²⁶ In addition, 'nothing approaching the definite principles of modern company law' had been yet achieved.²⁷

Notwithstanding that overseas trade opened up many opportunities for chartered companies to exploit, it is unlikely the activity would have flourished without the introduction of collective capitalism. Klein highlights some of the aspects that made the 'new system particularly adapted' to meet the demands imposed by long distance trade:

The establishment of an overseas administration and military and naval services, the organization of regular and large transports, the construction of warehouses, depots, shipyards and strongholds were all essential but expensive requirements, that had to be subjected to long term management and control. It is evident that no single, arbitrary group of individuals would have been able or willing to engage in this comprehensive, hazardous and difficult business, without guarantee of security and profitability.²⁸

The monopoly rights over specific commodities and trading destinations granted by charter to the trading companies and the use of force that they exercised to protect them were essential to ensure security and profitability of investment. Ultimately, the survival of the overseas charter system was dependant upon the use of force, which was exercised extensively by the armies and navies the companies commanded. It was a business first and foremost, but it was a violent one that required systematic use of lethal violence to keep it running.

Monopoly rights and the use of force

The public sanctioning of trade monopoly and the private use of force are two defining characteristics of the overseas charter system. An important justification given for monopoly rights deals with the cost that the companies had to incur in developing the infrastructure needed for distant trade, because it involved 'high and indivisible fixed costs and sizable economies of scale.'²⁹ While a monopoly could not be maintained without the use of force, the expenditure in the maintenance of private armies and navies and the development of overseas military infrastructure served also as a justification for the granting of monopoly rights. For example, the cost involved in maintaining forts and garrisons 'figure prominently

²⁶ Ibid., p. 247.

²⁷ Griffiths, *A License to Trade*, p. xiii.

²⁸ Klein, 'The Origins of Trading Companies', in Blussé and Gaastra (eds), *Companies and Trade*, p. 24.

²⁹ Anderson, Gary and Tollison, Robert D. 'Apologiae for chartered monopolies in foreign trade, 1600-1800'. *History of Political Economy*. 1983, vol. 15, no. 4, p. 550.

in discussions of infrastructure during this period'.³⁰ Forts and garrisons were necessary for the protection not only of companies' agents, but also against interlopers (unlicensed competitors). In the case of England, France, and the United Provinces, 'it was company policy...to forbid interlopers to trade within the boundaries of company operations'.³¹ Companies from other countries engaged in similar practices.

Force was used to protect monopoly rights from rival companies and interlopers, as well as to protect the companies' maritime holdings from pirates and privateers.³² Similarly, in the Indies (east and west), the use of force was necessary to gain control over established merchant networks.³³ For example, Chaudhuri notes that during the 1620s 'the inhabitants of the Spice Islands learnt the true meaning of commercial monopoly', when Jan Pieterszoon Coen, then governor of the VOC, 'proceeded to put into effect his ruthless policy of annihilation against native shipping and trade in the Moluccas'.³⁴ These practices reflected the view held by the Dutch that their commercial position would be strengthened 'if they took part in the inter-Asiatic trade'.³⁵ Hence, Steensgaard directs us to consider the two criteria that fostered the survival of companies when many failed: their 'ability to defend their privileges' and 'their ability to protect and enlarge their capital'.³⁶ In this light, Israel points out that the Dutch trading in the Indies, or 'in the world more generally, relied on a mixture of force and trade advantage'.³⁷ They were 'little concerned with public relations, and its servants admitted as a matter of course that military force was necessary in order to maintain and enforce cartel rights'.³⁸ Paraphrasing Clausewitz's famous dictum, Howard

³⁰ Ibid., p. 551.

³¹ Ibid.

³² At the time the Europeans arrived to the Indies, rather than participating in the network of 'emporia' trade peacefully like other traders, Rothermund argues that making use of their mastery in 'mounting guns on ships' they 'rather tried to indulge in what can only be called organised piracy'. In between trade and piracy, Feldbæk notes that in its early days piracy practices were 'an important source of income' for the Danish East India Company. See Feldbæk, Ole. 'No Ship to Tranquebar for Twenty-nine Years. Or: The Art of Survival of a Mid-Seventeenth Century European Settlement in India', in Ptak and Rothermund (eds), *Emporia, Commodities and Entrepreneurs*, pp. 34-5; and Rothermund, Dietmar. 'Asian Emporia and European Bridgeheads', in Ptak, Roderich and Dietmar, Rothermund (eds). *Emporia, Commodities and Entrepreneurs in Asian Maritime Trade, C. 1400-1750*. Stuttgart, Franz Steiner Verlag, 1991, p. 7.

³³ Force was also used to displace the Iberians from their already established strongholds in the Indies. Spain and Portugal were maritime nations, but their traditionalist tendencies did not allow them to make a lasting impact in the mercantile revolution of the age, which contributed to their decline.

³⁴ Chaudhuri, K. N. *The Trading World of Asia and the English East India Company, 1660-1760*. Cambridge, Cambridge University Press, 1978, pp. 15-6. Jan Pieterszoon Coen was governor of the company in Asia for the periods 1619-1623 and 1627-1629.

³⁵ Gaastra, Femme. 'The Shifting Balance of Trade of the Dutch East India Company', in Blussé and Gaastra (eds), *Companies and Trade*, p. 57.

³⁶ Steensgaard, 'The Companies as a Specific Institution', in Blussé and Gaastra (eds), *Companies and Trade*, p. 251.

³⁷ Israel, Jonathan I. *Dutch Primacy in World Trade, 1585-1740*. Oxford, Clarendon Press, 1989, p. 180.

³⁸ Anderson and Tollison, 'Apologiae for chartered monopolies', p. 558.

comments that for the companies war became ‘the continuation of commerce with an admixture of other means.’³⁹

The more vulnerable monopoly rights were, the more force had to be exercised by the companies to protect them. Likewise, the more resistance the indigenous population offered to the companies’ advances, the more coercion the companies had to exert on them. Borrowing Wesseling’s terms, the equation was one of ‘expansion and reaction’.⁴⁰ In some instances, the trading companies met with a strong coercive reaction, which forced them simply to adapt to the trade conditions rulers offered them. The English Muscovy Company, for example, ‘was not allowed by the Russian Czar to maintain any forts or military forces in Russia.’⁴¹ From around the 1650s, most East Indies companies ran operations in China, mostly confined to Canton. However, ‘Chinese authorities did not allow any European military forces in the area’, on many occasions confiscating the offending military equipment when Europeans ignored the ban.⁴² In Bengal in 1729, the EIC forged an alliance with the VOC and ‘decided to attack the ships of the Ostend Company.’⁴³ When the Nawab of Bengal, concerned about the violation of the ‘neutrality of his port’, issued orders ‘to prepare military action against the European factories’, the matter was settled only after the companies agreed to pay compensation.⁴⁴ In the Indonesian archipelago, it took the VOC forces three years of ‘intense attacks’ before they could subjugate the trading port of Macassar.⁴⁵ In India, companies were not able to challenge local rule until their armies developed into large and well-organized forces. The forces maintained by the overseas trading companies had therefore to fine-tune the means of coercion at their disposal in order to defend and impose monopoly rights.

In exercising force in a private capacity, it is clear that the overseas trading companies enjoyed a good degree of autonomy from their respective governments, which allowed them to ascribe themselves functions more closely associated with the institution of the modern state, prominently the right to maintain armed forces. Hence, authors draw attention to the peculiar characteristic of some of the larger companies in acting as quasi-states. Smith, for example, in qualifying the drive of the VOC in displacing the Portuguese

³⁹ Howard, Michael. *War in European History*. Oxford, Oxford University Press, 1977, p. 47.

⁴⁰ Wesseling, ‘Expansion and Reaction: Some Reflections’, in Wesseling, H. L. (ed.). *Expansion and Reaction*. Leiden, Leiden University Press, 1978, pp. 1-14.

⁴¹ Anderson and Tollison, ‘Apologiae for chartered monopolies’, p. 559.

⁴² *Ibid.*

⁴³ Chaudhuri, *The Trading World of Asia and the English East India Company*, p. 128.

⁴⁴ *Ibid.*

⁴⁵ Marshall, Peter. ‘Western Arms in Maritime Asia in the Early Phases of Expansion’, in Tuck, Patrick (ed.). *The East India Company: 1600-1858* (vol. 5). *Warfare, Expansion and Resistance*. London, Routledge, 1998, p. 127.

from Asia, refers to the Company as a *staat buiten die staat* (a state independent of the state).⁴⁶ Chaudhuri, similarly, regards the EIC as a 'state within a state'.⁴⁷ This is an important issue in assessment of the dual role of the companies as public and private entities. As the companies were allowed to maintain an army and a navy and had the right to conclude treaties with foreign powers, 'the distinction between the company as a private body of enterprise and as a public authority enjoying more or less sovereign power was actually somewhat lost.'⁴⁸ The dual nature of the overseas trading companies, 'partaking in both public and private rights, is their historical characteristic.'⁴⁹ This is a distinctive feature of PMCs, which like their early modern precursor partake in both public and private roles. As private enterprises, they seek to maximize profits and market share. However, PMCs deliver services that enter the arena of the monopoly of violence of the state, thereby assuming a public role as well. In establishing parallels between the trading companies and PMCs it is important both to distinguish the private forces from the enterprises as a whole and to bring to light the multinational character of the overseas charter business.

Adventurers as military service providers

In the early stages of the overseas charter system, the forces recruited by the trading companies were composed of individuals from diverse backgrounds, many of whom probably lacked proven military or maritime skills. Yet the demands that overseas service imposed resulted in these forces developing into sophisticated instruments of warfare, capable of operating both at land and sea, thus requiring the maintenance of army and navy components.

A brief examination of the trajectory of the military presence of the EIC in India throws light on the evolution of the forces of the trading companies. The personnel guarding the first EIC factories 'consisted of small bodies of ill-disciplined Europeans and badly armed native peons'.⁵⁰ In 1668, when Bombay was passed to the EIC by King Charles II (ceded to him by Portugal), 'King's troops were offered service under the Company.'⁵¹ Garrison

⁴⁶ Smith, Alan K. *Creating a World Economy. Merchant Capital, Colonialism, and World Trade, 1400-1825*. Boulder, Westview Press, 1991, p. 105.

⁴⁷ Chaudhuri, *The Trading World of Asia*, p. 20.

⁴⁸ Klein, 'The Origins of Trading Companies', in Blussé and Gaastra (eds), *Companies and Trade*, p. 23.

⁴⁹ Steensgaard, 'The Companies as a Specific Institution', in Blussé and Gaastra (eds), *Companies and Trade*, p. 247.

⁵⁰ *The Army in India and its Evolution. Including an Account of the Establishment of the Royal Air Force in India*. Calcutta, Superintendent Government Printing, 1924, p. 2.

⁵¹ *Ibid.*, p. 3.

complement in Bombay then comprised five officers, 139 non-commissioned officers and men, 54 Topasses (the only foreign element of this force), and two gunners.⁵² In Bombay, the EIC established the Bombay Marine, a private navy ‘created to protect its trade against pirates on the coast of Malabar and Mekran, in the Persian Gulf, and in the Red Sea’.⁵³ In Madras and Bengal the garrison complement was of ‘a negligible quantity’.⁵⁴ In 1683, the Bombay force increased its foreign intake with the enrolment of two companies of Rajputs (strength of 100 men each).⁵⁵ When the United EIC came into being in 1702, the authority of the Presidencies in India was enhanced. Each President became commander-in-chief of their troops, ‘with full sovereign rights within their own spheres, including the organization and disposal of their military forces’.⁵⁶ Early in the eighteenth century the forces were composed by Europeans (recruited locally or in England), half-caste Goanese, Topasses, and Indian Sepoys.⁵⁷ The European units, diluted within an increasingly native majority, ‘were looked upon (particularly in London) as the core of its military strength’.⁵⁸ By then, the EIC forces have ‘progressed from a mere unorganized handful of miscellaneous and ill-disciplined Europeans to a force consisting of small but organized units.’⁵⁹

Alongside the armies of the trading companies, their maritime forces had a parallel evolution. In assessing this evolution, it seems reasonable to propose that there was some correlation between the numbers of vessels sent overseas with the size of the maritime forces. For example, in the case of the EIC, with the exception of the restructuring period that resulted in the establishment of the United EIC, the number of ships sailing outwards showed an increase: 1670s (124), 1680s (134), 1690s (91), 1700s (121), 1710s (132), 1720s (142), 1730s (162), 1740s (180), 1750s (192).⁶⁰ In contrast, between 1600 and 1795 the VOC sent yearly many more ships to the Indies than the EIC: about 4,720 ships as opposed to 2,676 of the EIC —the *Compagnie des Indes Orientales* followed with 1,455.⁶¹ Accordingly, the VOC ‘sent out far more people from Europe to Asia than any other

⁵² Ibid.

⁵³ The Bombay Marine, or ‘Marine Service’ came to an end in 1830. The Marine Service eventually became the Indian Navy. The ‘Marine service’ differed from the EIC’s ‘Maritime Service’, which was the navy unit of the EIC. See Cotton, Evan. Fawcett, Charles (ed.). *East Indiamen. The East India Company Maritime Service*. London, Batchworth Press, 1949, pp. 15-21.

⁵⁴ *The Army in India and its Evolution*, p. 4

⁵⁵ Ibid.

⁵⁶ Ibid., p. 5.

⁵⁷ Ibid.

⁵⁸ Callahan, Raymond. ‘The Company’s Army, 1757-1798’, in Tuck (ed.), *The East India Company* (vol. 5), p. 23.

⁵⁹ *The Army in India and its Evolution*, p. 5.

⁶⁰ Estimations based on figures in Table 2.1 in Chaudhuri, K. N. ‘The English East India Company’s Shipping (c. 1660-1760)’, in Bruijn and Gaastra (eds), *Ships, Sailors and Spices*, p. 55.

⁶¹ Taken from Table 7.2 in Gaastra, F .S., and Bruijn, J. R. ‘The Dutch East India Company’s Shipping, 1602-1795, in a Comparative Perspective’, in Bruijn and Gaastra (eds), *Ships, Sailors and Spices*, p. 183.

company'.⁶² The size of shipping of these three companies gives us an idea of the large number of men-in-arms that took to the seas in their vessels. In the case of the EIC, its Maritime Service evolved into a *corps d'élite* and 'many regarded it as superior to the Royal Navy'.⁶³

The specialization of the companies' forces was further developed by their diversification in that they began to offer military services to external agents. The French, for example, raised, armed, and trained 'small units of sepoys (units made up largely of natives) which were then offered to the Moguls to assist them in enforcing their territorial sovereignty'.⁶⁴ Thus, like PMCs, they on occasions became force multipliers. This is particularly the case when we consider that by the late seventeenth century 'the soldier's career was no longer so ephemeral, as the size of the European complement in garrisons expanded...Asian princes employed Europeans in larger numbers'.⁶⁵ The intense competition between trading companies for the Indies markets motivated a change in attitude amongst local rulers, who 'were not interested in doing business with any company which could not safeguard their local economies'.⁶⁶ For the Europeans in the Indies, 'force, according to Chaudhuri, was profitable when the sale of protection became an economic transaction'.⁶⁷ Protection was not only for sale in Asia, as similar instances occurred on other continents. In the case of the Royal African Company, for example, after 1698 private traders were required to pay a fee, purportedly to cover the services of the Company's forts.⁶⁸ As these instances confirm, the forces of the chartered companies generated profits from the delivery of military services, of which, protection and the transferring of military skills were not the only ones.

The companies and their forces also extracted an economic benefit from the export of weaponry. The practice, at least in the case of the English, can be traced as far back as the middle of the sixteenth century, when the Muscovy Company apparently engaged in such practices. The Russian Tsar did not grant permission to the Muscovy Company to

⁶² Ibid., p. 197.

⁶³ Cotton and Fawcett (ed.), *East Indiamen*, p. 22.

⁶⁴ Buchan, P. Bruce. 'A Variation On the Origin and Characteristic of the Modern Corporation'. *Canadian Journal of Administrative Sciences*. 1995, vol. 12, no. 1, p. 3.

⁶⁵ Furber, *Rival Empires of Trade in the Orient*, p. 337.

⁶⁶ Buchan, 'A Variation On the Origin and Characteristic', p. 3.

⁶⁷ Cited in Watson, I. Bruce. 'Fortifications and the "idea" of force in early-English East India Company relations in India', *Past and Present*, 1980, no. 88, p. 70.

⁶⁸ Anderson and Tollison, 'Apologiae for chartered monopolies', p. 555. In 1672 the Royal African Company was granted a charter 'giving it monopoly of the British slave trade in Africa'. The forts maintained by the company in Africa constituted also 'permanent settlements and acted as collection points for the traders'. Slaves were held and traded at forts. See Carlos, Ann M. 'Bonding and the Agency Problem: Evidence from the Royal African Company, 1672-1691'. *Explorations in Economic History*. 1994, vol. 31, no. 3, pp. 315-6.

establish a military presence alongside its factories, but he was hoping to secure arms, artificers, and professional men from England.⁶⁹ It appears that Queen Elizabeth, to some extent, complied with his request; 'and this was apparently one of the reasons for the confirmation and extension by the Tsar in 1567 of the Company's privileges.'⁷⁰ The EIC convoys took to the Indies with 'guns for their own protection, guns for trade, guns to be used as gifts, and old guns being used as ballast.'⁷¹ Guns 'were among the first items carried by the Company to obtain trading privileges'; yet some of them became 'free samples', given to rulers who could 'buy more from the local representative' if the items were found to be satisfactory.⁷² Cannons, in particular, were a 'highly coveted commodity', 'a much sought-after and well rewarded object of trade'; 'in fact as well as in fancy', 'there was nothing that cannon[s] could not buy'.⁷³

The forces were part of chartered enterprises, but their military function set them apart, functionally and operationally, from other aspects of the charter business. However, as integral parts of commercial enterprises trading internationally they possessed the multinational attributes of the business, which I argue constitutes a basis upon which to establish a parallel with PMCs.

Early multinationals and embryonic PMCs

The charter system was vast, and companies were licensed to trade on every continent. In terms of scale, innovation, and sophistication, however, the overseas enterprising of the English and the Dutch in the Indies stands out from the attempts undertaken by other countries in Asia, or their national counterparts elsewhere. For the English and the Dutch, joint-stock trade resulted in, first, the consolidation of the VOC and then, with its decline, the EIC rose to prominence.⁷⁴ These two companies traded in the Indies for over two centuries. The company model adopted by the English and the Dutch set a standard for European merchants in general, and in the process, their companies defined the basic features of the overseas trading company. Even if in its early days the overseas trading company was an

⁶⁹ Griffiths, *A License to Trade*, p. 28.

⁷⁰ *Ibid.*

⁷¹ Brown, Ruth Rhynas. 'Guns carried on East Indiamen, 1600-1800'. *International Journal of Nautical and Underwater Exploration*. 1990, vol. 19, no. 1, p. 17.

⁷² *Ibid.*

⁷³ Cipolla, Carlo M. *Guns and Sails in the Early Phase of European Expansion, 1400-1700*. London, Collins, 1965, pp. 109-10.

⁷⁴ Historians commonly characterize the first half of the seventeenth century as the golden age of the VOC. As for the EIC, give or take a decade, its golden age spanned from 1680 to 1760. In 1698, a rival company to the EIC was established; into the eighteenth century, the old and new EIC merged operations.

unremarkable institution, the relevant issue is 'not where it stood in the evolutionary chain of commercial institutions but the extent to which this organization itself evolved.'⁷⁵ In this evolution, the overseas trading companies came to resemble multinational corporations (MNCs), and their private forces, PMCs.

The VOC was perhaps the first commercial enterprise 'with a decentralized 'global' organization.'⁷⁶ The VOC's Governor General, the Company's equivalent of a CEO, had his headquarters in Batavia (present day Jakarta). From there, he 'planned and coordinated' trade activities in Asia, maintaining a high degree of independence from the directors in the United Provinces.⁷⁷ The figure of Governor General (or *Gouverneur Generaal*) was created by the *Heeren XVII* (the directors) in 1609.⁷⁸ The *Gouverneur Generaal* took permanent residence in Batavia only after 1619; between 1612 and 1619, he 'came on to reside in and around the Malay Archipelago'.⁷⁹ In Europe, the *Heeren XVII* (or Gentleman XVII) was the Company's governing body, who 'established the general policy and decided upon the size of the yearly shipments to Asia, the number of ships that had to be built, the amount of the dividend payments', and the conditions for the auction sales.⁸⁰ As trade grew in scope and complexity, committees were established to deal with matters such as 'financial control, to assist the auction sales and to read and answer letters and reports' from Asia; the latter committee, the *Haags Besogne*, 'was very influential'.⁸¹ In 1602, the VOC had only four committees, 'for the signing on of the crews, for victualling, for procuring ships, and for merchandise'; in 1606, a committee was created 'to process data on receipts and accounts'; and in 1649, the *Haags Besogne* was constituted.⁸² The EIC evolved into a similar organization, with presidencies in the Indian subcontinent in Bombay, Madras, and Calcutta, each with a governor in charge, a governing body of 24 directors, and various specialized committees. Similarly to the VOC, as the Company grew, so did the number of committees and the specialization of their functions. One of them was the important Committee of Correspondence, constituted by five or six directors dealing with the 'important day-to-day functions' and the maintenance of 'records of all letters and instructions sent to the factories

⁷⁵ Keay, *The Honourable Company*, p. 27. The point is specifically aimed at the EIC. In light of the discussion below, however, it can be applied to the overseas trading company in general.

⁷⁶ Nijman, Jan. 'The VOC and the expansion of the world-system 1602-1799. *Political Geography*. May 1994, vol. 13, no. 3, p. 218.

⁷⁷ *Ibid.*, pp. 216-9.

⁷⁸ Winius, G. D., and Vink, M. P. M. *The Merchant-Warrior Pacified. The VOC and the Changing Political-Economy in India*. Delhi, Oxford University Press, 1991, p. 12.

⁷⁹ *Ibid.*, p. 10.

⁸⁰ Gaastra, Femme. 'The Shifting Balance of Trade of the Dutch East India Company', in Blussé and Gaastra (eds), *Companies and Trade*, p. 52.

⁸¹ *Ibid.*, p. 53.

⁸² Carlos and Nicholas, 'Giants of an Earlier Capitalism', in Irwin (ed.), *Trade in the Pre-Modern Era*, p. 127.

and Presidencies'.⁸³ From East India House in London, the EIC came to manage its global operations.

Overseas trading companies were 'vertically integrated firms', with factories at the bottom end of the structure.⁸⁴ Carlos and Nicolas note that the 'administrative organisation created at home by the charter companies was mirrored in the system of local head and subordinated factories' not only in the Indies, but in North America, Russia, and Africa as well.⁸⁵ Factories were 'permanent trading houses'.⁸⁶ They 'acted as both a symbolic and a physical bond, representing the companies' long-term commitment to a new market as well as providing a building for holding inventories of trade goods to supply the foreign market'.⁸⁷ Factories were also military outposts. They 'fulfilled military and diplomatic functions, providing protection for the companies' men and goods'.⁸⁸ Therefore, the military branch of a company was represented wherever it established trade outposts.

The organizational ingenuity of the VOC and the EIC is persuasive enough to compare them to MNCs. Blussé and Gaastra, for instance, praise the corporate model of the EIC, noting that it 'was a most impressively organized structure, which, through the combination of good information, policy and execution of affairs, was indeed very similar to today's multinationals'.⁸⁹ However, the issue has not been free from debate. Chandler, for example, locates the emergence of the 'multiunit enterprise', i.e. that 'administered by a set of salaried middle and top managers' that 'can properly be termed modern', in the United States, after 1840.⁹⁰

Although there is not a standard definition for an MNC, Jenkins observes that regardless of size, a multinational needs to operate 'in at least one foreign country'.⁹¹ In dealing with issues of ownership and control of foreign operations, he further notes that some authors have broadened the definition to 'include firms that do not necessarily own

⁸³ Wild notes that the functions of this committee were 'partly that of a buying department, partly general administration'. Wild, Antony. *The East India Company. Trade and Conquest from 1600*. London, HarperCollins, 1999, p. 63.

⁸⁴ Carlos and Nicholas, 'Giants of an Earlier Capitalism', in Irwin (ed.), *Trade in the Pre-Modern Era*, p. 124.

⁸⁵ *Ibid.*, p. 128.

⁸⁶ Buchan, 'A Variation On the Origin and Characteristic', p. 3.

⁸⁷ Carlos and Nicholas, 'Giants of an Earlier Capitalism', in Irwin (ed.), *Trade in the Pre-Modern Era*, p. 131.

⁸⁸ *Ibid.*

⁸⁹ Blussé and Gaastra (eds), *Companies and Trade*, p. 8

⁹⁰ Chandler, A. D. Jr: *The Visible Hand: The Managerial Revolution in American Business*, 'Introduction', reprinted in: McCraw, T. K. (ed.). *The Essential Alfred Chandler. Essays Toward a Historical Theory of Big Business*. Boston, Harvard Business School Press, 1988, pp. 383-97.

⁹¹ Jenkins, Rhys, in Jones, Barry R. J. *Routledge Encyclopaedia of International Political Economy* (vol. 2). London, Routledge, 2001, p. 1057.

overseas operations, but are the centres of control of a network of international production.’ Based on the points raised by Jenkins and conventional perceptions of MNCs, there should not be any objection in regarding companies such as the VOC and the EIC as precursors to MNCs, i.e. embryonic multinationals. If the VOC and the EIC can be regarded precursors to MNCs, there is no reason not to regard their smaller counterparts in the same way.⁹² If size is the criterion, MNCs come in all shapes and sizes. The Austrian, the Danish, and the Swedish East Indies companies (and many other companies chartered for trade in Africa and the Americas) were all minor players. In that scale, they replicated some of the defining features of the VOC and the EIC. If continuity of capital is the key factor, it is true that some companies existed for a relatively short period of time, or were even constituted for single voyages only. Nevertheless, today, mergers, acquisitions, and stock market speculations result in the rapid transformation of the capital and corporate constitution of many MNCs.

Divergence between competing overseas trading ventures is partly a reflection of variations in the constitution and organization of trade through joint-stock, which anticipated and ‘contributed to the eventual creation of modern business corporations and the abstract concept of the ‘firm’ as the main regulator through which the whole complex of economic production and exchange could take place.’⁹³ Within this emergent business paradigm, the gradual institutionalization of committee systems and directorships demonstrates the division of labor that was established in the charter system, in which military functions, *inter alia*, can be identified. In the case of the EIC, for example, among the directorships there was a Military Secretary.⁹⁴ The compartmentalization of military functions denotes the specialization that a corporate division of labor introduced. The private use of force entailed a more specific direction and management from other aspects of the charter system that, to different extents, can be seen in all companies. For instance, the maintenance of army and navy forces required the introduction of recruitment procedures. Companies relied on forms of entrepreneurship for the recruitment of personnel, particularly in the early stages of the

⁹² Intense competition for the control of markets moved rival companies to forge alliances and broker deals, which further enhanced the multinational character of the charter system. For example, Heckscher notes that the Swedish East India Company (established in 1731), like other small companies, was chartered to accommodate the ‘shipping interests of larger nations, especially England.’ Feldbæk comments that the Danish East India Company, on the other hand, had ‘strong affiliations with the Dutch.’ Koninckx further argues that the Swedish East India Company and the reformed Danish East India Company ‘were profiting from the vacuum created by the disappearance of the Austrian East India Company or commonly called Ostend Company’. See Feldbæk, ‘No Ship to Tranquebar for Twenty-nine Years’, in Ptak and Rothermund (eds), *Emporia, Commodities and Entrepreneurs*, pp. 34-5; Heckscher, Eli F. *An Economic History of Sweden*. Cambridge, Harvard University Press, 1954, p. 196; and Koninckx, C. ‘The Swedish East India Company (1731-1807)’, in Bruijn and Gastra (eds), *Ships, Sailors and Spices*, p. 121.

⁹³ Chaudhuri, *The Trading World of Asia*, p. 19.

⁹⁴ Buchan, ‘A Variation On the Origin and Characteristic of the Modern Corporation’, p. 4.

charter system.⁹⁵ However, the higher degree of professionalism that sea service demanded caused military entrepreneurship to play a smaller role at sea than at land.⁹⁶ At least in the case of the EIC, the role of the 'recruiter' waned towards the end of the eighteenth century, when the Company established its own recruitment service.⁹⁷

The forces were part of chartered enterprises, but their military function set them apart, functionally and operationally, from other aspects of the charter business. However, as integral parts of commercial enterprises trading internationally they possessed the multinational attributes of the business. The forces operated all across the charter system. Where there was a strategic interest to protect, they maintained a presence. The armies and navies of the overseas trading companies can be regarded as multinational commercial ventures themselves, as the protection services they rendered to their masters represented an economic transaction, just like any other aspects of the overseas charter business. Moreover, the provision of private military services was rendered profitable through the offering of protection to foreign rulers, the transfer of military skills, and the procurement of weaponry. By and large, the Europeans in their expansion overseas 'formed alliances with local rulers, supplying them with arms and know-how.'⁹⁸ Hence, I refer to these forces as an embryonic form of PMC.

Concluding remarks

Clearly PMCs play a broader role in the contemporary dynamic and offer many more services than their early modern precursors. In addition, the political economy of early modernity and post-modernity substantially differ. However, the case has been argued here for a pre-history of the PMC and not a perfect organizational and operational parallel. In this

⁹⁵ In 1707, for example, Wurttemberg's army worked for the VOC. John Childs, cited in Thomson, Janice E. 'State Practices, International Norms, and the Decline of Mercenarism'. *International Studies Quarterly*. March 1990, vol. 34, no. 1, p. 24. Similarly to the entrepreneur system, there was some mobility of troops across competing companies (and maritime nations). A passage in the history of the VOC (during its decline phase and disengagement from Ceylon) illustrates the practices: 'when a Swiss mercenary, Colonel De Meuron, who had been hired by the Company along with his regiment, transferred his personal service to the English in March 1796, Lord Hobart demanded of the VOC that the men formerly under his command should be handed over as well. Despite the fact that the greater part of these, mostly French and Hollanders, had not desire at all to enter English service. ... The departure of De Meuron's regiment notwithstanding, Dutch forces within the walls of Colombo still consisted of over 2500 European, Malayan, Moorish, and Sepor soldiers. See Winius and Vink, *The Merchant-Warrior Pacified*, p. 140.

⁹⁶ Black, Jeremy (ed.). *European Warfare 1453-1815*. London, Macmillan Press, 1999, p. 7.

⁹⁷ Before the establishment of the recruitment service, recruiting agents (or crimps) had to do 'their work immediately before the departure of the Indiamen for the East.' Callahan, 'The Company's Army', in Tuck (ed.), *The East India Company* (vol. 5), p. 23.

⁹⁸ Van Creveld, Martin. *The Transformation of War*. New York, The Free Press, 1991. p. 27

pre-history, the security cover provided by these forces in particular accompanied the expansion by an early form of private corporation of overseas business and, more generally, Western expansion. Indeed, these forces were not independent commercial entities themselves. Nonetheless, they can be distinguished operationally and analytically from the chartered enterprises on the grounds of their specialized military function. Like PMCs, they were private multinational entities that rendered services that involved the potential to exercise force in a systematic way and by military means, and whose function was institutionalized into the workings of the world economy. On this basis, the forces maintained by the overseas trading companies can be distinguished from other early-modern patterns of military organization and be regarded the closest historical antecedent to the PMC.

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