

2.6 Indian Trade, Colonialism and the Global System

Historically, fine cottons produced in India were exported to Europe. With industrialisation, British cotton manufacture began to expand, and industrialists pressurised the government to restrict cotton imports and protect local industries. Tariffs were imposed on cloth imports into Britain. Consequently, the inflow of fine Indian cotton began to decline. From the early nineteenth century, British manufacturers also began to seek overseas markets for their cloth. Excluded from the British labourer. The testimony of an indentured labourer Extract from the testimony of Ram Narain Tewary, an indentured labourer who spent ten years on Demerara in the early twentieth century. ‘... in spite of my best efforts, I could not properly do the works that were allotted to me ... In a few days I got my hands bruised all over and I could not go to work for a week for which I was prosecuted and sent to jail for 14 days. ... new emigrants find the tasks allotted to them extremely heavy and cannot complete them in a day. ... Deductions are also made from wages if the work is considered to have been done unsatisfactorily. Many people cannot therefore earn their full wages and are punished in various ways. In fact, the labourers have to spend their period of indenture in great trouble ...’ Source: Department of Commerce and Industry, Emigration Branch. 1916 Source Source A India and the Contemporary World market by tariff barriers, Indian textiles now faced stiff competition in other international markets. If we look at the figures of exports from India, we see a steady decline of the share of cotton textiles: from some 30 per cent around 1800 to 15 per cent by 1815. By the 1870s this proportion had dropped to below 3 per cent. What, then, did India export? The figures again tell a dramatic story. While exports of manufactures declined rapidly, export of raw materials increased equally fast. Between 1812 and 1871, the share of raw cotton exports rose from 5 per cent to 35 per cent. Indigo used for dyeing cloth was another important export for This was the nerve centre of the worldwide operations of the East India Company. and its river. All through the seventeenth and early eighteenth centuries, Surat remained the main centre of overseas trade in the western Indian Ocean. The Making of a Global World many decades. And, as you have read last year, opium shipments to China grew rapidly from the 1820s to become for a while India’s single largest export. Britain grew opium in India and exported it to China and, with the money earned through this sale, it financed its tea and other imports from China. Over the nineteenth century, British manufactures flooded the Indian market. Food grain and raw material exports from India to Britain and the rest of the world increased. But the value of British exports to India was much higher than the value of British imports from India. Thus Britain had a ‘trade surplus’ with India. Britain used this surplus to balance its trade deficits with other countries – that is, with countries from which Britain was importing more than it was selling to. This is how a multilateral settlement system works – it allows one country’s deficit with another country to be settled by its surplus with a third country. By helping Britain balance its deficits, India played a crucial role in the late-nineteenth-century world economy. Britain’s trade surplus in India also helped pay the so-called ‘home charges’ that included private remittances home by British officials and traders, interest payments on India’s external debt, and pensions of British officials in India. Surat Goa Madras Masulipatam Hoogly Bangkok Hanoi Canton Malacca Batavia Bantam Aceh Muscat Bandar Abbas Basra Aleppo Alexandria Jeddah Macha Lahore

Bukhara Yarkand The Great Wall Mombasa Mozambique Sea route Land route Volume of trade passing through the port Red Sea Persian Gulf Indian Ocean India and the Contemporary World 3 The Inter-war Economy The First World War (1914-18) was mainly fought in Europe. But its impact was felt around the world. Notably for our concerns in this chapter, it plunged the first half of the twentieth century into a crisis that took over three decades to overcome. During this period the world experienced widespread economic and political instability, and another catastrophic war.