
Merchandise Trade Imbalances and Uneven Economic Development in India and China

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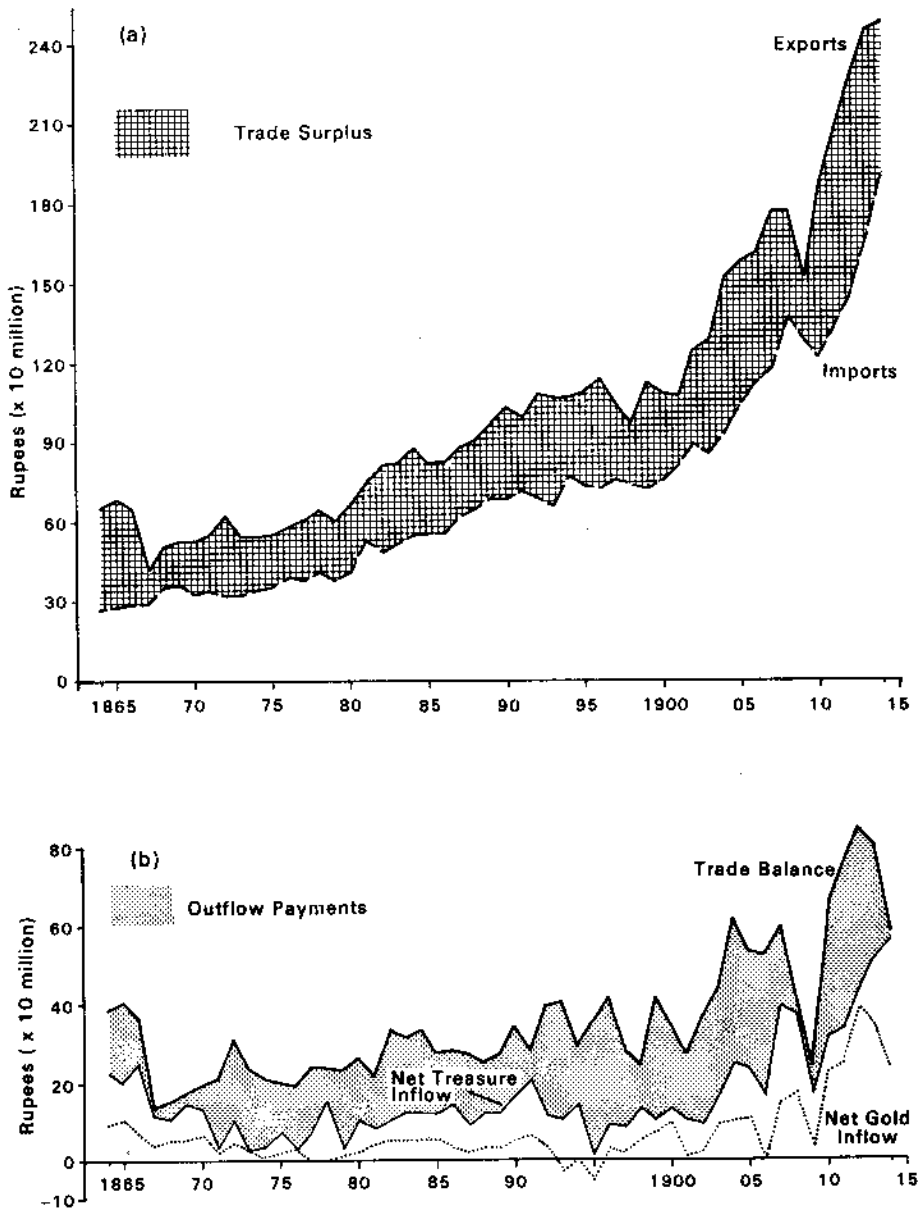
In a recent article in this Journal, Andre Gunder Frank argued that in the late nineteenth and early twentieth centuries, the underdeveloping countries had a growing export surplus. This enabled them to pay a return on the capital invested in them from the developed countries. Thus the developed countries created underdevelopment, because the underdeveloping countries suffered a physical loss by exporting more than they imported. They also adopted a mode of production which created underdevelopment. Here Frank presumably means that they became primary goods exporters, and suffered structural deformation as their domestic manufacturing industries died and were replaced by imported manufactures.¹

India features prominently in his argument, and China to a lesser extent. In reality neither fits his case. On Figure 1 page 34 is shown the details of India's trade 1864-1914. It is immediately obvious that, as Frank suggests, India enjoyed a trade surplus with

* This essay uses material included in the autor's forthcoming book *The International Economy and the Undeveloped World 1865-1914*.

¹ ANDRE GUNDER FRANK, *Multilateral Merchandise Trade Imbalances and Uneven Economic Development*, « Journal of European Economic History », Vol. 5, 1976 (pp. 407-8, 428-9).

FIGURE 1 — Indian Overseas Trade 1864-1914.



Statistical Abstracts for British India.

INDIAN TRADE (BY SEA) 1864-1914
(Rupees × 10 million)

	Merchandise Exports	Merchandise Imports	Trade Surplus	Net Treasure Inflow	Net Gold Inflow
1864	65.6	27.1	38.4	21.6	8.8
1865	68.0	28.1	39.8	19.9	9.8
1866	65.4	29.5	35.8	24.3	5.7
1867	41.8	29.0	12.8	10.8	3.8
1868	50.8	35.7	15.1	10.2	4.6
1869	53.0	35.9	17.0	13.7	5.1
1870	52.4	32.9	19.5	12.9	5.5
1871	55.3	34.4	20.8	3.2	2.2
1872	63.2	32.0	31.1	10.0	3.5
1873	55.2	31.8	23.3	3.2	2.5
1874	54.9	33.8	21.1	3.8	1.3
1875	56.3	36.2	20.1	6.5	1.8
1876	58.0	38.8	19.1	3.1	1.5
1877	61.0	37.4	23.5	7.4	0.2
1878	65.2	41.4	23.7	15.1	0.4
1879	60.9	37.8	23.1	3.0	0.8
1880	67.2	41.1	26.0	9.6	1.7
1881	74.5	53.1	21.4	7.5	3.6
1882	81.9	49.1	32.8	10.2	4.8
1883	83.4	52.0	31.3	12.4	4.9
1884	88.1	55.2	32.8	11.8	5.4
1885	83.2	55.7	27.5	11.9	4.6
1886	83.8	55.6	28.2	14.3	2.7
1887	88.4	61.7	26.6	9.3	2.1
1888	90.5	65.0	25.5	12.2	2.9
1889	97.0	69.4	27.6	12.0	2.8
1890	103.4	69.1	34.2	15.5	4.6
1891	100.2	71.9	28.2	19.8	5.6
1892	108.1	69.4	38.7	11.4	2.4
1893	106.5	66.2	40.3	10.0	— 2.8
1894	106.5	77.0	29.4	14.3	0.6
1895	108.9	73.5	35.3	1.3	— 4.9
1896	114.3	72.9	41.3	9.1	2.5
1897	103.9	76.1	27.8	8.1	2.2
1898	97.6	73.6	23.9	13.3	4.9
1899	112.7	72.1	40.6	10.4	6.5
1900	109.0	75.3	33.7	13.0	9.4
1901	107.7	80.8	26.8	10.3	0.8
1902	124.8	88.7	36.1	9.1	1.9
1903	129.3	85.8	43.5	15.7	8.7
1904	153.5	92.5	60.9	23.5	9.7
1905	157.7	104.4	53.3	22.9	9.7
1906	161.8	112.1	49.7	16.1	0.4
1907	177.0	118.1	58.9	38.8	14.8
1908	177.4	136.6	40.8	36.8	17.3
1909	153.1	128.7	24.3	16.4	4.3
1910	187.9	122.6	65.3	31.1	21.6
1911	209.9	133.7	76.2	32.6	23.9
1912	227.9	144.0	83.9	43.0	37.7
1913	246.2	166.6	79.5	51.1	34.0
1914	249.0	191.3	57.6	36.3	23.3

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the rest of the world, exports exceeding imports every year. The trade surplus itself is shown on the figure, being calculated by subtracting imports from exports each year. From this surplus India had to meet payments for interest on capital invested in India from abroad, and also repayments of the capital itself. But it is not true that these payments wiped out the surplus. On the contrary, even after the payments had been made, India remained in surplus. This is indicated by the substantial inflow of treasure each year, made up of gold and silver, shown on the figure. Very roughly, the difference between the trade surplus and the net treasure inflow accounts for the outflow from India in payments of interest and repayments of capital, together with profits earned by foreign companies operating in India, and payments by personnel working in India to dependents abroad, etc. The treasure inflow can be taken to represent the net benefit to India from her external transactions. India was clearly in benefit even when all payments had been made to foreign owners of capital.

Several questions emerge. How, and with what countries did India earn this vast trading surplus? What is the significance of the huge inflow of treasure? Table 1 gives an analysis of Indian

INDIAN EXPORTS 1870-1910
Five Year Averages

TABLE 1

	1870		1880		1890		1900		1910	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Coffee	1.79	10	2.17	11	1.74	13	1.24	13	0.67	—
Cotton: raw	36.39	1	16.19	2	14.31	1	10.67	3	14.46	1
Cotton: twist, yarn	0.16	14	1.60	12	5.92	7	6.27	9	4.53	10
Cotton: manufactures	2.17	8	2.41	10	2.83	11	1.25	12	1.08	12
Indigo	5.38	4	4.99	7	3.54	10	1.91	11	0.17	—
Grain: rice	7.12	3	11.92	3	11.00	2	13.23	1	11.85	2
Grain: wheat	0.20	13	4.76	8	7.99	5	3.78	10	5.78	8
Hides and skins	3.08	7	5.11	6	4.80	9	8.12	5	6.92	6
Jute: raw	4.32	6	5.90	5	7.55	6	8.61	4	9.97	4
Jute: manufactures	0.44	12	1.51	14	2.63	12	6.65	8	8.84	5
Opium	21.41	2	18.79	1	9.45	4	7.29	7	5.55	9
Seeds	4.62	5	8.37	4	10.36	3	11.05	2	10.80	3
Tea	1.96	9	4.59	9	5.69	8	7.45	6	6.05	7
Wool	1.20	11	1.56	13	1.61	14	0.96	—	1.29	11
Others	9.76		10.13		10.31		11.52		12.04	

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exports. It appears that raw cotton was the leading export, but rice was the next most important item. If wheat exports are put with rice, these grain exports were the leading category after 1880, and second only to cotton in the period as a whole. Opium, important in the China trade, declined, taking first place in 1880 but ninth in 1910. Oil seeds increased in importance, and so did hides and skins, and jute manufactures. Tea became more important at the expense of coffee, wool remained fairly constant, and indigo declined. By and large Indian exports were agricultural, and with the exception of tea, of peasant origin. But of great significance, and contrary to Frank's theme, manufactures increased their share of exports. Jute manufactures, and cotton manufactures including twist and yarn, contributed less than 3% in 1879 but more than 14% in 1910.

Britain was the leading destination of India's exports, as the following Table 2 suggests. It is no surprise to find that tea was the foremost commodity to Britain, but wheat occasionally surpassed it in the new century. The development of Indian wheat exports, mainly to Britain, was rapid after the opening of the Suez canal in 1869. The government actively encouraged this, both by building railways, and irrigation and settlement schemes. Even though by 1904-13 India was supplying 18% of Britain's wheat imports only 13% of the Indian crop was actually being exported, the rest being consumed at home. Britain was also the chief buyer of jute products, although Germany, France, and the United States became important consumers, the United States being the leading

TABLE 2
DESTINATION OF INDIAN EXPORTS 1870-1910
Five Year Averages

	1870 %	1880 %	1890 %	1900 %	1910 %
U.K.	53.57	42.56	34.35	27.48	25.39
Europe	8.91	17.02	25.29	24.00	31.51
Africa	1.69	3.82	7.32	8.26	3.08
America	3.48	4.11	4.88	7.96	9.75
Asia	32.23	31.67	26.93	30.86	28.56
Australasia	0.14	0.79	1.06	1.41	1.71

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purchaser of jute cloth and bags from the mid '90's. At the beginning of the period Britain was the chief market for Indian raw cotton, but as Lancashire preferred the longer staple, cleaner United States cotton, Indian cotton went more and more to Europe. Hides and skins featured in the trade to Britain, especially when dressed, but Germany and the United States were more important buyers of raw hides and skins. Britain also took linseed and castor seed, leaving the rest of the seed market to Europe, and she took rice, although Germany and Asia were major buyers. Over the period as a whole Britain declined relatively as a consumer of India's exports. This was due to increased purchases from the United States and also to the fact that after the opening of the Suez canal France and Italy tended to be supplied direct from India rather than by way of the Cape and Britain.

As Britain's share of Indian exports fell, Europe's grew. Rice, cotton, wheat, and jute were all important there, but oil seeds predominated. After 1900 oil seeds increased rapidly in value, especially linseed, rape seed, and groundnuts. India became the world's leading exporter of rape seed and groundnuts, exporting three times as much as all the British West African colonies put together. France was the main importer, and Europe in general took three-quarters of the total. Hides and skins as already seen were a substantial part of the European trade, raw hides going to Austria and Germany, where they were made into heavy army boots.

Of the other regions to which India sent exports, the main part of the trade to America was jute and jute products to the United States. Africa and Australasia took miscellaneous items in which tea and rice presumably featured. But the Asian market requires more detailed examination, as it took about a third of all Indian exports. It was the second most important market area after Britain overall, and surpassed Britain from the turn of the century. Opium was the principal export to Asia to begin with, China taking most of it. Smaller quantities went to the Straits Settlements, from where it was distributed throughout South East Asia. But Chinese imports stopped increasing, and after the turn

of the century were very much reduced. This largely accounts for the fact that the proportion of exports going to Asia remained fairly stable. The decline in opium in the China trade was offset by the development there of a good business in Indian cotton manufactures, particularly twist and yarn. Elsewhere in Asia Indian cotton manufactures were successful, and Japan emerged as the largest consumer of Indian raw cotton exports. Rice was also a major item in the Asian trade, the growth of these rice exports from Burma marking the development of an intra-Asian rice trade of great significance. Apart from Britain and Germany, Indian rice went to Ceylon to feed immigrant plantation workers there, and to the Straits Settlements. Japan took growing amounts towards the end of the period. As in the case of wheat, only a small proportion of the crop was exported, never more than 10%. In times of famine or scarcity the rice was diverted to other provinces of India.

Indian imports were mainly of manufactured goods as Table 3 reveals. This fits well with Frank's views. However cotton manufactured goods, the major category, fell from 44% of the

TABLE 3

INDIAN IMPORTS 1870-1910
Five Year Averages

	1870		1880		1890		1900		1910	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Coal etc.	1.83	—	2.48	6	2.15	10	0.70	—	0.56	—
Cotton: twist, yarn	8.28	2	7.18	2	5.24	2	3.31	6	2.74	7
Cotton: manufactures	44.69	1	43.22	1	39.08	1	36.58	1	32.11	1
Hardware	—	—	1.16	—	1.76	—	2.28	9	2.17	8
Machinery, millwork	1.93	7	2.02	10	3.40	6	3.63	5	4.06	5
Metals: iron, steel	3.72	5	3.52	4	4.29	3	5.65	3	7.32	3
Metals: brass, copper	4.64	3	3.64	3	2.65	7	1.58	—	2.16	10
Railway plant, stock	4.30	4	2.43	7	2.66	6	2.68	7	4.18	4
Oils	0.13	—	1.08	—	3.89	4	4.96	4	2.91	6
Salt	2.24	6	1.40	—	1.13	—	0.86	—	0.58	—
Sugar	1.88	—	2.91	5	3.79	5	6.36	2	9.26	2
Silk, manufactures	1.35	—	2.40	8	2.53	8	1.93	—	1.95	—
Wool, manufactures	1.81	—	2.35	9	2.45	9	2.33	8	2.16	9
Others	23.20		24.21		24.96		27.15		27.84	

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total in 1870 to 32% in 1910, as cotton manufacturing advanced in India itself. Cotton twist and yarn fell from second place to seventh for the same reason. The remaining imports were made up of a vast array of miscellaneous goods, few of which amounted to more than 1% of the total. This pattern of imports fits the general import pattern of many of the countries of the underdeveloped world at this time. Categories which do stand out are iron and steel which rose to 7% in 1910, railway plant and rolling stock which accounted for about 4% throughout, and machinery and millwork which increased its share to 4% by the end of the period. Brass and copper imports declined, silk and wool manufactures remained constant, and coal imports fell away as the Indian coal industry developed. Probably the most interesting increase is shown by sugar, which rose from less than 2% of imports in 1870 to over 9% in 1910. This may well support the view, referred to later, that incomes in India were rising, causing increased demand for this luxury foodstuff. Salt, oils, and hardware also figured, but the mass of miscellaneous items is shown by the very high proportion of "other goods" in the table.

The following Table 4 divides Indian imports into their region of origin. Britain's overwhelming dominance as supplier is clear, with 83% of the total in 1870 and 62% in 1910. Lancashire cottons made up a large part of this, but it was this section which suffered most from the emergence of cotton manufacturing in India. Up to the mid 80's imports from Britain had been cheap plain cottons,

TABLE 4

ORIGIN OF INDIAN IMPORTS 1870-1910
Five Year Averages

	1870 %	1880 %	1890 %	1900 %	1910 %
U.K.	83.7	81.26	74.60	66.36	62.40
Europe	1.81	2.97	7.69	17.24	15.02
Africa	0.29	3.07	3.29	3.33	2.61
America	0.29	1.01	2.00	1.67	3.14
Asia	11.21	11.38	11.94	10.66	16.02
Australasia	0.84	0.47	0.44	0.72	0.77

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but afterwards Indian mills produced these stuffs. Whilst Britain led in every important category of imports, European competition made itself felt in many trades, Belgium being prominent in the metal trades, particularly iron and steel, after the 1880's. Belgium also supplied minor items such as dyeing and tanning materials, and Belgium, Austria, and Germany sent glassware. Germany competed vigorously for an increased share in wool imports, and after the turn of the century Germany and Austria established pre-eminence in the household utensil market. Despite German and United States competition in the metal trades, Britain kept her hold of the biggest single class of metal imports, galvanised sheets and plates. Nonetheless Europe's share of Indian imports increased at Britain's expense, and by 1910 was 15 % of the total. As for Asia, her share of India's imports grew a little, from 11% to 16%, partly because Japan took over from Britain as a supplier of silk goods, and also because of the rapid rise in sugar imports from Java. China sent silk and silk manufactures and the Straits a whole range of minor items gathered from all over South East Asia and redistributed through Singapore. They included drugs, medicines, matches, tin, oil, fish, silk and betelnuts.²

So how did Indian trade balance with the various regions she traded with? With which regions did her trade surplus originate? Figure 2 page 42 traces India's trade balances with different regions. It reveals that her deficit with Britain was offset by her surpluses with Europe and America. Africa and Australasia also provided surpluses, but they were too small to put on the figure. The largest surplus was with Asia, and in almost every year it was big enough to more than cover the deficit with Britain by itself. The European surplus is easy to explain, her purchases of oilseeds, rice, hides and skins, and raw cotton outweighing her sales of manufactured goods to India. Similarly the smaller

² *Statistical Abstracts for British India*. J.Q. ADAMS 111, *Economic Change, Exports and Imports: The case of India, 1870-1960*, University of Texas Ph. D., 1966 (pp. 101-132, 167-185, 207-214). V. ANSTEY, *The Economic Development of India*. 3rd Ed. London: Longmans Green & Co., 1949. (pp. 329-335). S.B. SAUL, *British Overseas Trade, 1870-1914*. Liverpool: Liverpool University Press, 1960, pp. 188-207. C.P. WRIGHT, India as a Producer and Exporter of Wheat. *Wheat Studies* Vol. 3, 1926-7, pp. 317-412.

FIGURE 2 — Indian Trade Balance with Major Regions 1868-1914.

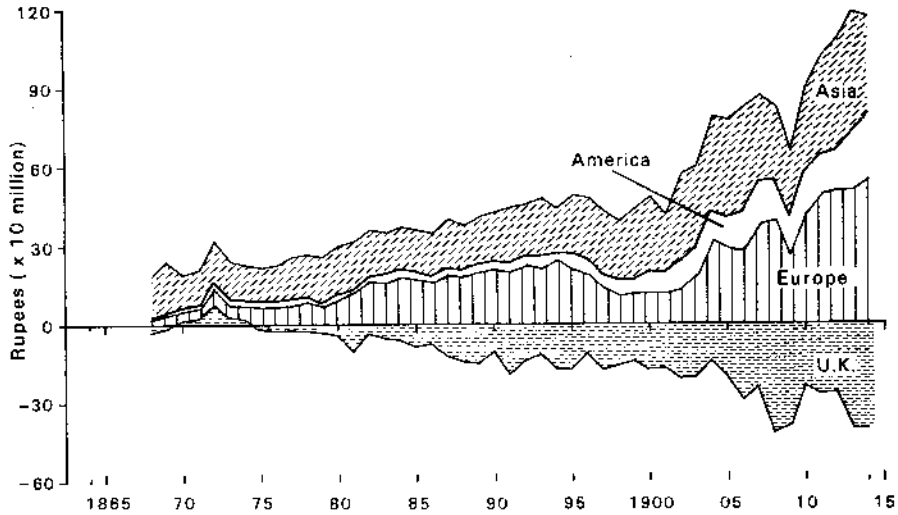
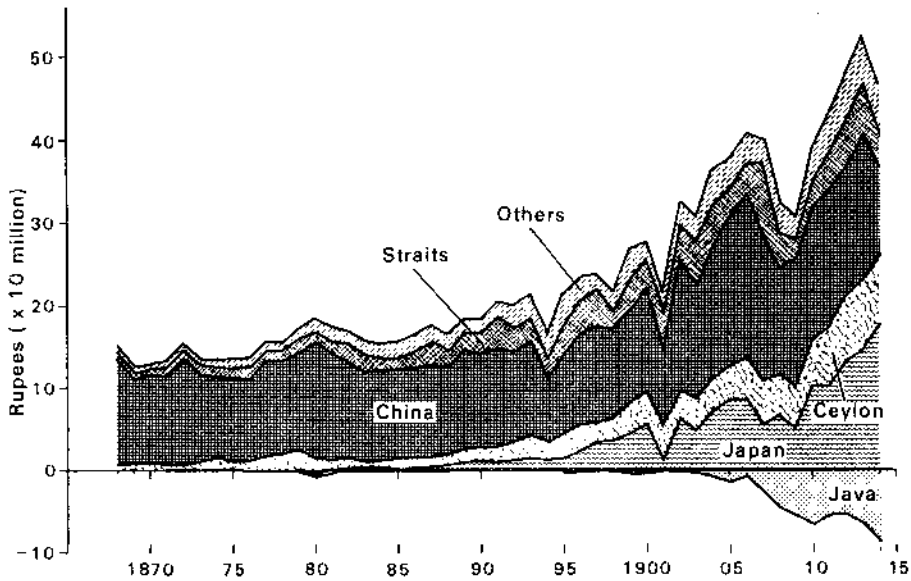


FIGURE 3 — Indian Trade Balances with Asia 1868-1914.



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INDIAN BALANCE OF PRIVATE MERCHANDISE TRADE
WITH MAJOR REGIONS

Rupees × 10 million

	U.K.	Europe	Africa	America	Asia	Australasia	Total
1868	— 3.2	2.2	0.1	1.1	15.1	— 0.2	15.2
1869	— 1.4	4.0	0.3	1.4	12.9	— 0.1	17.1
1870	1.1	4.6	0.0	1.5	12.6	— 0.3	19.5
1871	2.2	3.4	0.5	2.5	13.3	— 0.1	21.9
1872	7.3	7.0	0.2	2.3	15.6	— 0.1	32.3
1873	3.0	4.6	0.8	2.1	14.0	0.0	24.7
1874	1.8	5.1	0.3	2.0	13.8	0.0	23.3
1875	— 1.6	6.7	0.8	1.9	13.7	0.0	21.6
1876	— 2.4	7.1	0.3	1.8	13.9	0.0	20.9
1877	— 1.7	8.3	1.2	1.9	15.7	0.0	25.5
1878	— 2.5	9.4	1.2	1.9	15.5	0.1	25.8
1879	— 3.0	6.7	0.6	2.1	17.4	0.3	24.3
1880	— 4.6	8.7	1.4	3.1	18.3	0.2	27.4
1881	—10.2	12.0	1.6	2.4	17.9	0.4	24.2
1882	— 3.6	16.1	1.9	2.5	17.3	0.5	34.9
1883	— 4.9	16.3	2.4	2.8	16.1	0.6	33.3
1884	— 5.8	18.0	4.3	3.1	15.7	0.0	35.4
1885	— 8.5	17.1	2.4	2.7	15.9	0.3	30.0
1886	— 7.3	16.1	3.5	2.7	16.6	0.1	32.0
1887	—12.4	19.1	2.3	2.5	18.0	0.1	29.7
1888	—13.9	17.7	3.1	3.3	17.1	0.6	28.0
1889	—15.1	19.8	3.1	3.1	18.4	0.8	30.4
1890	—11.1	21.2	4.4	2.9	18.5	0.6	37.5
1891	—19.3	20.4	5.1	3.3	20.5	0.9	31.0
1892	—13.7	22.2	8.0	3.9	20.2	0.6	41.4
1893	—10.6	21.2	5.9	5.0	21.5	0.8	43.9
1894	—17.3	25.1	4.4	2.6	16.7	0.2	32.4
1895	—17.2	20.9	5.4	6.6	21.7	1.0	38.6
1896	—11.0	18.8	6.3	6.1	23.5	0.9	44.9
1897	—17.6	13.8	6.2	5.0	23.9	0.7	32.1
1898	—16.2	10.7	5.0	6.3	21.5	0.9	28.2
1899	—14.1	11.7	8.3	5.5	27.0	0.9	44.3
1900	—17.0	12.2	6.4	8.1	27.2	1.1	38.2
1901	—16.6	12.3	5.2	7.5	21.4	1.1	31.0
1902	—21.4	14.4	6.5	9.2	32.9	1.3	42.9
1903	—19.9	19.3	9.0	9.6	30.9	0.9	50.0
1904	—13.8	32.0	1.8	10.7	35.9	1.2	68.1
1905	—19.9	29.1	2.2	11.9	36.5	0.8	60.8
1906	—28.0	27.6	2.6	14.9	39.9	1.4	58.6
1907	—24.3	37.7	3.1	16.8	32.9	2.1	68.6
1908	—40.8	40.3	2.5	14.9	27.8	2.5	47.3
1909	—39.0	26.5	2.3	14.2	25.6	1.9	31.7
1910	—24.1	42.6	2.1	14.9	32.7	2.4	70.8
1911	—27.0	49.9	2.4	14.3	38.1	2.6	80.5
1912	—26.3	51.3	4.1	14.5	43.1	2.4	89.2
1913	—39.6	52.2	2.9	20.5	46.1	2.8	85.0
1914	—39.2	55.0	3.7	24.1	37.8	4.0	65.6

The difference between the total in this table, and the trade surplus recorded in Table Indian Trade, is accounted for by Government transactions not included here.

INDIAN TRADE BALANCES WITH ASIA (BY SEA) 1868-1914

Rupees × 10 million

	Ceylon	China	Japan	Java	Straits	Others	Total
1868	0.7	12.8	—	—	0.6	0.9	15.1
1869	0.8	10.3	—	—	0.5	1.2	12.9
1870	0.9	10.8	—	—	0.4	0.4	12.6
1871	0.8	10.7	0.0	0.0	0.8	0.9	13.3
1872	0.8	12.4	0.0	0.0	1.3	1.0	15.6
1873	1.0	10.7	0.0	0.0	1.2	0.9	14.0
1874	1.4	10.0	0.0	0.0	1.2	1.0	13.8
1873	1.0	10.1	0.0	0.0	1.3	1.1	13.7
1876	1.1	9.9	0.0	0.0	1.6	1.1	13.9
1877	1.7	11.5	0.0	0.0	1.4	0.9	15.7
1878	2.0	11.3	0.0	0.0	1.5	0.7	15.5
1879	2.3	12.2	0.0	0.0	1.5	1.1	17.4
1880	1.5	13.9	— 0.1	0.0	1.4	1.5	18.3
1881	1.2	12.9	0.0	0.0	1.6	1.9	17.9
1882	1.2	12.0	0.1	0.0	1.9	1.8	17.3
1883	0.8	11.0	0.2	0.0	2.0	1.8	16.1
1884	0.9	11.0	0.2	0.0	1.4	1.9	15.7
1885	1.4	10.6	0.0	0.0	1.7	2.0	15.9
1886	1.4	10.8	0.2	0.0	2.0	2.1	16.6
1887	1.3	11.2	0.3	0.0	2.5	2.5	18.0
1888	1.4	10.6	0.6	0.0	2.0	2.2	17.0
1889	1.5	12.2	1.0	0.0	2.0	1.5	18.4
1890	1.6	11.4	1.1	0.0	2.3	1.8	18.5
1891	1.9	12.0	1.0	0.0	3.4	2.0	20.5
1892	2.2	10.9	1.2	0.0	2.8	2.9	20.2
1893	2.6	11.7	1.5	0.0	2.3	3.3	21.5
1894	2.5	7.5	1.1	0.0	2.3	3.1	16.7
1895	2.9	10.0	1.3	— 0.1	3.5	3.8	21.7
1896	3.1	11.1	2.4	0.0	4.1	2.6	23.5
1897	2.5	11.6	3.4	0.0	4.5	1.7	23.9
1898	3.0	10.5	3.6	0.0	2.1	2.2	21.5
1899	3.6	11.1	4.6	— 0.1	3.9	3.7	27.0
1900	3.6	12.6	5.8	— 0.2	3.8	1.4	27.2
1901	4.1	9.2	1.2	0.0	4.7	2.0	21.4
1902	3.6	15.8	6.2	0.0	4.2	2.8	32.9
1903	3.8	13.7	4.9	— 0.1	5.4	3.0	30.9
1904	4.0	16.0	7.1	— 0.7	4.9	4.5	35.9
1905	4.4	17.7	8.5	— 1.5	3.4	3.9	36.5
1906	5.0	19.7	8.6	— 0.7	3.8	3.5	39.9
1907	5.6	17.5	5.4	— 2.3	3.8	2.7	32.9
1908	5.2	12.9	6.6	— 4.6	4.0	3.5	27.8
1909	5.2	15.6	5.0	— 5.5	2.1	3.0	25.6
1910	5.8	16.1	10.1	— 6.4	3.2	3.8	32.7
1911	7.2	16.7	10.1	— 5.4	4.6	4.7	38.1
1912	7.8	15.8	13.2	— 5.2	5.8	5.5	43.1
1913	8.4	17.4	14.6	— 6.2	6.1	5.7	46.1
1914	8.2	10.8	17.9	— 8.8	3.3	6.3	37.8

Statistical Abstracts for British India.

American surplus was due to the fact that the United States bought more jute and jute products, hides and skins, than she sold mineral oil and manufactures to India. But what of the Asian market where by far the largest surplus originated? Because this region was the most important source of her trade surplus, it is worth examining in greater detail. Figure 3 page 42 breaks down India's surplus with Asia into the separate balances with the major countries there. As one might expect the surplus with China was crucial. This was due to the opium trade to begin with, but it was subsequently due to Indian exports of cotton yarn. Japan yielded a rapidly growing surplus after 1880, as she raced through her path to industrialisation, importing raw cotton, yarn and rice from India. Ceylon also provided a useful surplus, on account of Burmese rice imports. Only with Java in the Dutch East Indies was there any substantial deficit, and this grew very rapidly after the turn of the century as Indians increasingly enjoyed the luxury of sugar. Elsewhere in Asia, including the Straits Settlements, India was in surplus, with rice and cotton largely responsible.

To emphasise the importance of India's surplus with Asia it is interesting to examine the sources of the treasure inflow which was such an important feature of her international trade, as discussed earlier. From Figure 4 page 46 can be seen that Britain was the major source of the silver inflow, but Asia came next, most of the silver coming from China. A little silver came from Europe, but America, Africa and Australasia were of minor importance. As for gold, revealed on Figure 5 page 48, Asia clearly dominated, with China yielding the majority. After the turn of the century inflows from Britain, Australasia and Africa all rose sharply.

This returns us to the question of the significance of the inflow of precious metals. If this inflow was India's net benefit from her international transactions, how was it used in India? Messrs McCloskey and Zecher in a recent article have suggested that under the gold standard an inflow of gold to a country will take place if the incomes of the people there are rising, but their demand for money is not being met by the monetary authorities.

FIGURE 4 — Net Inflow of Silver to India from Major Regions.



Statistical Abstracts for British India.

If their surmise is correct, the inflow of gold indicates that demand for money was rising in India due to rising incomes there, especially after India went on to gold standard formally in 1893. The possibility of rising incomes is supported by the circumstantial evidence of increased sugar imports. Prior to 1893 when India was on a silver standard, the inflow of silver would point to the same conclusion. Rising incomes are exactly what one would expect in a country which enjoyed such a large and persistent surplus.³

³ DONALD N. McCLOSKEY and J. RICHARD ZECHER, How the Gold Standard Worked, in *The Monetary Approach to the Balance of Payments*, ed. Jacob A. Frankel and Harry G. Johnson, London: Allen & Unwin, 1976, pp. 368, 385.

NET INFLOW OF SILVER INTO INDIA FROM MAJOR REGIONS

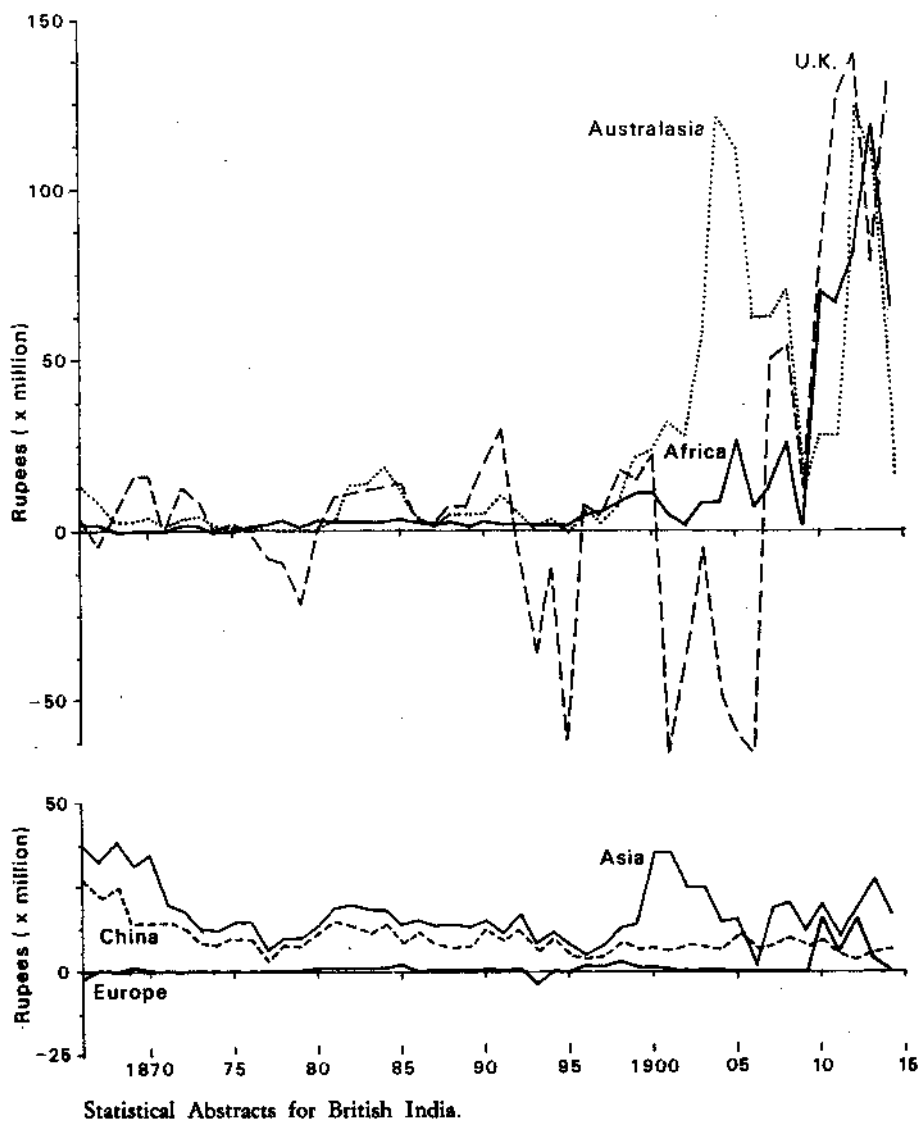
Rupees × 10 million

	U.K.	Europe	Africa	America	Asia	(China)	Australasia	Total
1866	88.1	26.3	0.2	—	71.5	48.1	0.2	186.6
1867	0.1	6.6	0.3	—	62.5	52.9	—	69.6
1868	7.8	1.2	— 0.9	—	47.7	44.0	—	55.9
1869	25.7	9.0	8.1	—	43.1	29.3	—	86.0
1870	20.4	3.3	0.5	—	48.8	36.9	—	73.2
1871	—10.2	0.8	0.4	—	18.3	12.4	—	9.4
1872	54.0	2.0	— 0.7	—	10.1	11.8	—	65.3
1873	11.0	0.1	—	—	— 4.0	0.4	—	7.1
1874	19.2	0.7	— 3.3	—	8.2	9.0	—	24.9
1875	43.5	1.0	1.0	—	0.6	2.5	—	46.4
1876	19.3	2.3	— 3.5	—	— 2.7	3.3	—	15.5
1877	72.2	11.1	— 4.3	—	— 6.5	— 1.4	—	71.9
1878	126.1	1.2	— 1.2	—	19.7	17.1	0.6	146.7
1879	27.0	0.5	— 2.5	—	14.1	18.0	—	39.7
1880	46.3	4.5	— 1.5	—	26.9	26.1	—	* 78.6
1881	27.1	12.3	— 0.2	—	0.4	1.2	—	38.9
1882	37.5	3.7	— 2.7	—	15.1	15.0	0.1	53.7
1883	43.4	17.7	— 0.1	—	13.7	12.4	—	74.8
1884	54.4	5.4	— 1.0	—	5.2	5.2	—	64.0
1885	66.5	2.2	— 2.3	0.6	5.2	10.1	—	72.4
1886	75.2	6.0	— 0.7	6.0	29.3	27.3	—	116.0
1887	50.0	1.6	0.4	7.1	12.2	11.5	—	71.5
1888	68.4	5.3	— 3.1	9.1	12.4	15.9	—	92.2
1889	68.5	3.6	— 1.8	9.2	12.5	18.9	0.2	92.4
1890	97.6	2.4	— 1.4	1.8	7.7	9.0	1.1	109.3
1891	75.0	11.3	— 0.4	0.4	50.3	35.4	5.0	141.7
1892	61.1	1.1	0.4	5.6	16.2	24.9	5.5	90.2
1893	124.4	3.3	— 8.4	0.3	2.7	8.6	6.2	128.6
1894	123.4	1.7	2.6	—	4.0	0.7	5.3	137.1
1895	64.9	0.0	0.5	—	— 5.0	0.1	2.8	63.2
1896	57.2	0.1	— 0.9	1.1	— 5.3	— 0.8	13.5	65.8
1897	61.1	0.0	— 2.1	0.7	—13.5	0.0	12.3	58.5
1898	100.9	0.3	— 0.4	3.4	—30.6	— 0.8	11.2	84.7
1899	58.3	0.4	— 4.9	0.9	—22.1	5.4	7.2	39.8
1900	83.8	0.2	0.3	—	—51.2	— 1.3	3.1	36.3
1901	113.6	—	— 5.2	—	—18.0	— 1.9	4.6	95.0
1902	106.1	—	1.0	—	—42.0	— 0.8	6.6	71.8
1903	90.1	—	— 1.0	4.9	—30.7	9.7	6.3	69.5
1904	128.9	—	— 5.6	0.1	6.1	— 1.2	6.9	136.5
1905	126.1	0.6	— 1.6	0.1	1.7	4.7	5.6	132.6
1906	142.4	—	— 1.4	0.2	9.8	9.3	6.1	157.2
1907	216.8	0.3	— 1.1	—	16.9	23.7	7.0	240.0
1908	150.3	—	— 2.1	—	38.5	33.5	7.8	194.6
1909	119.7	0.3	— 1.2	0.1	— 5.5	4.8	7.1	120.6
1910	99.4	0.9	— 1.9	0.4	— 9.5	0.3	5.1	94.4
1911	89.5	—	— 4.3	0.3	— 7.0	7.4	7.8	86.3
1912	104.3	—	— 2.6	0.2	—57.8	—47.9	9.2	53.3
1913	159.0	—	— 2.4	2.2	5.2	15.1	7.8	171.9
1914	120.9	—	— 2.5	0.1	2.6	10.8	9.1	130.3

Statistical Abstracts for British India.

* includes 2.0 from other countries unspecified.

FIGURE 5 — Net Inflow of Gold to India from Major Regions.



Yet inflows of precious metals into India were nothing new. From time immemorial India had been a sink of precious metals.⁴

⁴ C.J. DANIELL, *The Gold Treasure of India*, London: Kegan Paul, Trench & Co., 1884, pp. 53-55. ANSTEY, *Economic Development of India*, p. 331 fn.

NET INFLOW OF GOLD INTO INDIA FROM MAJOR REGIONS

Rupces × 10 million

	U.K.	Europe	Africa	America	Asia	(China)	Australasia	Total
1866	4.3	— 0.6	0.8	—	38.7	28.1	14.0	57.2
1867	— 3.3	0.2	0.5	—	33.3	23.4	7.6	38.4
1868	3.6	0.2	0.0	—	38.8	24.7	3.2	46.0
1869	15.9	0.5	0.4	—	32.0	15.0	2.6	51.5
1870	16.0	0.3	0.2	—	35.0	14.7	4.1	55.9
1871	0.1	0.0	0.0	—	20.4	15.0	2.1	22.8
1872	13.4	0.1	0.6	—	18.4	13.3	3.0	35.6
1873	7.5	0.1	1.3	—	12.8	8.5	3.6	25.4
1874	0.1	0.0	0.1	—	11.6	8.1	1.7	13.8
1875	2.4	0.1	0.2	—	15.2	10.8	0.5	18.7
1876	0.1	— 0.3	0.7	—	14.5	10.3	0.2	15.4
1877	— 7.1	— 0.1	2.1	—	6.9	4.0	0.2	2.0
1878	— 8.8	0.0	3.1	—	10.0	8.4	0.2	4.6
1879	—21.4	0.1	1.9	—	10.1	8.3	0.2	— 8.9
1880	0.1	0.6	2.9	—	13.7	11.8	0.0	17.5
1881	10.4	0.5	3.1	—	19.2	15.4	2.9	36.5
1882	10.9	0.9	3.3	—	19.6	13.7	13.2	48.4
1883	12.4	1.3	2.7	—	18.4	11.6	14.2	49.3
1884	13.2	1.1	3.0	—	17.9	13.6	19.2	54.6
1885	13.9	2.2	3.9	—	13.7	9.2	12.7	46.7
1886	3.4	0.4	2.7	—	15.5	11.1	5.4	27.6
1887	1.6	1.0	2.8	—	13.9	9.2	2.3	21.7
1888	7.2	0.5	2.7	—	14.0	9.7	5.4	29.9
1889	7.7	0.8	1.5	—	12.8	9.3	5.1	28.1
1890	19.9	1.4	2.5	—	15.8	13.3	6.3	46.1
1891	29.9	1.3	2.2	—	11.7	9.6	11.0	56.3
1892	— 1.1	0.9	2.2	—	16.6	12.0	5.5	24.1
1893	—36.4	— 3.0	1.3	—	9.3	6.5	0.6	—28.1
1894	—10.6	0.2	1.7	—	12.2	9.6	2.8	6.4
1895	—60.2	0.3	2.3	—	7.7	4.6	0.0	—49.7
1896	8.0	1.6	4.8	—	5.2	3.7	5.6	25.3
1897	4.8	1.7	5.7	—	7.5	4.5	3.0	22.9
1898	17.9	2.8	7.8	—	12.6	7.7	7.8	49.0
1899	14.8	2.4	10.6	—	14.6	6.5	22.4	65.0
1900	20.7	2.3	10.9	—	36.4	7.4	24.0	94.4
1901	—65.3	0.7	5.3	—	36.1	6.0	31.5	8.4
1902	—34.5	0.0	2.4	—	25.0	8.0	26.5	19.3
1903	— 5.3	0.7	7.5	—	25.5	6.8	59.1	87.6
1904	—47.5	0.7	8.3	—	14.6	6.9	121.7	97.9
1905	—58.3	0.3	25.7	—	15.8	11.0	113.4	97.0
1906	—65.2	0.2	6.6	—	— 0.2	7.3	63.1	4.5
1907	51.3	0.4	13.6	—	18.7	7.9	64.3	148.5
1908	55.1	0.3	26.4	—	20.6	10.2	71.0	173.6
1909	13.9	0.0	2.8	—	12.0	7.8	14.6	43.5
1910	81.7	15.6	71.3	—	18.8	8.6	29.2	216.7
1911	127.9	5.9	66.6	—	10.7	6.1	28.4	239.7
1912	140.8	10.5	83.0	—	18.0	4.4	125.1	377.5
1913	79.5	4.3	120.3	—	28.0	6.3	107.6	340.0
1914	131.7	1.0	66.8	—	16.5	7.4	16.8	233.2

Statistical Abstracts for British India.

To a large extent this was due to the desire of Indians to acquire treasure for hoarding. This fits well with the idea of gold and silver being brought into the country to meet a demand for money not satisfied by the monetary authorities. Hoarding was necessary to protect oneself against famine, which happened only too often in India. There was no adequate banking system which might have served the same purpose. Although hoarding made good sense under these circumstances, it had profound consequences for the Indian economy. Mukherjee suggests that approximately 5% of NNI was saved in this period, and was in theory available for investment. But the amount available for investment was actually reduced to about 3% due to hoarding. Somewhere in the region of 2% of NNI was hoarded. The implication is that the level of investment in the Indian economy could have been raised by an additional two-thirds each year. The cumulative effect would have been considerable.⁵

These findings have great significance for Frank's thesis. If less had been hoarded, and more invested, the need for importing capital from abroad would have been reduced. Hoarding created a capital vacuum into which foreign funds were drawn. Hoarding contributed to underdevelopment in India by denying the Indian economy the returns which the capital would have yielded if invested productively. Returns not earned were just as great a loss to India as returns paid abroad.

Despite the outflow of funds to owners of capital abroad, and the sums lost to domestic investment by hoarding, there was indigenous investment. Contrary to Frank's view that a mode of production developed which turned India more and more into a primary producer and less and less an industrial producer, there was substantial industrialisation by Indian entrepreneurs. Cotton manufactures remained India's leading import, but at the same time locally owned cotton mills led India's process of industrialisation. Bombay had 48 cotton mills, with 10,000 looms and 1 million spindles in 1875. By 1882 there were also mills in Ahmedabad,

⁵ M. MUKHERJEE, *National Income of India. Trends and Structure*. Calcutta: Statistical Publishing Society, 1969, pp. 75-6.

Nagpur, and Sholapur, giving a total of 62 mills, 15,116 looms and 1.65 million spindles. In 1895 this had risen to 138 mills with 29,392 looms and 3.5 million spindles. During the next 20 years the industry nearly doubled in size again, so that 1913-14 there were 264 mills, with 96,688 looms and 6.6 million spindles, employing over quarter of a million people.⁶

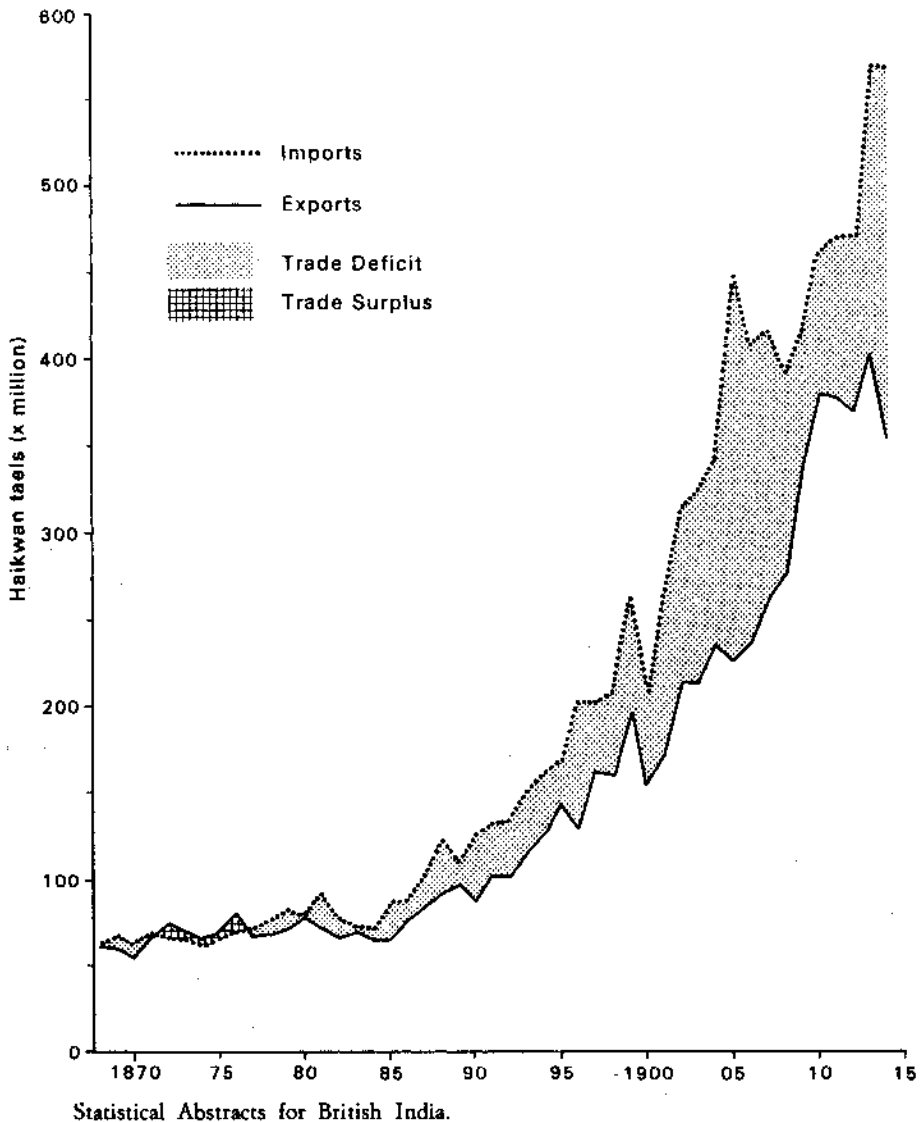
The dominance of Lancashire in the Indian market did not prevent the growth of an industrialised cotton industry there under India ownership. How much more extensive industrialisation might have been had there been no hoarding is a matter for conjecture. Investment would have been higher, and so would the incomes derived from it, sustaining demand for further expansion. As it was the Indian cotton industry grew fast enough to compete with Lancashire in the rest of Asia, particularly in China where Bombay yarn and twist ousted Lancashire's products. There was also considerable industrialisation in the jute industry in Calcutta, although foreign participation was more important here than in the cotton industry.⁷

If India does not fit Frank's concept of uneven economic development, China fits even less well. Although most of his comments on China refer to the situation after the first world war, he does seem to be aware that this major underdeveloped country does not accord with his theme. Figure 6 page 52 shows that in the late nineteenth century, China, far from being in surplus on trade account was actually heavily in deficit. Her position was directly opposite to India's. She imported much more than she exported, whereas the reverse was true of India. Her deficit was large and persistent, and became worse as time went on. She was able to meet this deficit by taking foreign loans but after the turn of the century repayments of principal and interest exceeded the inflow. Foreign investment after 1896 also helped, and China had favourable balances on her small overland trade. But remittances from Chinese

⁶ DHIRES BHATTACHARYYA, *A Concise History of the Indian Economy, 1750-1950*, Calcutta: Progressive Publishers, 1972, pp. 99-100.

⁷ BHATTACHARYYA, *History of the Indian Economy*, pp. 103-4.

FIGURE 6 — Chinese Balance of Trade 1868-1914.



emigrants were the chief source of funds by which she was able to meet her obligations. As regards inflows of gold and silver, which so much modified India's situation, there are no records of treasure movements before 1888. What information there is suggests an

Merchandise Trade Imbalances and Uneven Economic Development in India

CHINESE BALANCE OF TRADE 1868-1914

Haikwan taels × 1 million

	Exports	Imports	Balance
1868	61.8	63.2	— 1.4
1869	60.1	67.1	— 6.9
1870	55.2	63.6	— 8.3
1871	66.8	70.1	— 3.2
1872	75.2	67.3	+ 7.9
1873	69.4	66.6	+ 2.8
1874	66.7	64.3	+ 2.3
1875	68.9	67.8	+ 1.1
1876	80.8	70.2	+ 10.5
1877	67.4	73.2	— 5.7
1878	67.1	70.8	— 3.6
1879	72.2	82.2	— 9.9
1880	77.8	79.2	— 1.4
1881	71.4	91.9	— 20.4
1882	67.3	77.7	— 10.3
1883	70.1	73.5	— 3.3
1884	67.1	72.7	— 5.6
1885	65.0	88.2	— 23.1
1886	77.2	87.4	— 10.2
1887	85.8	102.2	— 16.4
1888	92.4	124.7	— 32.3
1889	96.9	110.8	— 13.9
1890	87.1	127.0	— 39.9
1891	100.9	134.0	— 33.0
1892	102.5	135.1	— 32.5
1893	116.6	151.3	— 34.7
1894	128.1	162.1	— 33.9
1895	143.2	171.6	— 28.4
1896	131.0	202.5	— 71.5
1897	163.5	202.5	— 39.3
1898	159.0	209.5	— 50.5
1899	195.7	264.7	— 68.9
1900	158.9	211.0	— 52.0
1901	169.6	268.3	— 98.6
1902	214.1	315.3	—101.1
1903	214.3	326.7	—112.3
1904	239.4	344.0	—104.5
1905	227.8	447.1	—219.2
1906	236.4	410.2	—173.8
1907	264.3	416.4	—152.0
1908	276.6	394.5	—117.8
1909	338.9	418.1	— 79.1
1910	380.8	462.9	— 82.1
1911	377.3	471.5	— 94.1
1912	370.5	473.0	—102.5
1913	403.3	570.1	—166.8
1914	356.2	569.2	—213.0

PING-YIN HO, *The Foreign Trade of China*, (Shanghai: Commercial Press, 1935), pp. 15-16, 20-2.

outflow of gold and silver in most years, as might be expected. The net figures after 1888 show a small surplus over the period as a whole due to surpluses in the middle '90's, and at the end of the period. There was also apparently an unrecorded inflow of treasure by returning migrants taking their savings home, and by smuggling. It is possible that the practice of expatriate Chinese of returning their dead to China provided an excellent cover for the transshipment of these remittances.⁸

What then were the commodities in which China dealt, which gave her such a deficit? Table 5 page 55 gives her principal exports, with tea and silk far and away the most important items. In percentage terms there is then a big drop to the third item, silk goods. Other exports varied in importance from year to year, with sugar featuring strongly until 1888 then disappearing out of the top eight commodities, perhaps due to increasing domestic consumption. Cereals appeared every year from 1898, and rose

TABLE 5
CHINESE EXPORTS 1868-1913

	1868		1878		1888		1898		1908		1913	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Cereals	—	—	—	—	—	—	3.04	4	3.28	7	5.81	3
Cotton, raw	0.84	4	—	—	2.40	5	—	—	3.79	4	4.10	6
Hairs	—	—	0.43	8	1.14	8	—	—	—	—	—	—
Leather, hides	—	—	—	—	—	—	2.11	8	—	—	—	—
Oils	—	—	—	—	—	—	2.15	7	2.69	8	3.68	8
Paper	0.38	7	0.92	5	1.78	6	—	—	—	—	—	—
Pottery	0.42	6	0.80	6	1.17	7	—	—	—	—	—	—
Seeds	—	—	—	—	—	—	—	—	3.43	5	4.06	7
Silk, raw	36.84	2	30.13	2	25.17	2	27.99	1	23.98	1	19.88	1
Silk goods	3.00	3	7.05	3	9.10	3	6.72	3	5.27	3	5.40	4
Sugar	0.64	5	2.76	4	2.68	4	—	—	—	—	—	—
Skins, furs	—	—	0.52	7	—	—	2.35	6	3.37	6	4.90	5
Tea	55.41	1	47.65	1	32.78	1	18.15	2	11.88	2	8.41	2
Tobacco	—	—	—	—	—	—	2.40	5	—	—	—	—
Others	2.47	—	9.74	—	23.28	—	35.09	—	42.31	—	43.76	—

PING-YIN HO, *The Foreign Trade of China*, (Shanghai: Commercial Press, 1935), pp. 15-16, 37-39.

⁸ C.F. REMER, *Foreign Trade of China*, Shanghai: Commercial Press, 1926, pp. 215-221. C.F. REMER, *International Trade between Gold and Silver Countries, China 1885-1913*. *Quarterly Journal of Economics* Vol. 40, 1926, pp. 630-2.

TABLE 6

DESTINATION OF CHINESE EXPORTS 1868-1913

	1868 %	1878 %	1888 %	1898 %	1908 %	1913 %
U.K.	61.75	41.10	18.07	6.73	4.53	4.05
France	—	—	—	—	2.56	4.22
Germany	—	—	—	—	11.61	10.10
Hong Kong	12.98	22.29	36.31	39.03	33.29	29.04
India	0.38	0.55	1.12	0.83	1.47	1.53
Japan	1.34	2.50	3.85	10.11	13.41	16.25
Russia	1.15	4.96	5.85	11.19	10.68	11.13
United States	9.52	9.79	9.69	7.53	8.61	9.33
Others	12.88	18.81	25.11	24.59	13.84	14.35

Ho, *Foreign Trade of China*, p. 55-6.

rapidly in importance, reflecting the export of soya beans from Manchuria. Other goods such as cotton, hairs, leather and hides, skins and furs, oils, pottery, paper, and seeds, all appeared from time to time in the first eight items.

The leading countries China exported to are shown on Table 6 page 28. To begin with Britain was the main destination, taking 61% of export, but by 1913 her share had dropped to 4%. One reason for this was the shift in British taste away from Chinese tea to tea from Ceylon and India. Hong Kong was of increasing importance, and many exports there went eventually to Britain. But Hong Kong was also a distribution centre for Asia in general, and goods going there will have passed on to other parts of Asia, with India and later Japan taking much. The rise of Japan is demonstrated by the fact her share of China's exports rose from 1% in 1868 to 16% in 1913. The United States took about 9% of Chinese exports throughout, mainly in silk goods. Russia was an increasing consumer of Chinese products, but India took hardly any, giving her the large surplus she enjoyed on her trade with China.

As for imports, opium was the main item until the turn of the century, but as the statistics do not differentiate opium from some other miscellaneous items, it has been excluded from the rank ordering on the following Table 7. It declined as a percentage of

TABLE 7

CHINESE IMPORTS 1868-1913

	1868		1878		1888		1898		1908		1913	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Cereals	—	—	—	—	7.71	3	4.98	4	6.73	4	3.26	5
Cotton, raw	6.08	3	1.37	7	—	—	—	—	—	—	—	—
Cotton, manu- factures	29.20	1	19.06	1	24.79	1	18.28	2	16.40	1	19.27	1
Cotton, yarn	2.51	4	3.55	3	10.81	2	18.74	1	11.70	2	12.72	2
Dyes, pigments	—	—	—	—	—	—	—	—	—	—	3.10	6
Fish	1.32	6	2.89	4	3.02	5	2.22	7	2.39	7	2.59	8
Fuel, liquid	—	—	—	—	1.77	7	5.68	3	6.94	3	4.49	4
Fuel, solid	2.14	5	1.61	5	1.32	8	2.55	6	2.20	8	—	—
Iron, steel	0.11	7	1.30	6	1.84	6	2.05	8	—	—	—	—
Opium etc.*	39.57	—	49.57	—	30.48	—	22.31	—	12.48	—	11.57	—
Railway ma- terial	—	—	—	—	—	—	—	—	3.43	6	—	—
Sugar	0.80	8	—	—	—	—	4.29	5	4.97	5	6.36	3
Timber	—	—	1.28	8	—	—	—	—	—	—	—	—
Tobacco	—	—	—	—	—	—	—	—	—	—	2.91	7
Wool, manu- factures	9.11	2	6.87	2	4.07	4	—	—	—	—	—	—
Others	9.16	—	12.41	—	14.19	—	18.90	—	32.76	—	33.73	—

* Opium has not been placed in rank order, because the records include some miscellaneous items with opium. Clearly it would have ranked No. 1 until about the turn of the century. Actual opium imports alone are estimated at 1879, 45%, 1888, 25.9%, 1898, 14%.

Ho, *Foreign Trade of China*, pp. 15-16, 26-27, 30-32, 34-35.

total imports during the late nineteenth century, and in 1907 an agreement was reached restricting opium imports from India. In 1911 extra duties were put on opium, and imports fell rapidly, being banned entirely in 1917. Apart from opium, cotton manufactures and yarn stand out among the imports, cotton manufactures alone heading the list in all but one of the years examined. Yarn came first that year. After cottons there was a variety of commodities, only fish appearing in the first eight in each of the years in question. Towards the end of the period cereals became important, and solid and liquid fuels featured regularly. Cotton, sugar, iron and steel, timber, tobacco, dyes and pigments, and woollen manufactures appeared from time to time.

At the beginning of the period India was the leading source of import, as Table 8 pages 31 reveals. Much of this was due to the opium trade. As the opium trade declined, India's share of China's

TABLE 8

ORIGIN OF CHINESE IMPORTS 1868-1913

	1868 %	1878 %	1888 %	1898 %	1908 %	1913 %
U.K.	33.38	20.42	23.96	15.98	17.71	16.52
France	—	—	—	—	0.58	0.90
Germany	—	—	—	—	3.42	4.82
Hong Kong	21.37	37.49	55.06	44.44	36.68	29.28
India	35.59	28.79	5.22	8.74	7.44	8.23
Japan	3.65	5.53	4.55	12.51	12.81	20.35
Russia	0.12	0.20	0.36	0.80	2.11	3.79
United States	1.13	3.07	2.48	7.84	10.07	6.04
Others	4.76	4.50	8.37	9.96	9.18	10.07

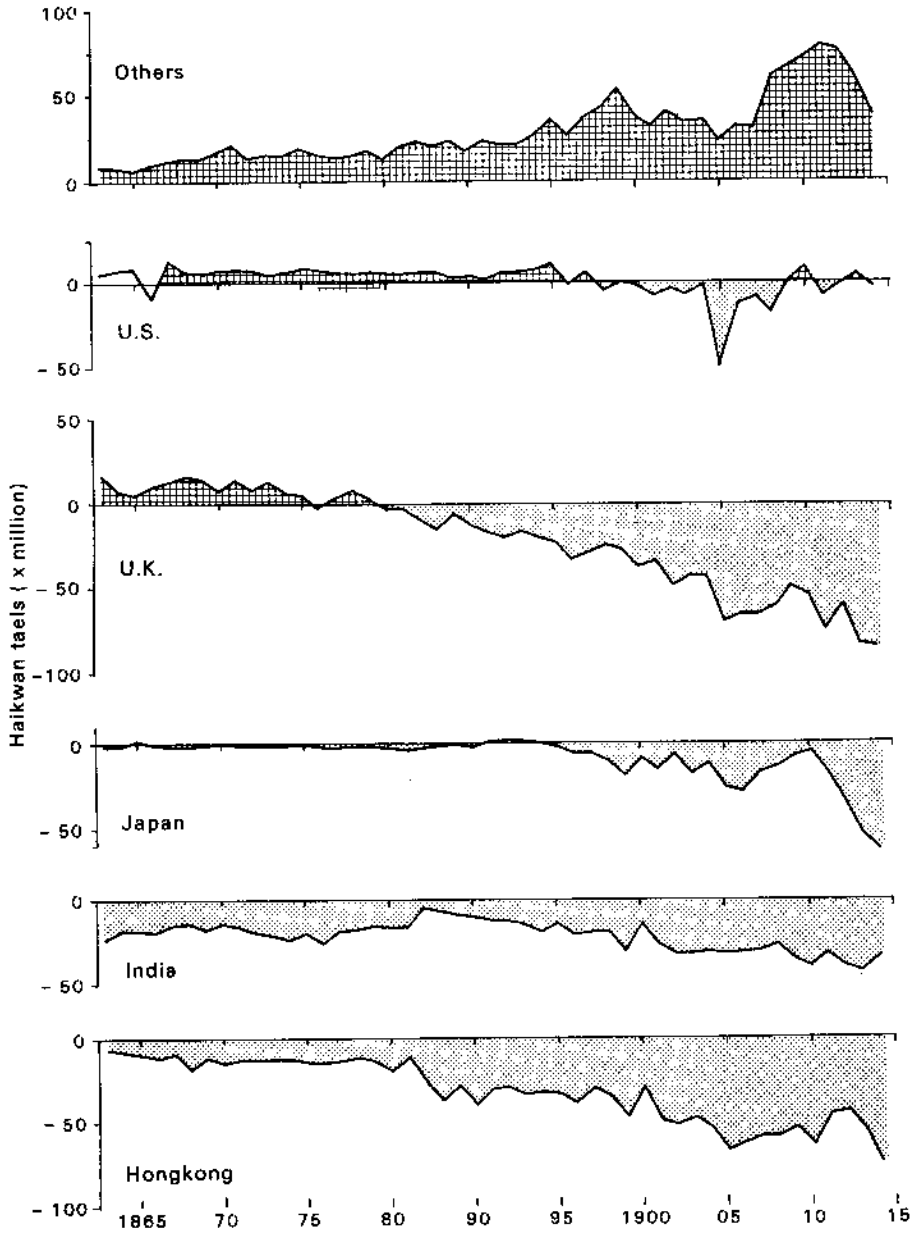
H., *Foreign Trade of China*, pp. 56-7.

exports decreased, although rising yarn exports helped her to hold her share at about 8% from 1898. In 1868 when India held 35% of the Chinese market, Britain took 33%, but this fell to about 16% in 1913 because of Japanese competition in the textile market. Japanese competition made its impact between 1888 and 1898 when Japan's victory in the Sino-Japanese war increased her commercial influence. Hong Kong was a major source of imports throughout, channelling into Southern China goods from all over the world. Other countries were relatively unimportant, the rise in the United States share in the new century coming from petroleum.

There now remains the problem of discovering with which countries China suffered the deficits which gave her her overall trade deficit. Figure 7 makes it clear that China moved into deficit with most of her major trading partners over the period. Her balances with Britain, Hong Kong, United States, Japan, Germany and India were generally unfavourable, and so were those with French Indo-China, Siam, Netherlands India, Australia, Belgium and Canada. Only those with Russia, Korea, France and Singapore were favourable, and they could not make up for unfavourable trade balances in other directions.

So it can be seen that Frank's analysis does not apply either to China or India. In India's case, she did have an export surplus as Frank suggests. But she was still in surplus after all payments

FIGURE 7 — Chinese Trade Balances with Major Countries, 1868-1914.



PING-YIN HO, *The Foreign Trade of China*, Shanghai: Commercial Press, 1935, pp. 20-22, 70-71, 112, 162-3, 436-7, 632-3).

Merchandise Trade Imbalances and Uneven Economic Development in India

CHINESE TRADE BALANCES WITH MAJOR COUNTRIES, 1868-1914

	U.K.	India	Hongkong	Japan	U.S.	Others
1868	16.3	-22.9	- 5.9	- 1.4	5.1	7.3
1869	7.0	-17.5	- 8.1	- 0.7	6.7	5.7
1870	4.8	-17.6	- 9.0	1.1	7.2	5.0
1871	9.7	-18.5	-11.5	- 0.7	- 9.9	7.9
1872	12.4	-16.2	- 8.8	- 1.5	11.5	10.5
1873	16.2	-14.3	-17.1	- 2.0	7.2	12.8
1874	13.5	-17.4	-12.3	- 0.6	6.1	13.0
1875	8.0	-14.6	-14.7	- 0.5	6.6	16.3
1876	14.3	-16.4	-12.8	- 1.4	6.5	20.4
1877	7.7	-19.1	-12.3	- 1.6	6.8	12.7
1878	12.6	-20.7	-12.4	- 2.3	4.3	14.9
1879	5.7	-24.1	-12.2	- 1.1	6.4	15.3
1880	5.9	-19.6	-13.6	- 1.2	7.9	19.2
1881	- 1.0	-26.3	-13.5	- 1.9	6.9	15.3
1882	3.5	-17.7	-12.5	- 2.6	5.1	13.9
1883	7.6	-16.5	-10.2	- 2.3	4.6	13.5
1884	2.5	-15.7	-13.5	- 1.8	5.8	17.0
1885	- 1.9	-15.5	-19.3	- 3.7	4.9	12.5
1886	- 2.2	-16.4	-12.3	- 4.4	5.0	20.2
1887	- 9.1	- 4.7	-26.3	- 3.4	5.5	21.8
1888	-13.6	- 5.5	-36.2	- 2.2	5.8	19.5
1889	- 5.5	- 6.8	-28.1	- 0.1	3.2	23.4
1890	-11.5	- 9.2	-39.1	- 2.5	4.4	18.0
1891	-15.8	-10.9	-30.4	0.0	1.3	22.7
1892	-18.3	-12.4	-29.1	1.3	4.7	21.3
1893	-16.4	-14.0	-32.6	1.4	6.2	20.5
1894	-18.4	-17.3	-31.6	0.1	7.1	26.1
1895	-23.3	-14.1	-33.4	- 2.3	10.2	34.6
1896	-33.2	-20.8	-37.3	- 6.0	- 0.8	26.7
1897	-27.0	-19.0	-29.7	- 5.9	5.3	37.0
1898	-24.2	-17.8	-35.1	-11.2	- 5.1	43.1
1899	-26.1	-30.1	-46.2	-18.6	- 0.6	52.9
1900	-36.1	-13.9	-29.8	- 8.8	- 1.9	38.6
1901	-32.6	-25.8	-48.8	-15.6	- 6.9	31.3
1902	-47.2	-30.8	-50.8	- 6.6	- 5.1	39.5
1903	-40.5	-31.9	-47.3	-19.8	- 6.3	33.6
1904	-41.9	-29.8	-54.2	-12.1	- 2.0	35.7
1905	-68.4	-32.0	-66.6	-25.8	-49.8	23.6
1906	-65.4	-30.5	-62.1	-27.7	-18.7	30.9
1907	-65.4	-29.7	-58.4	-18.1	-10.3	30.0
1908	-60.0	-26.4	-58.1	-15.3	-17.4	59.5
1909	-48.6	-34.6	-53.5	- 8.4	- 0.1	66.2
1910	-52.2	-39.4	-62.7	- 6.1	7.4	70.9
1911	-72.7	-31.2	-44.5	-17.4	- 6.8	78.6
1912	-58.9	-39.0	-44.4	-35.7	- 1.1	76.7
1913	-80.5	-42.1	-54.5	-53.8	2.2	61.8
1914	-82.6	-32.3	-73.5	-62.5	- 1.0	39.0

PING-YIN HO, *The Foreign Trade of China*, Shanghai: Commercial Press, 1935, pp. 20-22, 70-1, 112, 162-3, 436-7, 632-3.

to foreign owners of capital had been made. This was shown by the huge inflow of gold and silver. Much of this inflow was hoarded, and investment in the Indian economy would have been two-thirds higher if there had been no hoarding. Despite payment to foreign owners of capital, and hoarding, industrialisation still took place in India, particularly in the cotton industry. India became more an industrial country, not less so, and even competed with Lancashire twist and yarn in the Chinese and Asian market. Neither does the evidence for China support Frank's ideas, since China was not in surplus but deficit. India and China were the two most populous and important countries of the underdeveloped world in these years. On the evidence, it cannot be argued that their relationship with the developed world led them to underdevelopment in the way he suggests.