



## HISTORY, POLITICS, PRIMARY SOURCE STUDIES ისტორია, პოლიტიკა, წყაროთმცოდნეობა

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### **The role of the joint-stock companies in the colonial expansion of Eastern countries**

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#### **Abstract**

We set a goal to study the history of the trading companies of the 16th-18th centuries, their role in the economic development of their countries and the colonial expansion of the Eastern countries: India, Indochina, China. In the paper, we will discuss the East India Trading Companies of Britain, Holland, France, and Portugal, whose history has been little studied in Georgian historiography.

It is clear that the East India Companies of England, Holland, France and Portugal were individual, different from each other. The French East India Company (1664-1769) was richer than the other British, Dutch, Portuguese East India Companies. This should be explained first of all by the great financial support of the royal authorities, since the French king Louis XIV himself was a shareholder of the

company. Moreover, in addition to merchants, the company had shares invested in: the queen, the chancellor, the nobility, mayors, wealthy townspeople. The king also often helped bankrupt shareholders. If necessary, he invested capital in the company. He went to this because a huge amount of goods flowed into the country from the East: gold, precious stones, pearls, coral, expensive fabrics, various spices, etc., which left a large profit. That is, the desire to make a profit was in the foreground.

It is true that it was the richest company, but it could not maintain its monopoly in the East. First of all, because England had to compete, in addition, the shareholders were not united, the majority of the company was not represented by large merchants, they could not ensure a unified government in the colonies, they were unable to maintain a fleet, as a result of which the company collapsed.

The Dutch East India Company (1602-1798) achieved its goal - to create a colonial empire on three continents, from Mozambique to Japan, which controlled the world trade in spices. Ships sailing under the Dutch flag sailed to the most distant corners of the world - to India, Malaysia, Indochina. The Dutch ruled their colonies strictly, plundering everything they could, spreading their religion there.

The Dutch were still far behind Portugal and England in their influence in the eastern region. The British were trying to put an end to the Dutch monopoly. As a result of the war of 1780, the Dutch East India Company lost millions of guilders, its merchant ships, and soon ceased to exist.

The Portuguese East India Company (1628-1650), which made immediate profits, failed to become a permanent source of income for the country, like the British and Dutch companies. The company did not follow trade rules, resorted to violence and religious persecution against the locals, which caused hatred towards them and lost the

company's reputation, but during its short existence it played an important role in the influx of goods from the East, in the colonial expansion of the East and in the economic development of the country.

The British East India Company was different from other companies. England had extensive experience in the production and trade of cotton. The colonial countries imported large quantities of coarse cotton fabrics, which were in great demand, and not expensive cotton, which did not leave a profit. Eastern goods were imported to Britain, like other cotton companies, and sold at inflated prices, which also left the country with a large profit. Unlike other cotton companies, the British Cotton Company had strict discipline, no foreigners were allowed in the company, they had good managers, and they had unity. Large profits, the accumulation of trading capital ultimately led to the strengthening of the influence of the British Cotton Company and the maintenance of its monopoly in the East.

Thus, the joint-stock companies of England, Holland, France and Portugal were influential and wealthy companies. Their goal was to make a profit from the countries of the East, and they achieved this. In addition, these companies carried out colonial expansion in the countries of the East and influenced the economic development of their countries.

**Keywords:** share, charter, barter, factor, expansion, monopoly, colonial, merchant-adventurer.

## **Introduction**

Of the history of the economic development of the leading countries of Europe, the history of the trading companies of the 16th-18th centuries is of great interest, as they played an important role in

the colonial expansion of the countries of the East: India, Indochina, and China. In this paper, we will discuss the East India Trading Companies of Britain, Holland, France, and Portugal, whose history has been little studied in Georgian historiography.

Of the above-mentioned companies, we have previously partially studied the English East India Company (Beltadze, 2022: 68-80), and now we will pay attention to the Dutch, French and Portuguese East India Companies, but at the same time we cannot ignore and touch on the British East India Company, since it was the most influential company in the East, which competed with other companies.

### **Method**

The presented work, based on the method of critical analysis, is based on foreign sources and scientific works: D. Ashley, S. Moshensky, A. Smith, I. Kulisher, A. Sombart, G. Silva, S. Jaysoura.

### **Results**

The results show that each of the trading companies: English, Dutch, French and Portuguese, was different from each other. The French East India Company (1664-1769) was richer than the other British, Dutch and Portuguese East India Companies.

The British East India Company was more influential. Strict discipline was established in the company, no foreigners were allowed in it, they had good managers, they had unity. All this led to great profits, the accumulation of merchant capital. Eventually, the British East India Company competed with the French, Dutch and Portuguese East India Companies and maintained a monopoly in the East. Nevertheless, the French, Dutch, Portuguese and British East India Companies carried out colonial expansion in the Eastern countries and made a significant contribution to the economic development of their countries.

## Discussion

The paper discusses the history of the British, Dutch, French, and Portuguese East India Companies of the 16th-18th centuries, their role in the economic development of their countries, and in the colonial expansion of the countries of the East: India, Indochina, and China.

In Britain, the predecessor to the East India Company was the Merchant Adventurers' Company (founded in 1407), which was engaged in continental trade. Adventurer companies existed in York, Norwich, Newcastle, and Hoole, but among them, the role of the Merchant Adventurers' Company of London in the development of English trade, maritime industry, and the navy was particularly great (Beltadze-Khinikadze, 2009:145–146)

Britain had trade relations with France, Venice, Florence, Genoa, Lombardy, the Hanseatic League, Spain, Portugal, the Netherlands, the Holy Roman Empire, etc. It is clear that in the 15th century it had trade relations with up to 15 states (Political Poems, 1863: p. 377).

Wealthy merchants from various British cities, especially London, separated from the merchant-adventurer companies and united in joint-stock companies. Merchants of joint-stock companies contributed capital to the company and received a share of their profits, in addition, in some cases they left working capital in the company for the next trade. The more capital they had invested, the more profit they would have. Obviously, only wealthy merchants could afford this. Overall, joint-stock companies would have given England a relatively larger profit than merchant-adventurers, which was justified.

After the Great Geographical Discoveries, those countries (including Britain, Holland, France, Portugal) that had access to the oceans gained prominence (Beltadze, 2022: 68–80)

The British Trading Company was founded in 1600, during the reign of Queen Elizabeth I of England (1558-1603), who received a charter granting her the monopoly right to trade in Asia, Africa, America, and all the islands from the Cape of Good Hope to the Strait of Magellan (Beltadze, 2022: 69–70).

The goal of the British Company, unlike the Portuguese and Dutch, was to bring English textiles to the East and to import spices, cotton, and silk raw materials from there.

From the very beginning, this company was engaged in the non-equivalent, barter exchange of goods, thereby earning a large profit that covered the costs of customs duties and transportation of goods.

After the Industrial Revolution, from the 18th century, metals were imported from England to the East Indies, and spices, raw cotton and silk, salt, tea, potassium nitrate, opium, and other goods were exported.

The East India Company was not limited to trade with India. It also had connections with Iran and Japan, where it had a factor between 1613 and 1623. The company's profits were so great that in the 18th century its capital reached 6 million pounds sterling.

By 1850, the British East India Company had established military and political control over India. The British East India Company made a large profit from the import and export of goods in the 18th and early 19th centuries.

Ultimately, the British East India Company played an important role in finding key markets for English goods, importing Eastern raw materials: cotton, silk, increasing working capital, which was obtained through the sale of Eastern products: pepper, cloves, cinnamon, indigo, nutmeg and other goods at inflated prices, creating a colonial empire, and conquering South and Southeast Asia.

The second largest trading company was the Dutch East India Company.

Having gained independence, the Netherlands tried to prevent the domination of the seas by the Spaniards and Portuguese, who completely controlled the trade in expensive oriental spices (pepper, cinnamon, clove oil, nutmeg, etc.). Eastern goods have always been in great demand in Europe. That is why the famous Dutch East India Company was founded on March 20, 1602.

In the 17th century, the Dutch East India Company brought over 1,700 ships and over 300,000 people to the region. The company's ships had new ports along practically the entire route (Moshenski, 2016:28–30). The company imported nutmeg, pepper, cloves, cinnamon, and other goods to Europe. Its annual income was 50 million guilders.

The Dutch achieved their goal - they created a colonial empire on three continents, from Mozambique to Japan, which controlled the world trade in spices. Ships sailing under the Dutch flag travelled to the most distant corners of the world - to India, Malaysia, Indochina. The Dutch ruled their colonies strictly, plundered everything they could, and spread their religion there (Sombart, 2004:145).

The Dutch East India Company was originally established for a period of 10 years. During this period, profits were to be recorded and full payments made to shareholders. The company was then extended for 21 years. They were given an office in Ternate (Indonesia), which was the largest clove producer at the time. They were also given trading posts in Indonesia: in Acha, Bantam, the Banda, Johor and Patam islands.

In the Dutch company, any foreigner who invested his capital could become a shareholder. The amount of the company's capital was

not limited. In contrast, in the British East India Company, only British citizens could be shareholders.

By 1669, the company was the richest. It had more than 150 commercial ships, 40 warships, 50,000 employees (including 25,000 employees in Asia and 3,000 employees in the Netherlands), a private army of 10,000 soldiers (Moshenski, 2016: 26).

Most of the islands of Indonesia and Malaya entered into treaties with the Dutch, who subjugated all these states and established a monopoly on them. The Dutch East India Company was the main supplier of nutmeg, pepper, cloves, cinnamon and other goods to Europe. The company's annual income at that time exceeded 50 million guilders, and its shares were as profitable as government bonds. The company's merchant ships reached the shores of Africa and Australia during their expeditions.

In the 17th century, more than 1,700 ships were equipped in this region and more than 300,000 people were brought and settled there. The company's ships had new ports practically along the entire route (Moshenski, 2016: 28–30).

Despite this, the Dutch still lagged behind Spain, Portugal, and England in their influence in the eastern region.

By the beginning of the 18th century, the position of the Dutch East India Company had weakened significantly. This was due to the company's inefficient management.

The British tried to put an end to the Dutch monopoly. In 1780, England declared war on Holland and was severely defeated. As a result of the war, the Dutch East India Company lost millions of guilders, as well as merchant ships. In short, it lost its trading monopoly. Later, there were attempts to restore the glory of the Dutch East India Company, but this was not possible. In 1796, the once richest comp-

any was nationalized, as a result of which a colossal debt of 100 million florins remained.

The third richest and most influential trading company was the French East India Company, with assets of 285 million livres. It was financially ahead of the other English and Dutch East India Companies.

At the initiative of King Louis XIV of France (1643-1615) and with the support of Finance Minister Jean Baptiste Colbert, in 1664, the French East India Company was established, similar to the English and Dutch, for which representatives of merchants from 119 cities gathered, 300 of whom were from Paris.

Lewis proposed that the new company's initial capital be set at 15 million livres, to be paid in by shareholders over a period of three years. The state agreed to pay an initial contribution of 3 million livres, with an additional 300,000 livres to finance the first expedition. The king also agreed to pay an additional 300,000 livres each time if private shareholders (merchants) paid in 400,000 livres (Smith, 2009: 27).

As it turns out, the king himself became a shareholder and actively participated in the financial affairs of the company. In addition to the king, his subordinates held shares in the company: the queen, the Dauphin Colbert, Chancellor Pierre de Segier, the nobility, mayors, and wealthy townspeople. The princes and the chancellor contributed 20-50 thousand livres to the company as a share. Colbert, the Minister of Finance, personally contributed 30 thousand livres, and several thousand livres were collected from large cities. A total of 6.6 million livres were collected. Of this, the capital of private individuals amounted to 3.6 million livres (Kulisher, 2004: 331).

It seems that the composition of the French East India Company was not homogeneous. The shareholding included merchants, the

king, and the king's subjects - wealthy people. It seems that the royal government was very interested in the wealth of the East: gold deposits, money, and jewels, and therefore it actively interfered in the affairs of the company.

It was decided that the company would be governed by a board of 12 directors, elected from among merchants holding more than 20,000 livres in shares, and that investors who had invested more than 6,000 livres in the company would have the right to vote. The board of directors was initially based in Paris.

It turns out that the rights of the company's members: election of the board of directors, the right to vote, etc. were determined by the material situation of the company's members, according to the share they contributed to the company.

The company was dissolved in 1769.

The Fourth Portuguese East India Company was distinct from the other companies (British, French and Dutch). In August 1628, a charter of Philip IV established the Portuguese East India Company. It was initially established for a period of 6 years, renewable for a further 6 years.

The financial position (capital) of the company's shareholders determined their social status. The minimum contribution to the company was 100 milleris (cruzado). It turns out that the largest investor was the royal government, which contributed 1 million 500 thousand milleris over three years. To attract private individuals, an annual return of 4% was announced, to which dividends were added.

The company also included foreign merchants: merchants from Spain, Italy, and Flanders, who could contribute shares to the company. It turns out that, like the Dutch East India Company, a foreigner could also become a member of the Portuguese Company.

In the case of large investments, various titles were also awarded to company members. For example, by contributing 400 milleris shares, a person would become a knight, with 12 thousand milleris - a gentleman of the royal house, and in the case of fully equipping the galleon, he would become a member of the military order, with a contribution of 1-2 thousand milleris, a pension would be assigned and received annually.

Thus, such differentiation of admission to a joint-stock company based on the amount of the contribution must have been conditioned by the purpose of encouraging the contribution of money and the expansion of the company. This should also explain the rule of freely admitting any foreign merchant to a Portuguese joint-stock company.

In the second half of the 17th century, Portugal had established a fairly extensive network for trade with the East. Portuguese fortified posts stretched from Mozambique to Japan. Gold and silver came from Sumatra and China, as well as silver from Japan, pepper from Malabar and Indonesia, cloves, nutmeg, indigo and other spices from the Maluku Islands, cinnamon from Sri Lanka, silk and porcelain from China, and cotton fabrics from Gujarat (Jayasuriya, 2008: 212).

The Portuguese East India Company expanded its fleet, which reached a capacity of 500-600 tons (Silva, 1974: 152-205) (Silva, 2009: 248).

The Portuguese East India Company, along with its colonial expansion, paid special attention to religious issues. For example, when ships sailed from Lisbon to India, they transported trade goods under military escort and also transported clergy (priests) to convert people of other faiths.

In the 17th century, colonial expansion was initiated by the British, Dutch, and East India Companies, which competed with Por-

tugal and were completely expelled from Sri Lanka by 1650 (Silva, 1974: 209–221) (Silva, 2009:248).

The question arises, what caused the decline of the Portuguese East India Company's position in the East?

First of all, competition from the British and Dutch East India Companies.

In Portugal, the production and trade of goods did not develop in a capitalist way, as it did in Britain, so the import and export of Eastern countries fell into British hands.

The company's main financier was the royal government, and therefore the company was completely dependent on it. The company could not independently decide on the issue of transporting goods and passengers, or personnel changes.

Government officials and private individuals were not sufficiently interested in expanding trade and colonial expansion.

The differentiation of the amount of share contribution, the acceptance of membership in the joint-stock company was established in the company, in order to encourage the contribution of money and the expansion of the company. Also, any foreign merchant was freely accepted as a member of the Portuguese joint-stock company, but all this ultimately did not create the atmosphere for the success of the Portuguese joint-stock company.

The company did not follow trade rules, resorted to violence and religious persecution against the locals, which caused hatred towards them and damaged the company's reputation.

The Portuguese joint-stock company, which received an immediate profit, could not become a source of permanent income, like the British and Dutch joint-stock companies.

In order to compare the joint-stock trading companies of England, Holland, France and the Portuguese East India, we will give data

on the amount of the companies' initial capital, the period and place of operation, the type of goods imported, the territories where they traded, the initial capital and profits. See Table No. 1

**Table No. 1**

<b>Company name</b>	<b>Time of existence</b>	<b>Validity period according to the Charter</b>	<b>Trade goods</b>	<b>Territories</b>	<b>Initial capital</b>	<b>Total assets</b>
1. East India Company	1600-1874	15 Years	Spices, cotton, silk, salt, tea, potassium nitrate, opium.	Hindustan, Madras, Chennai, Bombay, Calcutta	72 thousand F.S.	6 million - 429 thousand F. St.
2. Dutch Stock Company	1602-1798	21 Years	Pepper, cloves, nutmeg, cinnamon, porcelain, silk, tea, coffee, sugar, cotton, opium.	Malay Archipelago, Molluscs, Java Island, Formosa Island (now Taiwan), West Africa-Cape Verde, Mauritius Island	540. A thousand guilders	.50 million guilders

3. French joint stock company	1664-1769	50 Year	Gold, silk, amber, pearls, diamonds, coral, wax, silk, emeralds, Indian fabrics.	India- (Pondicherry, Karikal, Mahe, Chandernagore and Yonaon). Siam, Indochina, China and Japan.	8.8 million Libra or 15 million Libra	285 million. livre
4. Portuguese joint stock company	1628-1650	22 Year	silver, gold, coral, silk, porcelain, cotton fabrics, spices: cloves, nutmeg, cinnamon, pepper	From Mozambique to Japan: Goa, Sumatra, Sri Lanka, Gujarat, Malabar, China, Japan, Indonesia	1 million 500 thousand cruzados (Milleris) 3 million cruzados (Milleris)	-

### Conclusion

Thus, it is clear that each of the joint-stock companies of England, Holland, France and Portugal was individual, different from each other. The French East India Company (1664-1769) was richer than other British, Dutch, Portuguese East India companies. This should be explained, first of all, by the great financial support of the royal auth-

orities, since the French King Louis XIV himself was a shareholder of the company. Moreover, in addition to merchants, the following people had shares in the company: the queen, the chancellor, the nobility, mayors, wealthy townspeople. The king also often helped bankrupt shareholders. If necessary, he invested capital in the company. This was because a huge amount of goods flowed into the country from the East: gold, precious stones, pearls, coral, precious fabrics, various spices, etc., which left a huge profit. In other words, the desire to make a profit was at the forefront.

It is true that it was the richest company, but it could not maintain its monopoly in the East. First of all, because England had to compete, in addition, the shareholders were not united, the majority of the company was not represented by large merchants, they could not ensure a unified government in the colonies, they were unable to maintain a fleet, as a result of which the company collapsed.

The Dutch East India Company (1602-1798) achieved its goal - to create a colonial empire on three continents, from Mozambique to Japan, which controlled the world trade in spices. Ships sailing under the Dutch flag sailed to the most distant corners of the world - to India, Malaysia, Indochina. The Dutch ruled their colonies strictly, plundering everything they could, spreading their religion there.

The Dutch were still far behind Portugal and England in their influence in the eastern region. The British tried to put an end to the Dutch monopoly. As a result of the war of 1780, the Dutch East India Company lost millions of guilders, merchant ships, and soon ceased to exist.

The Portuguese East India Company (1628-1650), which made immediate profits, failed to become a permanent source of income for the country, like the British and Dutch companies. The company did not follow trade rules, resorted to violence and religious persecution

against the locals, which caused hatred towards them and damaged the company's reputation, but during its short existence it played an important role in the influx of goods from the East, in the colonial expansion of the East and in the economic development of the country.

The British East India Company was different from other companies. England had extensive experience in the production and trade of cotton (Ashley, 1890:23). The colonial countries imported large quantities of coarse cotton fabrics, which were in great demand, rather than expensive cotton, which did not leave a profit. Eastern goods were imported into Britain, like other cotton companies, and sold at inflated prices, which also left the country with a large profit. Unlike other cotton companies, the British Cotton Company had strict discipline, no foreigners were allowed in the company, they had good managers, and they had unity. Large profits, the accumulation of trading capital ultimately led to the strengthening of the influence of the British Cotton Company and the maintenance of its monopoly in the East.

Finally, we can conclude that the English, Dutch, French and Portuguese trading companies were influential and wealthy companies. Their goal was to make a profit from the Eastern countries and they achieved this. In addition, these companies carried out the colonial expansion of the Eastern countries, various types of goods and valuables from the East flowed into the country. All this influenced the economic development of the countries.

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