
PROBLEMS

Multilateral Merchandise Trade Imbalances an Uneven Economic Development

Andre Gunder Frank

Max Planck Institute, Starnberg, Germany

Contrary to orthodox international trade and national development theory, the uneven development of world capitalism was not accompanied by balanced trade (or growth) but rested in fact on a fundamental imbalance of international trade between the developing metropolis and the underdeveloping, colonialized, countries. Except for the years of worst depression in the metropolis, the latter has had a constant but growing trade deficit and the underdeveloped countries a trade surplus throughout the whole imperialist period of world capitalist development and particularly at the end of the XIXth and the beginning of the XXth centuries. The almost exclusive theoretical and empirical interest in the *balance of payments*, and obsession with the mechanisms that make it balance, has cast a "veil of money" over the underlying merchandise *imbalance of trade* whose role, which we believe is fundamental, in the process of uneven capitalist development and underdevelopment has remained all but unperceived. (For this reason also the following discussion can be no more than the preliminary formulation of research hypotheses that demand empirical investigation and theoretical reformulation). To summarize the discussion that follows, the secular excess of the underdeveloped countries' exports over imports has throughout this period made a fundamental contribution to the accumulation of capital, technological progress and economic development of the now developed countries; and the generation of this exports surplus from the

* This essay forms part of the author's book, *Accumulation Dependence and Underdevelopment*, forthcoming.

now underdeveloped countries has there developed the mode of production which underdeveloped Asia, Africa and Latin America.

The importance of these trade imbalances in exchange in no way denies the importance of the internal mode of production, and its relationship with exchange in developing underdevelopment. Nor does the imbalance of trade belittle the importance of unequal exchange, or vice versa. On the contrary, each significantly reinforces and aggravates the other. If the underdeveloped countries have a persistent export surplus when their exports are measured, as in the sources mentioned above, in world market prices, then they have a much greater real export surplus if their exports are measured in terms of the real value, of more than their market prices, as suggested by Emmanuel's and Amin's analysis of unequal exchange. Similarly, if the underdeveloped countries suffer from unequal exchange even if their merchandise trade balances (as orthodox theory assumes), then their exchange is all the more unequal and their loss greater if, as is the case, they persistently export more goods than they import at market prices.

The development of the imbalance of merchandise trade and the associated system of multilateral settlements on a world scale has been the subject of only one serious study: and that was undertaken by the League of Nations (1942) when and because, as its director Folke Hilgerdt himself pointed out (League, p. 84), « its functioning was upset by disturbances in trade during the thirties ». Until then, he wrote, « this system hardly attracted any interest », and since the post-war development of neo-imperialism, we may add, the metropolis and its representatives seem again to have lost all interest. Hilgerdt (AER, 400, 394) summarized his survey as follows:

« The particular world-wide system just described is not very old. It arose during the last few decades of the nineteenth century and was from the beginning linked up with the transfer of the yield of British investments . . . » (397). « The development of the system of multilateral trade, accomplished over a period of a few decades, was similar to the unfolding of a fan: more and more countries became involved, and their insertion took place in a given order, each country being farther away from the United Kingdom on the transfer routes to that country from its debtors. This development was undoubtedly as important to the growth of modern economy as it was neglected by economists. It is not by chance that we usually think of this economy as beginning to develop around 1870 — the time when, as we have seen, the system of multilateral trade came into being [phrase between dashes is Hilgerdt's AGF] — or that it agrees with our notions that international economy had reached a stage of maturity in the

early years of our century, when the multilateral system had assumed the shape, if not the quantitative growth, that it retained until the early thirties... The outline of this system became clear when it was found that almost all countries could be arranged in the order of the direction of their balances of trade, so that each country had an import balance from practically all countries that preceded it in the list and an export balance to practically all countries that succeeded it. At the beginning of this list we find the tropical debtor countries with export balances in almost all directions, and at the end of it the European creditor countries with import balances from almost all countries, the United Kingdom being the most typical case. But between these two extremes the countries arrange themselves... ».

Hilgerdt's study of the pattern of trade between 173 countries, 96 minor groups and 17 major groups of countries is summarized by Condliffe (283): « The trading areas of the world are finally grouped into six broad categories. These are arranged... in a neat circular diagram which is not just a theoretical design, but a summation of the actually recorded values of world trade. The tropical countries exported more to the United States than they imported from it; the United States sent more to the British Dominions and non-tropical Latin America (comprising Argentina, Uruguay, Paraguay and Falkland Islands) than it received from these areas; they in turn exported more to continental Europe; continental Europe exported more to Britain, and the circle was closed by Britain exporting [very little] more to the tropics than it imported from them ». A sixth "area", « Rest of the World » (including China and continental Asia, but not India, Japan and North Africa) accounted for about 10% of world trade but did not fit well into the arrangement (see below).

We shall describe shortly Hilgerdt's calculation of the trade imbalances (for 1928), and our own recomputation of some of them to highlight better the place of the now underdeveloped countries in the system, and our own interpretation of the significance of the same for the development of underdevelopment in the latter countries and their contribution to the development of the other countries. But this will be clearer if we precede it with a brief review of some of Hilgerdt's own observations about the functioning of this world system and complement them with some recent observations by S. B. Saul of Britain.

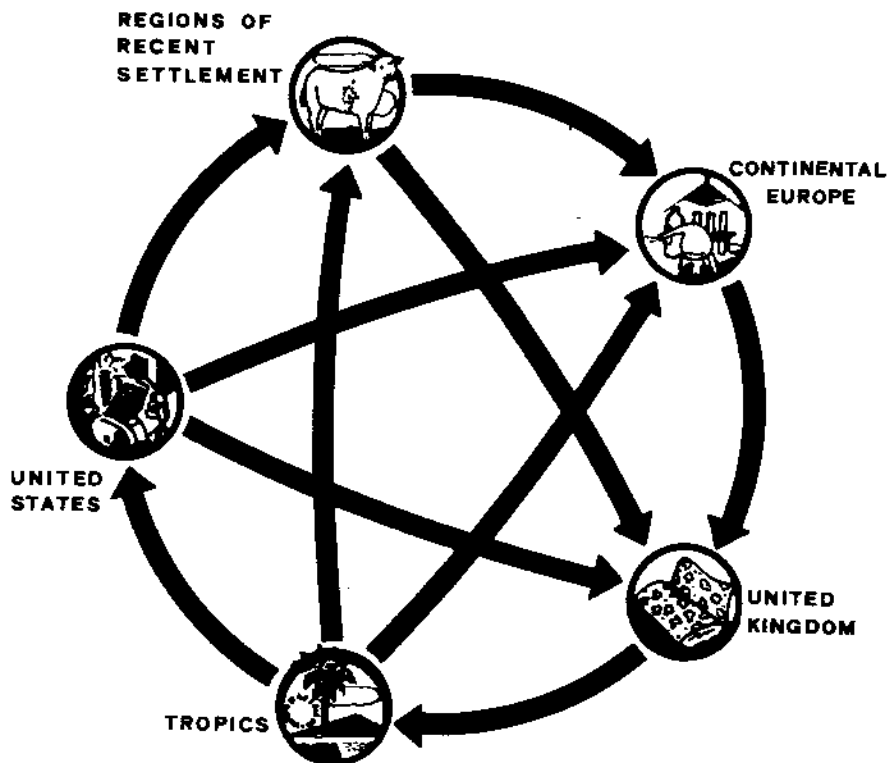
By the 1920's — Hilgerdt observed — multilateral as distinct from bilateral, trade accounted for about 25% of all merchandise transactions (League, 87). But, Hilgerdt (League, 1928) argued, « the significance of such trade can by no means be gauged by its percentage share in total trade ». Saul (45, 70, 225 and elsewhere) agrees: « There is hardly any important aspect of modern economy that is not adversely affected by the breakdown of the system of multilateral trade... Multilateral settlement on a world-

wide basis... [is] a factor exercising a determinant influence on international monetary equilibrium, on international finance, on the level of prices formed in the world market [and, through them, in the national markets], and accordingly on production employment, and the course of the business cycle... The rapid and general economic progress of the period 1870-1930 would not have been possible had not the system of multilateral trade facilitated the development of production in economically young countries with the aid of foreign capital », (Hilgerdt, AER, 405, 403-4). But, as we will observe below, this « general economic progress » was not general enough to include Asia, Africa and Latin America, which were the ultimate suppliers of the « foreign capital » and themselves suffered progressive underdevelopment. Similarly, Saul (88) observes « the great amount of multilateral settlement that Britain made through India... Had not British exports, particularly British cottons, found a wide-open market in India during the last few years before the outbreak of the war, it would have been impossible for her to have indulged so heavily in investment on the American continent and elsewhere... Usually, a quarter of Britain's imports from India were subsequently re-exported », which is a matter to which we shall return below.

We may conclude these introductory remarks with two further observations: « The orientation of balances was determined by the nature of production and of requirements embedded in the economic structure and consumption habits of partaking countries » (Hilgerdt in League, 1942, 88). For the underdeveloped countries, this observation is complemented by the insight of Levin (174) in his study of *The Export Economies*: « One characteristic sign of the presence of foreign factors is a surplus of merchandise exports over merchandise imports... the existence of a surplus of exports over imports is a normal effect of foreign factors' operations. Indeed, in most export economies, where invisible earnings are quite small, an export surplus constitutes a necessary condition — barring the use of reserves or the entry of new capital — for the remittance of earnings abroad ». That is, beyond unequal exchange, which Levin does not consider, it is precisely through an excess of merchandise exports from the colonial country that the metropolis realized its investment and other services there. Let us examine this mechanism in operation.

The world-wide system of multilateral trade imbalances and settlements in 1928 may be illustrated — with an important modification to be introduced below — by J. B. Condliffe's following diagram which he adapted from Hilgerdt.

Reading clockwise and beginning with the Tropics or Underdeveloped Regions (for definitions see the Statistical and Methodological Appendix): we see that this region sends more exports than it receives to the United States, to the Regions of Recent Settlement or Dominions, and to Continental Europe. The United States, in turn, has an export surplus (= import



THE CIRCUIT OF PAYMENTS, 1928

Read clockwise, this diagram shows the main streams in the multilateral trading system. The arrows indicate the flows. The figures are dollar amounts of the trade balances (net).

The exports of each region exceed the imports with the next region. Thus in 1928 the United States enjoyed export surpluses to every region except the tropical raw-material producing countries.

The diagram is adapted from the similar one in the the League of Nations, *The Network of World Trade*, Geneva, 1942.

From J. B. CONDLIFFE, *The Commerce of Nations*, New York, W. W. Norton & Co., 1950, p. 285.

deficit) with each of the other regions, that is the Dominions, Continental Europe and Britain, though part of the U.S. export surplus to these regions is "cancelled out" or made up for by its import surplus from the tropical underdeveloped region. The Regions of Recent Settlement or Dominions

occupy an intermediary position in the trade circuit. On balance, they receive an excess of merchandise from the underdeveloped regions and the United States (which appear in the circuit before them), and they in turn send an excess of exports to Continental Europe and to Britain. Continental Europe receives an excess of imports from the three regions — underdeveloped, United States, and of recent settlement — before it in the circuit; and the Continent in turn sends more to Britain than it receives from it. Finally, Britain receives more from each of the preceding regions, but sends more — albeit very little more — to the underdeveloped countries than it receives from them. This last relation ostensibly, “completes” or “closes” the circle of this circuitous system of trade imbalances.

Alternatively, the same circuit may be observed in terms of the receipt of excess imports, beginning with Britain, which receives an excess from all the regions behind it, Continental Europe which sends more to the Continent but receives more from each of the other regions, and passing through the Dominions, which have an export surplus with two regions and an import surplus with the other two; and going back to the United States which has an export surplus with all the other regions except the underdeveloped ones, from which it enjoys a merchandise import surplus; and ending up with the underdeveloped regions, which have an export surplus and import deficit with all the regions “in front of” or “above” it, except for a small import surplus from Britain.

TABLE I

MERCHANDISE EXPORT DEFICITS=IMPORT SURPLUSES (+)
AND MERCHANDISE EXPORT SURPLUSES=IMPORT DEFICITS (—)
AMONG FIVE MAJOR WORLD REGIONS IN 1928
(in millions of Dollars)

Trade of With	Britain	Continental Europe+USSR +Japan	Dominions	United States	Under- developed	TOTALS
	1	2	3	4	5	6
1. Britain	x	— 730	— 110	— 630	+ 40	— 1,430
2. Continental Europe + USSR + Japan	+ 730	x	— 610	— 720	— 870	— 1,470
3. Dominions	+ 110	+ 610	x	— 530	— 50	+ 140
4. United States	+ 630	+ 720	+ 530	x	— 610	+ 1,270
5. Under- developed	— 40	+ 870	+ 50	+ 610	x	+ 1,490
6. TOTAL	+ 1,430	+ 1,470	— 140	— 1,410	— 1,490	x

Source:

Table 1	Column	1	=	Table 5	Column	1	
»	1	»	2	»	5	»	5
»	1	»	3	»	5	»	9
»	1	»	4	»	5	»	10
»	1	»	5	»	5	»	16

In table 1, the same multilateral trade imbalances appear in tabular and numerical form, referring to millions of dollars of merchandise export deficits or import surpluses and export surpluses or import deficits in 1928. The export deficits=import surpluses are indicated by "+" signs, to signify and emphasize the taking of merchandise in excess of the giving of the same; and the export surpluses=import deficits are indicated by "-" signs, to signify and emphasize the lesser taking than giving of merchandise export, particularly by the underdeveloped countries. Thus reading the columns, beginning with Britain (col. 1), we find that it receives an excess of merchandise from Continental Europe, including the USSR and Japan (line 2), the Dominions (line 3) and the United States (line 4) of + \$ 730, + \$ 110, and + \$ 630 million, respectively, while it has a modest export surplus of - \$ 40 million with the underdeveloped countries. Adding the arithmetic sums of these three import surpluses and one small export surplus, Britain is left in line 6 with a total balance of + \$ 1,430 million of merchandise imports in excess of exports.

Continental Europe (col. 2), for its part, has an export surplus=import deficit with Britain (line 1) of - \$ 730 million, but it has an import surplus=export deficit in turn with each of the three other regions; and its import surplus=export deficit with the underdeveloped region (col. 2, line 5) of + \$ 870 million is more than enough to cover its own export surplus of - \$ 730 million with Britain. Thus, Continental Europe is left with an overall merchandise import surplus=export deficit of + \$ 1,470 million.

The Dominions (col. 3) maintain an excess of exports over imports with both British and Continental Europe (lines 1 and 2), but in turn receive an excess of imports over exports from the United States and the underdeveloped countries (lines 4 and 5). Similarly, the United States — a "new debtor" country in 1928 — maintains a substantial export surplus with Britain, with Continental Europe and with the Dominions (col. 4, lines 1, 2, 3), but receives a significant import surplus from the underdeveloped countries (line 5) of - \$ 640 million (equivalent to 45% of its own export to Europe or 32% of its total gross export surplus). Thus the United States is left with a net export surplus of - \$ 1,410 million.

Finally, the underdeveloped countries, (col. 5), though they receive + \$ 40 million more in merchandise from Britain than they send there, export in excess to Continental Europe, the Dominions and the United States, in the sums of - \$ 870, - \$ 50, and - \$ 610 million respectively, for a net export surplus=import deficit of - \$ 1,490 million. In its "bilateral" relations with each of the other regions, therefore, the underdeveloped region pays for more than all of Continental Europe's own export surplus to Britain, one third of the Dominions' net export surplus, and nearly one half for the United States net export surplus, while receiving a moderate "recompense" of \$ 40 million from Britain.

Looking at the four major regions, and omitting the economically smaller Dominions for the moment, we may observe that each of the four regions has a total export or import surplus of between \$ 1,400 and 1,500 million, but that Britain and Continental Europe each imports that amount of merchandise in excess of its exports while the United States and the underdeveloped countries each exports similar sums in excess of its imports. These trade imbalance relations are further summarized in Table 2, where Britain and Continental Europe (including USSR and Japan) are added together to form "All Europe" (col./line 1), the United States and the Dominions are grouped together to form a single "region" (col./line 2); and the underdeveloped countries are maintained as a single "region" as in Table 1. We then see that "All Europe" has a total (col. 1, line 4) merchandise import surplus of + \$ 2,900 million, which is supplied half (— \$ 1,410 million) by the USA and Dominions, and half (— \$ 1,490) by the underdeveloped countries. The weight — if not the significance, as Hilgerdt pointed out — of these merchandise trade surpluses and deficits may be measured by comparing them with the values of total world and regions exports for the same year. Total world exports in 1928 were approximately \$ 32,000 million and imports into Europe, calculated at export values from other regions (see Statistical and Methodological Appendix), were approximately \$ 18,000 million (League 1942; 45). Therefore, the — \$ 2,900 million excess of European imports represented about 9% of total exports and 16% of total European imports. Of these, the underdeveloped countries supplied over half, or about 5% and 9% respectively. But from the point of view of the underdeveloped countries themselves —

TABLE 2

MERCHANDISE EXPORT DEFICITS=IMPORT SURPLUSES (+)
AND MERCHANDISE EXPORT SURPLUSES=IMPORT DEFICITS (—)
REGROUPED INTO THREE MAJOR WORLD "REGIONS" IN 1928
(in millions of Dollars)

Trade of With	All Europe 1	US+Dominions 2	Underdeveloped 3	TOTAL 4
1. All Europe	x	— 2,070	— 830	— 2,900
2. U.S.+Dominions	+ 2,070	x	— 660	+ 1,410
3. Underdeveloped	+ 830	+ 660	x	+ 1,490
4. TOTAL	+ 2,900	— 1,410	— 1,490	x

Source:

Column 1: Table 1, columns 1+2; or Table 5, columns 6
 * 2: * 1, * 3+4; * * 5, * 11
 * 3: * 1, * 5; * * 5, * 16

which unlike the USA and Dominions had no one to "help" them pay for their export surplus — their — \$ 1,490 million excess of exports over imports represented 18% of their total, including their excess, exports of \$ 8,330 million (League 1942; 45).

Moreover, if (as in Appendix Table 5, cols. 17 and 18) we exclude China and North Africa — which had merchandise import surpluses of + \$ 300 million and + \$ 20 million respectively — from the group of underdeveloped countries, then the remaining ones had a net export surplus=import deficit of — \$ 1,810 million, or nearly 6% of total world exports, 10% of European imports and 28% of their own (excluding China and North Africa's) total exports of \$ 6,520 million. This then is a measure of the significance of the contribution of the underdeveloped countries's excess of merchandise exports over their "corresponding" merchandise imports to the imports of the developed regions of the world; and this is so even when these exports are measured at the world market prices, which do not allow for the possibilities of "unequal" exchange in balanced trade. The importance of these merchandise trade imbalances for Europe, the United States and the Dominions, however, far exceed their simple share in their own imports — which is a problem to be discussed below in the examination of the further implications of the world system of multilateral merchandise trade imbalances.

As to the representativeness of the 1928 data, they are of course quantitatively higher than in the XIXth century; but the fundamental pattern of trade imbalances they display is not qualitatively different from that which characterized the whole third stage of world capital accumulation and capitalist development. The total of world exports grow from about U.S. \$ 500 million in 1820 to about \$ 5,000 million in 1867-8, \$ 20,000 million in 1913, and \$ 34,000 million in 1928 (cited above from Woytinsky, 39). But concomitantly, as all students of the problem (such as Schlote, League of Nations, Imlah, Saul) agree, Britain, for instance, had a permanent merchandise export deficit in every year since 1816; and this deficit grew from about £ 10 million in 1815-20 to £ 100 million in 1876 and reached about £ 140 million before World War I after passing a maximum of £ 188 million in 1903 (Barrat Browne, 75, and Saul, 53, based on Imlah). The underdeveloped countries' export surplus certainly also grew over this same period.

The partial merchandise import and export data for some countries of Europe and the United States, shown in the Statistical Appendix Table 6 and summarized in the following Table 3, suggest that Britain had a growing merchandise export deficit-import surplus from 1881 to 1905 and a lesser one in 1911-13, while the principal countries of Continental Western Europe taken together began with a lower import surplus than Britain at the beginning of this period and ended up with an import surplus nearly double that of Britain in 1911-13. The principal beneficiary of this growing mer-

chandise import surplus was Germany. The United States, on the other hand, displays a merchandise export surplus=import deficit as early as 1881-85. The same becomes much more marked, however, after the turn of the century, when the United States come to export more manufactures (Table 6, line 1 M) as well as more raw materials (line 1 R) than they import. Though these data do not refer specifically to the trade balances of the underdeveloped countries, they do permit some inferences about their direction and general order of magnitude. Since in each of these years and perhaps throughout this period the import surpluses of Europe, either Britain or Continental and all the more so of both combined, are far larger than export surpluses of the United States, we may infer that these European import surpluses must correspond to the merchandise export surpluses of some regions other than the United States as well. And since in the earlier part of this period the importance of the Dominions in world trade was still relatively modest, we may infer that the underdeveloped countries must have had a significant export surplus=import deficit by the last decades of the XIXth century and the first of the XXth century. Moreover, we may suspect that — as in 1928 — the United States paid for part of its surplus exports with the surplus imports it derived in turn from the underdeveloped countries. This suspicion would seem to be confirmed by balance of trade data for the United States alone, which show that in the years 1891-1900, 1901-10, and 1911-15, the United States had an import surplus=export deficit with the underdeveloped countries (Central America, South America, Asia and Africa) which amounted to 43%, 34%, and 40% = respectively of its export surplus=import deficit with Europe for these same years (computed from Woytinsky, Commerce 78-9). For the year 1928, Hilgerdt's data show an analogous percentage of 45% (Table 1, col. 4, line 5 as percent of lines 1 and 2).

Other partial estimates, in part confirmatory and in part contradictory, of the historical development of this world system of multilateral trade

TABLE 3

EXCESS EXPORTS AND IMPORTS
EUROPE AND USA. 1881-1913
(in millions of current dollars)

	1881-85	1891-95	1901-05	1911-13
Export Deficits= Import Surpluses				
Britain	507	634	850	652
Continental Europe	381	505	522	1,142
Export Surpluses= Import Deficits				
USA	108	91	455	536

Source: Table 4.

N

Multilateral Merchandise Trade Imbalances and Uneven Economic Development

imbalances for the years 1876-80, 1896-1900, and 1913 are given in the Statistical Appendix Table 7 and summarized in Table 4. (For a discussion of our methods of computation, see Statistical Appendix). These data permit estimates, albeit rougher and more inaccurate, of the pattern of multilateral trade imbalances for these earlier years that are more analogous to those presented in Tables 1, 2 and 5 for 1928. They include the merchandise trade balances of the underdeveloped countries along with those of Europe and the United States (with Canada), though all balances are still expressed between a particular region and all the others put together rather than with any of the others taken separately. Table 4 (and Table 7) also show a growing merchandise trade import surplus=export deficit for Britain from 1876-80 to 1896-1900 and a renewed decline to 1913 as well as an analogous import surplus for Continental Europe, which grows to nearly double that of Britain by the latter date. In these tables, however, Continental Europe appears with an export surplus=import deficit and Northwestern Continental Europe with an export/import balance for the years 1876-80. The United States (with Canada), as always, shows a growing export surplus=import deficit that is equal to that of the United States and Canada in 1913. For the two earlier periods, however, in these data the underdeveloped countries show an import surplus=export deficit. All these data for the earlier years, like those for 1928 in Tables 1, 2 and 5, are in terms of then current world market prices. Thus, insofar as these "undervalue" the exports of the underdeveloped countries due to "unequal exchange" the same data also underestimate the "real" merchandise exports surpluses of the countries. The export deficits of the underdeveloped countries in 1876-80 and 1896-1900, according to Table 4, show the beginning precisely in this period of the so called "secular" decline in the terms of trade of the primary producing underdeveloped countries (Frank, *Extent of Market . . .*).

Thus, although our most detailed data for this period are for the year 1928, these partial data suggest that its multilateral trade imbalances had been already developing on substantially the same pattern for several, and

TABLE 4

EXCESS MERCHANDISE IMPORTS OVER EXPORTS (+)
AND EXCESS MERCHANDISE EXPORTS OVER IMPORT (-)
(in millions of current dollars)

	1876-80	1896-1900	1913
Britain	+ 367	+ 540	+ 374
Continental Europe	- 250	+ 207	+ 711
U.S. + Canada	- 258	- 490	- 656
Underdeveloped	+ 133	+ 99	- 640

Source: Table 7.

Calculations and Error; see Appendix.

at least three or four, decades earlier. Further evidence showing that this was the case is given as part of our discussion of the theoretical implications of this pattern of multilateral world trade imbalances.

As to the stability of the pattern of trade imbalances and Hilgerdt's analogy with an expanding fan, it is true that additional countries were inserted in this system in the course of its development. But this insertion took place primarily within the major regions and not between them, as was the case for instance with Germany, which according to Hilgerdt came to occupy a link in its own right within the European region. Or a particular country may have changed from an export surplus to an export deficit, or vice versa, with respect to another country or region. Thus, perhaps, the 1928 export deficit of Argentina with the United States (Table 5, col. 13, line 10) was of recent origin and may have been an export surplus earlier; and Argentina may have had an export surplus with Britain at some times, since her exports were primarily to the continental European countries and her imports primarily from Britain (Saul, 74-79). But none of these changes alters the fundamental relationships between the major regions.

Before going on to interpret the significance of these three merchandise trade balances and their relationships, we may turn to the matter of transportation and insurance charges on traded goods. According to Hilgerdt, « two-thirds of the tonnage of all merchant vessels were European, and the European groups . . . were net receivers not only of the freights included in the C.I.F. value of their imports, but also of large amounts earned from the rest of the world on account of transport to or between non-European countries » (League 78). We may safely assume that most of the other third of world tonnage belonged to the United States and Dominions and that the now underdeveloped countries owned hardly any shipping and derived negligible earnings from transport and insurance services — though they paid considerably for them, as we may now observe.¹

¹ We can roughly estimate the payments — also in the form of merchandise exports — by the underdeveloped countries for the ocean transport and insurance of both the goods they exported and the goods they imported. (This involves essentially computing the difference between the underdeveloped countries' exports to other regions and other regions' imports from the underdeveloped countries — that is, the transportation costs of the underdeveloped countries' exports, *plus* the difference between the underdeveloped countries' imports from other regions and other regions' exports to the underdeveloped countries, or the transport costs of the underdeveloped countries' imports. For the tropics this amounts to the difference between the export surplus and the import surplus as reported in Hilgerdt's diagram 6, or the difference between the tropics' balances with other regions and the latter's with the tropics as reported in his table 44).

For the tropics, these transport payments amount to 110 with Britain, 350 with Europe (or 460 with All of Europe), 100 with Recently Settled Regions, and 310 with the United States (or 410 with the last two combined). This amounts to U.S. \$ 870

The calculations of transport charges also reveal another pattern: Typically the transport charges on the goods exported by the underdeveloped countries are much greater than the transport charges of the goods exported by the metropolitan countries and imported by the underdeveloped ones. Thus, for instance, the transport charges on the goods Argentina exported to Europe are 189, while they are 64 on the goods she imports from Europe. No doubt this is largely due to the fact that Argentina exported bulkier products, and more of them, than she imported from Europe. But China, which had an export *deficit* with Europe and did not export such heavy goods, nonetheless had to pay 80 for transport charges on her exports compared to 40 on her imports from Europe. So there is considerable reason to believe that the underdeveloped countries were also victims of discriminatory freight rates on their exports.

All of these estimates are no doubt very rough and based on the data for only a single year, 1928 (although below we shall examine additional data, referring to some particular countries, especially Britain and India, for some earlier years). One of the major reasons why these estimates are only very rough for our purposes is that they all refer to relations between geographical regions at their frontiers (or between their frontiers in the case of ocean transportation). Thus these data do not permit us to identify foreign, usually metropolitan, production within the frontiers of these geographical regions, and in particular in the underdeveloped ones. For the same reason, the data do not permit us to discriminate between, or to establish the relationship between, foreign and national production — or trade — in these regions or countries. Hilgerdt makes a partially related observation: « Within the Tropics . . . there is a complicated network of trade relations. Thus, in 1928 the Netherlands Indies recorded an export

million for transportation of merchandise from and to the Tropics, and this amount should be compared with the U.S. \$ 1,450 merchandise export surplus (column 12), which the Tropics had with these regions and the rest of the world. But to construct the estimate of transportation payments by all the underdeveloped countries we still have to compute and add those of Argentina, China and other Continental Asia, and North Africa in their trade with Britain, Europe, the United States and other areas. For Argentina these transport payments amounted to 253 with All of Europe and 31 with the United States, or over 280 in all. For China and Continental Asia, they were 120 with All of Europe and 57 with the United States, but because of the importance of its intra-Asian trade which was undoubtedly carried on European ships, we have also computed its cost of 70, which adds up to 247 or nearly 250. For North Africa, we only computed transportation costs in its trade with Europe, which was 26. Summarizing, this amounts to about 280 for Argentina and 270 for China including Continental Asia plus North Africa, or about 550 for these "non-tropical" underdeveloped regions. Adding these to the transportation payments of 870 by the tropical regions, we arrive at transportation payments by all underdeveloped countries with other regions (but not including those among underdeveloped countries themselves, except for the China-Asia ones) of U.S. \$ 1,320 million other than the U.S. \$ 1,450 (or 1,810) million export surplus on merchandise account.

balance to India of \$ 44 million, and to British Malaya of \$ 80 million, while the last two mentioned countries had an export balance — largely on account of jute sacks — to a number of tropical countries such as Brazil and Cuba which in turn were net exporters to the United States . . . this all goes to prove that what in Diagram 6 is shown as an export balance from the Tropics to the United States is in part the second (and in part even the third) link in chains of transfer originating in individual tropical countries (League 79); and it also proves that much of their production which at first sight may appear to be for each other is really produced for the metropolis — and often by metropolitan horizontally and vertically integrated monopolies that produce and trade between various underdeveloped (and developed) countries to suit their own particular needs.²

Insofar as the development of the system was associated with the growth of British foreign investments and her service earnings from them as Hilgerdt emphasized, we may observe that British investments rose from about £ 10 million in 1816, to about £ 700-1,000 million in 1870-74, and then to about £ 4,000 million in 1913 (Saul, 10, 67). But since merchandise exports were in deficit throughout this period, and increasingly so, Saul argues for the earlier part of the period « that only the rise in shipping earnings and other foreign services made the investment possible » (Saul, 10) and later, « instead of making use of a surplus of new savings for overseas investment — a surplus earned by exports and invisible services — Britain resorted to simple reinvestment of part of the income from previous loans. This took place most noticeably after 1874, when the excess of imports began to rise sharply, and it was only in unusual years thereafter that new exports of capital exceeded income from interest charges » (Saul, 67). This, then, is the other side of the coin, suggested by Halperin Donghi, that Britain enabled Latin America to absorb increasing quantities of her manufactures even during the earlier part of this period by reinvesting there some of her earnings from merchandising services there, which were even more "invisible" than those from later investments, although the monopoly

² The underdeveloped countries' export surplus is underestimated both at market prices and in terms of real values because the statistics assign corresponding imports to these countries when they enter these countries and physically, geographically and in many cases even when they are only bought by people identified with these countries. But many imports, particularly in the colonialized underdeveloping countries, only appear to be destined to their economies or people, when in fact they are purchased by metropolitan foreigners who operate on colonialized soil for metropolitan enterprises and purposes. If these apparent imports were deducted from the colonialized countries' import statistics, their imports would be considerably smaller and their export surplus correspondingly still larger. (It would not be similarly correct "analogously" to deduct the exports by foreign firms in underdeveloped countries from their total exports, since these exports *are* in fact produced by the labour and indeed the capital of the underdeveloped countries, while the imports by foreign and many domestic importers do not in fact benefit the local economy or people).

control of this merchandising was no less obvious to contemporary Latin Americans or Indians. In a word, however much the fan, as Hilgerdt called it, spread, its structure was remarkably stable — and still is, even though the United States may have changed position in the system since 1928, insofar as the underdeveloped countries have been in the same position in the system for over a century. Only their ability to change their position in the capitalist system has changed — it is even more impossible now than it was then.

Hilgerdt's and Condliffe's circular flow diagram — graphically useful as it is — and Condliffe's description of this system as a « circle [that] is closed by Britain exporting more to the tropics than it imported from them » obscure much more than they clarify in at least one important respect: the place and function of the underdeveloped countries in the system. It is true that in 1928 the tropics (Table 5, col. 12) had an import surplus of + \$ 200 million from Britain (line 1). But that still left them with an overall export surplus=import deficit of — \$ 1,450 million. And if Argentina (col. 13) with its export surplus with Britain (line 1) of — \$ 150 is added to the Tropics (whether or not China and North Africa are added as well) to get the underdeveloped countries, (col. 16 and/or 17), then the import surplus dwindles down to + \$ 40 (or + \$ 50 with China and North Africa) million from Britain. Thus, the extent to which the circle is really "closed" is negligible by any measure.

Therefore, rather than a "circle", the system of trade balances and multilateral settlements may better be compared to a chain or a root as follows:

Region	Export Surplus/ Import Deficit with	Export Deficit/ Import Surplus with
Britain	nobody	Europe, Dominions U.S., Underdeveloped
Europe	Britain	Dominions, U.S. Underdeveloped
Dominions	Britain, Europe	U.S., Underdeveloped
United States	Britain, Europe, Dominions	Underdeveloped
Underdeveloped	Britain, Europe, Dominions, U.S. (everybody)	with nobody
	or more simply	
All Europe (Britain & Europe)	nobody	U.S. & Dominions, Underdeveloped
U.S. & Dominions	All Europe	Underdeveloped
Underdeveloped	All Europe, U.S. & Dominions (everybody)	nobody

This means that, in fact, even when measured at world market prices (and even more so if estimated in terms of real value), the underdeveloped part of the world through its excess of merchandise exports over merchandise imports really finances all the rest of the world both directly and indirectly. Specifically, the export surplus of the underdeveloped countries (1) supplied much of the excess merchandise consumption of Europe represented by the latter's merchandise export deficit or import surplus, (2) helped finance the export surplus of the United States and Dominions to Europe, (3) helped domestic investment and development in Europe, and/or (4) helped Europe finance its foreign investment in the United States and Dominions, whose development was thereby accelerated while the underdeveloped countries also financed much of the "foreign" investment in themselves, which however accelerated their underdevelopment. We may examine these in greater detail below.

(1) Europe's constant excess of merchandise imports over merchandise exports, as reflected in its net export deficit of + \$ 2,900 million in 1928, and therefore its excess consumption, was largely supplied directly and indirectly by the underdeveloped countries, as is reflected in their 1928 merchandise export surplus of — \$ 1,490 m. (or — \$ 1,810 m.). About the period in general, and with references in earlier years Saul observes: « The broad outline of the pattern of world trade just before the First World War is clear enough. The rapidly industrializing countries of Europe and North America expanded their purchases of raw materials and food-stuffs from the primary producers, and all, with the significant exception of Britain, ran up heavy deficits in their balance of payments with these countries . . . (Britain) was the greatest creditor nation, and enjoyed a very large income from so-called "invisible" payments » (Saul, 45). During the second stage of world capital accumulation and capitalist development, the principal source of these primary producers, and all, with the significant exception of Britain, ran up ports and investible capital — was undoubtedly Asia. Hilgerdt writes: « As a supplier of tropical products, tropical Asia — under which name we include India, Burma, Ceylon and the groups "South-East Asia" — is more important than the tropical regions of Africa and America together » (League 1942, 57). The same is confirmed by Lockwood (AER 422) who adds, « And, incidentally, the export surplus of Southeast Asia played an important role in the world network of payment balances. The region met its heavy net obligations in Europe and the United Kingdom on account of imports and investment earnings to a large extent by rubber and tin shipments to the United States, which in turn financed American exports across the Atlantic ».

But by far most important of all was India. Several students from or of India (see DUTT, CHANDRA) have examined and estimated "the drain" of capital out of India and have observed that India had not only a balance

of trade but even a balance of payments surplus for much of the period. In his already cited *Studies in British Overseas Trade 1870-1914*, S. B. Saul (43) says. « our aim is to carry further the analysis of the pre-1914 pattern of world-trading settlements attempted in the League of Nations study, the *Network of World Trade* » (that is, the study directed by Hilgerdt which is the source of much of our own discussion here). Though, as his title implies, Saul concentrates on Britain and its balance of trade and balance of payments surplus, he seeks to account for the latter by looking for, or at, its most important source: India. After pointing out that « it is worth noting that never from 1857 to 1913 did India import capital on a scale large enough to give her a surplus of merchandise imports over exports » (204-5), Saul observes:

« The importance of India's trade to the pattern of world trade balances can hardly be exaggerated. On one side lay her heavy consumption of cottons and other exports from Britain as well as invisible services, on the other her diverse export trade in manufactures, raw materials and food-stuffs, giving her easy access to the markets of all the great industrial countries . . . In 1880-1883 India provided Britain with a trade surplus of almost £ 11 million to help settle her deficits in Europe. In the next fifteen years this balance grew only very slightly in terms of sterling though in rupees it almost doubled, but after the mid-90's it expanded extremely quickly and by the end of the pre-war period had passed £ 50 million. In addition, it must be remembered that in these last years re-exports of Indian produce from Britain averaged well over £ 11 million. Assuming that most of these re-exports went to Europe and North America, it would appear that India's true earnings with those countries must have been in the region of £ 50 million also. But in this kind of analysis we must take account of the very significant service payments and capital movements. Our calculations, given in the appendix to chapter III, put these at between £ 25 million and £ 30 million in 1910 with net disinvestment in that year about £ 9 million (203-204).

« . . . The overall surplus with India [in 1919] must have been something of the order of £ 25 million, leaving £ 65 million to be obtained from invisible income from the rest of the world . . . The position was that Britain settled more than one-third of her deficits with Europe and the United States through India. The South American countries together obviously made the next largest contribution, although Turkey and Japan were, after India, the most important individual deficit countries. We have made no allowance here for the export of capital . . . The net effect on the balance of payments was to increase the deficit with the United States and reduce the credit balances with the South American countries » (56).

«...re-exports of primary products imported from Ceylon and the Straits Settlements were of considerable importance for Britain's settlement pattern, but perhaps most significant in this respect was the emergence of a vital pattern of trade with the British West African colonies. The exports of these territories had begun to expand markedly during the 1890's... The colonies therefore had an export surplus of over £ 3 million in 1913 with Continental Europe, a significant new source for multilateral settlement which was to grow more important for Britain as time went on. The West Indies too, despite their almost complete neglect by Britain, produced useful surpluses... All of these patterns of trade were essentially dynamic; the changes of national economies which had given rise to them were constantly going further and modifying the structure of world trade again. The emergence of a huge deficit with Canada was the most striking development of the pre-war years (227-8).

« The key to Britain's whole payments pattern lay in India, financing as she probably did more than two-fifths of Britain's total deficits. India's trade and bullion returns for the year ending 31 March, 1911, gave her an excess of exports to the rest of the Empire of £ 15.8 million and one of £ 48.6 million with foreign countries. From Europe alone she earned over £ 30 million, from China and Hong Kong over £ 10 million, from Japan and the United States just under £ 7 million each. But this was by no means all, for it was mainly through India that the British balance of payments found the flexibility essential to a great capital exporting country. During the years 1910-1913 the balance of payments with Argentina, Brazil and Canada moved sharply against Britain. There were a number of offsetting favorable changes... but much of the burden fell upon India... The balance of payments (with India) must have moved in Britain's favour by at least £ 12 million. This Indian safety-valve brought immense advantages from other points of view as well. It was through her Indian connections that Britain was able to survive the blows of the tariff barriers. The Indian market was kept open to British goods and Indian exports overcame the tariffs for her... Thus it was that although Britain took a smaller proportion of the exports of India than of the exports of any other part of the Empire, it suited the world settlements pattern that this should be so. The value of the multilateral system in general to the British economy was immense... ».
(Saul, 62-63).

(2) The export surplus of the underdeveloped countries also contributed materially, both directly and indirectly, to permit the United States and the Dominions to make their own shipments of excess merchandise exports to Europe, as is already suggested by some of the above considerations. Returning to our Table 5, we may note that even in 1928, when Argentina had an export deficit of — \$ 110 million with the United States, the underdeveloped countries had an export surplus of \$ 610 million with the United

States (col. 16, line 10) and a surplus of \$ 50 million with the Dominions (col. 16, line 9) for a total of \$ 660 million with the two put together. This is nearly equal to a half the export surplus of the United States and Dominions to Europe. We may thus argue that in a sense the U.S. and Dominions were able to ship their own excess of exports over imports to Europe with less sacrifice to themselves, since they were supplied with almost half the equivalent amount of excess exports by the underdeveloped countries, who thereby so to say were the ultimate suppliers of half of the export surplus of the United States and Dominions. This sacrifice of their own products to finance the U.S. export surplus was, of course, not repaid to the underdeveloped countries by anybody since they, unlike the U.S., had an export deficit with nobody.

Saul supplies a few additional details: « In the early 1880's the United States . . . there was a strong excess of exports to Europe, and an excess of imports from almost everywhere else . . . The negative balances of trade with India, Ceylon, Brazil, West Africa and the Straits Settlements had increased sharply » thereafter. The obverse was that « the United States was settling almost the whole of her trade and service deficits through this one favourable balance » (Saul, 45, 48, 47).

(3) The underdeveloped countries' merchandise export surplus may be related to domestic investment and productive consumption which expanded the home market and generated economic development in Europe or Britain. Mandel and other have associated European capital imports with European and British industrial capital stocks in the XVIIIth century and this is also valid for the XIXth century. We have already observed that Britain's own investments abroad were largely financed out of foreign earnings rather than with autonomous merchandise exports, inasmuch as Britain had a constant and growing merchandise export deficit or import surplus during the whole XIXth century. Comparing the growth curve already cited of Britain's merchandise import surplus from £ 10 million in 1816 to £ 140 million in 1913 (in Barrat Browne, 75), it is interesting to observe — though Barrat Browne himself does not do so — that it almost coincides pound for pound, year by year, with the growth curve of British domestic investment, as measured by total new construction of all kinds (in table 46 of Cairncross) and this is on trade account only, not on service.

(4) More interesting is the examination of some further aspects of the relation between the underdeveloped countries' export surplus to Europe and Europe's investment in the United States and white settler Dominions. As a claimed rebuttal of Lenin's theory of imperialism, it has often been observed — recently most notably by Fieldhouse — that the largest part of European and British foreign investment during the late XIXth century was not placed in the colonialized and now underdeveloped countries but rather in the United States and the Dominions, despite the fact that special

mention of this had already been made by Lenin himself (*Imperialism. Lenin Selected Works*, Vol. I, part 2, p. 497 and elsewhere). But in view of the flow of capital through merchandise trade imbalances and multilateral settlements, this observation — far from rendering the colonialized underdeveloped countries relatively irrelevant to this process — really calls for the examination of the intimate relation of the underdeveloped countries and their exports to the European foreign investment that occurred *not* in them but elsewhere. Unfortunately this task is also beyond our scope and our present capacity. Indeed Saul rightly laments, « the mechanism of the transfer of this capital raises problems at once obscure and fascinating . . . To a large extent our lack of knowledge about this mechanism can be attributed to the great difficulty . . . The number of special studies on the subject is still very small . . . » (Saul, 68).

Beyond these observations about India's capital contribution to Britain, it may be suggested that through their merchandise export surplus the underdeveloped countries made an important direct capital contribution to British foreign investment abroad. Woytnisky (199) reports: « In this year (1913) the United Kingdom exported merchandises valued at £ 635 million and had imports totalling £ 769 million. In addition, it imported gold worth £ 24 million and thus had an import surplus of £ 158 million in the movement of merchandise and gold. To offset this deficit, the British had items totalling £ 129 million (from earnings of the merchant marine £ 94, earnings of traders commissions £ 25, other earnings £ 10 million ». The British thus would have had a deficit of £ 29 million except for interest and dividends from their investments abroad, which amounted to £ 210 million. Addition of this item to other "invisible" exports reversed the balance of payments in favour of the United Kingdom, giving it a net surplus of £ 181 million. Theoretically, the British could take this balance in increased imports of merchandise and still have the balance of payments in equilibrium. Actually they left the whole net balance abroad as new investment. In fact, in 1913 London advanced to colonial and foreign concerns long-term loans for £ 198 million — almost exactly the amount of the current profits from former investments abroad ».

This British re-investment of about £ 200 million in 1913 may be compared with the merchandise export surplus of the underdeveloped countries. Britain itself had a merchandise (including gold) export deficit-import surplus with the rest of the world of £ 158 for 1913, according to the same source. But as Hilgerdt's research implies and our table suggests, the ultimate source of these excess exports ultimately lay in the underdeveloped countries, who virtually "financed" not only their own but also all the other regions' export surpluses. Total world merchandise exports were about U.S. \$ 20,000 million in 1913 and about \$ 32,000 million in 1928 (cited above); that is, in 1913 they were about 4/7 of the 1928 total.

If we may assume that the underdeveloped countries' merchandise export surplus in 1913 relative to 1928 was proportional to the world export totals for the same years, the — \$ 1,490 million export surplus of the underdeveloped countries and the + \$ 1,430 million export deficit of Britain for 1928 in our table would be reduced (by a factor of 4/7) to roughly — \$ 852 million and — \$ 816 million respectively for 1913, and the underdeveloped countries' transport payments from 1320 to about 800. Converting these dollar values into pounds by dividing by 5 (1 £ equal \$ 4.80), we would arrive at a merchandise export surplus by the underdeveloped countries in 1913 of about £ 178 m. and a merchandise import surplus by Britain of about £ 170 m. Given the rough and ready estimation procedure used, the orders of magnitude of the 1913 registered (or reported) import surplus of £ 158 m. and our estimate of £ 168 m. for the same year are quite similar. Perhaps, then, we may also be justified in suggesting that the estimated merchandise export surplus by the underdeveloped countries of £ 178 was sufficiently large to supply — even despite their undervaluation by world market prices — almost all the transfer of real goods necessary to convert Britain financial re-investment of £ 200 into real investment.

Irrespective of the adequacy of such estimates of the underdeveloped countries' direct contribution to European foreign investment, they undoubtedly contributed significantly through the particular place they occupied in the chain of trade surpluses and the system of international settlements. After noting that « the United States and Argentina held pride of place among foreign borrowers » of Britain in an earlier period, Saul notes that « from the mid-70's onwards investment in the Empire became more and more important, for reasons we shall discuss later » (Saul, 67). For 1913, Saul (67, following Paish) assigns about £ 1,780 million to British Empire investment and £ 2,000 million to the rest of the world. If we take India out of the former and replace it with the U.S. from the latter group, in order to regroup them into U.S. and Dominions and Underdeveloped countries (including 110 million for non-Russian Europe), the totals for the two groups are roughly reversed. But elsewhere Saul (218-9) reports the « relative stagnation of exports to the Empire, a trend so discomfiting to imperialist sentiments, especially as investment in the Empire was so large after 1900 . . . It is obvious that it was not so much trade with the Empire but rather trade with South America and Far Eastern countries which rose to take the place previously held by the United States ».

By 1928-30 the distribution of British investments had shifted still more. Hilgerdt reports: « The effect of multilateral trade upon the com-

³ Using the trade balance estimates in Tables 6 and 7, the British import surplus for 1913 would be \$ 652 million or \$ 374 million and the underdeveloped countries' export surplus (in Table 7) \$ 640 million.

mercial relations of the United Kingdom may be studied by comparing the geographical distribution of the income on account of "invisible" current items and that of *merchandise import balance through which this income was transferred* . . . The biggest import balances were with the United States and Europe, where British investments were relatively small, while there were export balances to the Tropics and certain of the British Dominions where investments were large. In Diagram 7 [of Hilgerdt, not shown here, which shows a clear inverse relation between British overseas investments and British import balances] . . . this tendency of trade balances to be distributed in a manner quite opposite to what might have been expected at first sight is strikingly illustrated. The explanation for this phenomenon lies in the fact that merchandise trade depends on each country's commodity needs and the localities where those needs can be met, and not upon their financial claims. British capital has been active in developing primary production in various parts of the world for disposal in the world market and not in the United Kingdom alone; . . . The *export surplus* of these countries, representing largely *the yield of British capital*, thus arose in trade with countries which financed their imports of primary goods by an excess of exports to the United Kingdom. British capital thus gave an impetus to the economic development not only of the countries in which it was invested but also of those through which the yield of this capital was transferred » (League, 82-83, our italics). We cannot but agree that these multilateral relationships were important, as Hilgerdt showed, but we would have to argue that a more realistic examination of the evidence leads to conclusions that are in fact the opposite of Hilgerdt's. First, the historical source of the "British" capital that was invested abroad was, as Hilgerdt himself recognized in part elsewhere and as Saul emphasizes, primarily in the now underdeveloped countries and not in Britain itself. Secondly, the "impetus" that the foreign investment of this capital gave to economic development was not, as we now recognize, in the colonized countries of Asia, Africa and Latin America, which first supplied the capital and then received part of it again as "foreign" (that is, foreign-owned) investment, for in these countries this investment and the process as a whole gave an impetus to the development of underdevelopment. Thirdly, the impetus to economic development was primarily in the countries « through which the yield of this capital was transferred », that is the United States and Dominions. And fourthly, to a significant extent it was the production and export surplus of the primary goods by the underdeveloping rather than developing countries which permitted the « yield of this capital » and the development of the United States and Dominions, to say nothing of Europe itself.

Saul supplies some additional evidence, which supports our argument: « In fact, Britain found it difficult to expand exports to the United States

sufficiently to make direct transfer of capital to her at any time in our period . . . in Argentina, a considerable multilateral transfer was still necessary as we shall see . . . France, with her capital goods industries less developed than those of Britain, was forced to transfer most of her investment indirectly » (Saul, 70). « The bulk of British investment in Canada, for instance, served to finance imports from the United States, Canada's normal supplier of capital goods. Indirect settlement between Britain, Canada and the United States began to become most pronounced during the late 90's . . . Here, then was indirect settlement matched only by that between Britain, India and the rest of the world » (Saul, 70, 186). But these two major investment and trade triangles were not unconnected, for since Britain occupied one corner of each of them Britain interlocked these triangles with each other. And at the base of the whole complicated structure was India and part of the « rest of the world ». Part of « the explanation clearly lies in the great amount of multilateral settlement Britain made through India » (even if Saul's sentence is here quoted out of its original context on p. 88) and another part, of course, also lies in the fact which Saul notes at the beginning of the same paragraph (on p. 87), that in some years Britain « was a net importer of capital from India » and much of the rest of the world. Finally, we may again recall Saul's observation that « Had not British exports . . . found a wide-open market in India . . . it would have been impossible for her to have indulged so heavily in investment on the American continent and elsewhere » (Saul, 88). Of course, all parts of the world were interrelated in this capitalist system and development, but only the now underdeveloped countries were *at the bottom of it*.⁴

STATISTICAL AND METHODOLOGICAL APPENDIX

Table 5 summarizes the following computations: Hilgerdt's diagram 6 summarized the export and import balances for 1928 between each of the regions (excluding Region 6, « Rest of the World ») in his Table 44. Condliffe in turn simplified Hilgerdt's diagram by including only the import balances. Hilgerdt (League 77) stated that the difference between the two kinds of balances was that « the import balances exceed the export balances chiefly on account of transport between the frontiers of the importing and exporting countries », suggesting that the import balances are larger because they include the transportation cost of the imported goods while

⁴ A further multilateral balancing function of the underdeveloped countries in this world system and for the developed ones is that of dampening the oscillations, and particularly of cushioning the slumps of the central economies, in the business cycles treated elsewhere in the author's book, *World Accumulation 1492-1781*; and in his *The Contemporary World Crisis* (forthcoming).

the export balances do not include the transportation cost of the exported goods. In using the import balances, Condliffe therefore gave not only the net balances on merchandise account alone but those on transport service account as well. However, Hilgerdt calculated his « export balances for region A by subtracting the exports by region A to each of the other regions from the imports by region A from other regions » (or vice versa, depending on which is greater). But since these imports also contain a transportation component, Hilgerdt's "export" balances are not on pure merchandise account either and contain at least the transportation cost of the incoming goods (while the "import" balances contain the transportation costs of both outgoing and incoming goods).

In order to reflect better the pure merchandise trade balances (and later to compare them with the transportation services the underdeveloped countries also paid to the metropolis), we have therefore recomputed Region A's export balances from Hilgerdt's raw data by subtracting the exports by Region A to Region B from the exports by Region B to Region A (or vice versa, depending on which is greater), since these latter do not include the transportation costs from B to A, as do the imports of A from B which Hilgerdt used to calculate his balances. This is a first difference between the data in the accompanying table and those in Hilgerdt's Table 44, his Diagram 6 or Condliffe's diagram. (We also exclude the balances within each region — arising from trade between its member countries — which Hilgerdt also excludes from his Diagram 6 but includes in his calculations of the total net balances for each Region in Table 44). Both of our changes in computation lower the export deficits of the metropolis and increase the export surpluses of the tropics compared to those of Hilgerdt but constitute a better reflection of the structure and operation of the real trade imbalances between them.

However, for the "minor" regions (excepting Argentina, which was treated like the foregoing "major" ones), that is for the USSR, Japan, China and other Continental Asia, and North Africa in columns 3, 4, 14 and 15, respectively, we used the export and import data as they appear in the tables of Annex III, « World Trade, by Countries of Provenance and Destination ». The reasons for this change in methods of computation for the minor regions are the following: Since the Annex III tables, like all others in Hilgerdt's work, are constructed in terms of the exports and imports of each country, computing the difference between them is much easier and time saving than finding the exports to each country (imports minus transport costs, etc.) by looking for them among the exports statistics of each of its trading partners. This timesaving for the minor regions is justified by the consideration that their shares in total world trade and its imbalances is so small that the inaccuracies introduced by using their imports instead of exports to them should be relatively insignificant, especially inasmuch as

the balances are rounded to the nearest \$ 10 million anyway. Furthermore, examination of the Annex III data on exports from one country to another and imports of the second from the first country (eg. between China and North Africa) displayed some inconsistencies (or misprints) which were sometimes also incongruent with total or sub-total trade figures. In those cases, the balance was estimated first by eliminating the incongruity and, if that was not sufficient to make the two countries' trade figures check with each other, by averaging out the inconsistency and then rounding to the nearest \$ 10 million. Argentina, on the other hand, was treated like the major regions, that is computing the balance between exports to other regions and other regions' exports to Argentina.

We cannot aspire to clarify their position here, but in order to complete the circle of world trade and its imbalances we shall assign these countries to the other five regions anyway and use our best judgement about where they might reasonably be made to "fit" best. Accordingly, observing the position of the USSR (col. 3) between the regions of recent settlement and Continental Europe (col. 2) we assign her to the latter (col. 2+3+4=5) to get « All Continental Europe (and Japan) » in col 5 and then « All Europe » in col. 6, since like Europe, the U.S. and Dominions, the USSR in 1928 is a net importer from the Underdeveloped countries, and although like the Dominions she is also an importer from the USA, albeit also from the rest of Europe. The case of Japan (col. 4) is still more doubtful, but we add it to Europe as well, to get « All Continental Europe, USSR, and Japan » in col. 5 « All Europe, USSR, and Japan » in col. 6. Though Japan has an import surplus from Europe, like the latter, she has an even bigger one from the Underdeveloped countries even in 1928. China and other non-tropical Continental Asia (col. 14, excluding South and South East Asia) and North Africa (col. 15) are added to the "Tropics" (col. 12, including South and South-East Asia) and Argentina (col. 13) to make up the "Underdeveloped" region (col. 16). But both China and North Africa, unlike underdeveloped countries elsewhere, display an import surplus or export deficit in their trade with Europe and, indeed, with the world as a whole. It is not clear to what extent, for China at least, this anomaly is due to special export/import price differences or transport charges. Thus, the collapse of the residual category « rest of the world » and the inclusion of China and North Africa among the underdeveloped countries significantly lowers the latter's export surplus-import deficit, as may be observed from the comparison of columns-lines 16 and 19, in which these countries are included, with columns-lines 17 and 18, from which China and North Africa are excluded from the underdeveloped countries and the world as a whole.

Throughout, export deficits=import surpluses or excesses (eg. of Europe which imports more merchandise than it pays for with merchandise exports)

MERCHANDISE EXPORT DEFICITS = IMPORT SURPLUSES (+
OF FIVE MAJOR AND FIVE MINOR WORL
(In millions)

Trade of With	1 Britain	2 Continental Europe	3 USSR	4 Japan	5 All Continental Europe (2+3+4)	6 All Europe (1+2+3+4)	7 Recent Settlement	8 Argentina
1. Britain	x	- 730	- 60	+ 60	- 730	- 730	- 260	- 150
2. Continental Europe	+ 730	x	- 30	+ 30	+ 20	+ 750	- 820	- 300
3. USSR	+ 60	+ 30	x	+ 10	+ 20	+ 80	- 50	- 20
4. Japan	- 60	- 50	+ 10	x	- 40	- 100	- 60	- 10
5. All «Cont. Europe»	+ 730	+ 20	+ 20	- 40	- 730	x	- 930	- 320
6. All Europe	+ 730	- 750	- 80	+ 100	- 730	x	- 1,190	- 470
7. Recent Settlement	+ 260	+ 820	+ 50	+ 60	+ 930	+ 1,190	x	- 10
8. Argentina (subtracted)	+ 150	+ 300	+ 20	+ 0	+ 320	+ 470	x	- 10
9. Dominions	+ 110	+ 520	+ 30	+ 60	+ 610	+ 720	x	- 10
10. USA	+ 630	+ 740	+ 70	- 90	+ 720	+ 1,350	+ 640	+ 110
11. USA-Doms.	+ 740	+ 1,260	+ 100	- 30	+ 1,330	+ 2,070	+ 640	+ 110
12. Tropics	- 200	+ 510	+ 40	+ 150	+ 700	+ 500	+ 60	- 10
13. Argentina (added)	+ 150	+ 300	+ 20	+ 0	+ 320	+ 470	x	- 10
14. China	- 50	- 30	+ 20	- 50	- 60	- 110	- 10	- 10
15. North Africa	+ 60	- 100	+ 10	+ 0	- 90	- 30	+ 0	- 10
16. Underdeveloped	- 40	+ 680	+ 90	+ 100	+ 870	+ 830	+ 50	- 10
17. (Under-China-North Africa)	(- 30)	(+ 810)	(+ 60)	(+ 150)		(+ 970)	(+ 60)	- 10
18. (Total)	(+ 1,420)	(+ 1,320)	(+ 80)	(+ 220)		(+ 3,040)	(- 490)	(- 360)
19. TOTAL	+ 1,430	+ 1,190	+ 110	+ 170	+ 1,470	+ 2,900	- 500	- 360

Source:

League of Nations (Folke Hilgert), *Network of World Trade*, Geneva 1942.

Arithmetical balance of exports sent fob, minus exports received (= imports minus freight+insurance) rounded to \$ 10's of millions between Regions as defined in Source and Notes except where noted below.

Notes

Column/line categories are taken or constructed from the sources detailed below. Entries are rounded balance of incoming and outgoing exports only (except for columns 3, 4, 14, 15, as noted below) from Source Table 44 and from its Annex III, «World Trade, by Countries of Provenance and Destination» pp. 106-171. References are to Regions 1-17 as defined by Source on pp. 11-13 and regrouped into Regions A-F by Source on p. 76.

Column/Line:

- 1 - Region E = Region 16 (mainly United Kingdom and Ireland).
- 2 - Region D = Regions 14+15 (Europe, industrial and non-industrial).
- 3 - Region 13 (USSR) = Part of Region F (Rest of World); export and import data, inconsistencies averaged.
- 4 - Region 12 (Japan, Korea, Formosa) = Part of Region F; export and import data, inconsistencies averaged.

are signified by "+" to emphasize the excess "take" over "give" and export surpluses-import deficits in what is conventionally called an "unfavourable" balance deficits (eg. of the underdeveloped countries which export more merchandise than they receive merchandise imports) are signified by "-" to emphasize the excess of "give" over "take", in what conventional terminology calls a "favourable" balance of trade.

Hilgert's (and Condliffe's) grouping of world trade into major regions — Britain, Continental Europe, Regions of Recent Settlement, USA, Tropics

TABLE 5

 ND MERCHANDISE EXPORT SURPLUSES = IMPORT DEFICIT (—)
 REGIONS WITH EACH OTHER IN 1928

(Current dollars)

Dominions (7-8)	USA	US+Dom. (9+10)	Tropics	Argentina	China	North Africa	Underdeveloped (12+13+14+15)	(Underdeveloped) (12+13)	(Total) (with 17)	Total (with 16)
9	10	11	12	13	14	15	16	17	18	19
— 110	— 630	— 740	+ 200	— 150	+ 50	— 60	+ 40	+ 50	— 1,420	— 1,430
— 520	— 740	— 1,260	+ 510	— 300	+ 30	+ 100	— 680	(— 810)	(— 1,320)	— 1,190
— 30	— 70	— 100	— 40	— 20	— 20	— 10	— 90	(— 60)	(— 80)	— 110
— 60	+ 90	+ 30	— 150	0	+ 50	0	— 100	(— 150)	(— 220)	— 170
— 610	— 720	— 1,330	— 700	— 320	— 60	— 90	— 870			— 1,470
— 720	— 1,350	— 2,070	— 500	— 470	+ 110	+ 30	— 830	(— 970)	(— 3,010)	— 2,900
x	— 640	— 640	— 60	0	+ 10	0	— 50	(— 60)	(+ 490)	+ 500
x	— 110	— 110	0	x	0	0	0	(— 0)	(+ 360)	+ 360
x	— 530	— 530	— 60	0	+ 10	0	— 50	(— 60)	(+ 130)	+ 140
+ 530	x	+ 530	— 780	+ 110	+ 60	0	— 610	(— 670)	(+ 1,210)	+ 1,270
+ 330	+ 530	x	— 840	+ 110	+ 70	0	— 660	(— 730)	(+ 1,340)	+ 1,410
+ 60	+ 780	+ 840	x	0	+ 100	+ 10	+ 110	(+ 1,340)	(+ 1,340)	+ 1,450
— 10	— 110	— 110	0	x	0	0	0	0	(+ 360)	+ 360
— 1	— 60	— 70	— 100	0	x	— 20	— 120	(— 100)	(— 280)	— 300
0	0	0	— 10	0	+ 20	x	+ 10	(— 10)	(— 40)	— 20
+ 30	+ 610	+ 660	— 110	0	+ 120	— 10	x	(— 110)	(+ 1,380)	+ 1,490
(+ 60)	(+ 670)	(+ 730)	0x	0	(+ 100)	(+ 10)	(+ 110)	x	(+ 1,810)	x
(— 130)	(— 1,210)	(— 1,340)	(— 1,340)	(— 360)	(— 280)	(— 40)	(— 1,380)	(— 1,810)	x	x
— 140	— 1,270	— 1,410	— 1,450	— 360	+ 300	+ 20	— 1,490	x	x	x

5 — Sum of Columns 2, 3, 4 (All « Continental Europe », including USSR and Japan).

6 — Sum of Columns 1, 2, 3, 4 = 1+5 (All Europe, USSR and Japan).

7 — Region C = Regions 2, 4, 8, 17 (Regions of Recent Settlement = Canada, Australia, New Zealand, South Africa = « British Dominions » + Argentina, etc.).

8 — Region 8 (Argentina, Uruguay, Paraguay, Falkland Islands).

9 — Difference of columns 7 minus 8 (= Dominions = Regions of Recent Settlement minus Argentina, etc.).

10 — Region B = Region 5 (USA).

11 — Sum of columns 9+10 (USA+Dominions).

12 — Region A = Regions 3, 6, 7, 9, 10 (Africa South of the Sahara, except South Africa; Latin America, except Region 8 + Argentina; South Asia = India, Burma, Ceylon; South-East Asia).

13 — Same as Column 8.

14 — Region 12 (China and other continental Asiatic countries, except India, Burma, Ceylon) = mainly China = Part of Region F, « Rest of World »; export and import data, inconsistencies averaged.

15 — Region 1 (North Africa=Part of Region F, « Rest of World »); export and import data, inconsistencies averaged.

16 — Sum of columns 12, 13, 14, 15 (Underdeveloped Countries).

17 — Sum of Columns 12+13, i.e. 16 minus 14+15 (Underdeveloped Countries, not including China and North Africa = Tropics+Argentina).

18 — Arithmetic Total of columns 1, 2, 3, 4, 9, 10 (= 6+11) plus 12, 13 (= 17).

19 — Arithmetic Total of columns 1, 2, 3, 4, 9, 10 (= 6+11) plus 12, 13, 14, 15 (= 16).

and Rest of World — is largely retained, but has been modified in two ways. Argentina (col. 8, including Uruguay, Paraguay, and Falkland Islands) is removed, that is subtracted, from « Regions of Recent Settlement » (col. 7) to give the British Dominions "region" as Canada, Australia, New Zealand and South Africa. Though the retention of South Africa in this "region" is also of doubtful accuracy, its relatively small share of the trade and the complications implied by its export of monetary gold does not seem to warrant the effort to separate it out for present purposes.

Though the trade balances computed in this way of the Dominions (col. 9) and of the United States (col. 10) are first considered separately, as they are by Hilgerdt and Condliffe, they are here subsequently added together to form the category «USA and Dominions» in col. 11. Argentina (col. 8) for its part is then transposed to col. 13, in order to be subsequently added to "Tropics" (col. 12) and other countries to form the "Underdeveloped" "region" in col. 16 (and col. 17).

The other major modification of Hilgerdt's grouping is to divide up his residual Region F, «Rest of the World», and allocate it to the other regions. Hilgerdt himself created this "region" or "group", accounting for about 10% of world trade because its components did not fit well into the pattern of trade balances of the remaining 90%. As he explained, «A few words should be said of Group F, comprising the USSR, North Africa, and non-tropical Asia and not shown in Hilgerdt's Diagram 6 [of trade flows]. The USSR with an excess of imports from the tropics, the United States and the regions of recent settlement, and an excess of exports to Continental as well as Non-Continental Europe, clearly enters that system between Groups C and D [regions of recent settlement and Continental Europe]. The position of the remaining countries of Group F is less clear...» (League 1942:83).

For the period before 1928, that is for selected years between 1876 and 1913, we offer much more incomplete and inaccurate data on trade balances in Tables 6 and 7. Hilgerdt (League 1945:100) himself prepared some estimates of merchandise import and export balances for the years 1881-85, 1891-95, 1901-05 and 1911-13 in his later *Industrialization and Foreign Trade* (League 1945:100). These data, however, are limited to some countries of Europe and the United States; and most of them are reproduced in our Table 6. We have retained Hilgerdt's notation of (+) for export and (—) for import balances. Therefore the growing excess of imports of the United States, similarly, is therefore shown after (+) signs. Europe taken separately (lines 3-6), and of «Continental Europe» as a whole (line 7 = sum of lines 3-6) and «Western Europe» (line 8 = sum 2-6) are in his table shown after (—) signs. The excess of exports over imports of the United States, similarly, is therefore shown after (+) signs.

Since in this study Hilgerdt was interested in the relative expansion of the exports of raw materials (R) and manufactures (M), and particularly in the growth of the latter as part of the expansion of world trade and industrialization, the balances (B) were not supplied by him and we have calculated them ourselves.

Table 7 summarizes and adjusts import and export data for the years 1876-80, 1896-90, and 1913 supplied by a more recent source (Yates 1959: 226) and constructs some estimates of merchandise export deficits=import surpluses (+) and export surpluses=import deficits (—) that are analogous,

TABLE 6

MERCHANDISE IMPORT (—) AND EXPORT (+) BALANCES
SELECTED COUNTRIES AND YEARS 1881-1913

		Annual Averages in millions of current dollars			
		1881-85	1891-95	1901-05	1911-13
1. United States	R	+ 250	+ 197	+ 414	+ 343
	M	— 142	— 106	+ 41	+ 196
	B	+ 108	+ 91	+ 455	+ 536
2. U.K. + Ireland	R	— 1,262	— 1,291	— 1,567	— 1,990
	M	+ 755	+ 657	+ 717	+ 1,338
	B	— 507	— 634	— 850	— 652
3. Germany	R	— 332	— 586	— 879	— 1,477
	M	+ 329	+ 357	+ 617	+ 1,158
	B	— 3	— 229	— 262	— 319
4. France	R	— 455	— 393	— 378	— 788
	M	+ 220	+ 251	+ 338	+ 461
	B	— 235	— 142	— 40	— 327
5. Italy	R	+ 21	— 2	— 46	— 196
	M	— 61	— 34	— 15	— 39
	B	— 40	— 36	— 61	— 235
6. Holland	R	— 100	— 101	— 126	— 252
	M	— 3	+ 3	— 33	— 9
	B	— 103	— 98	— 159	— 261
7. "Continental Europe" (Sum B 3, 4, 5, 6)		— 381	— 505	— 522	— 1,142
8. "Western Europe" (Sum B 2, 3, 4, 5, 6)	B	— 888	— 1,139	— 1,372	— 1,794

Source: League of Nations (Hilgerdt), *Industrialization and Foreign Trade*, Geneva 1945, p. 100.

Note: R = Raw Materials, M = Manufactures, B = Balance.

albeit much rougher and more inaccurate, to those presented for 1928 in table 5. Since the source supplies export (columns A) and import (B), figures, and since the totals of the latter are in each year significantly higher than those and since import totals in each year significantly exceed export totals for the world, we "reduce" the import data to export "equivalents" (C) by applying the percentage of total exports-imports in each period, i.e. 85%, 88% and 90% respectively, to the recorded imports in order to estimate « imports adjusted » (C) to exclude transportation charges, etc. The balances between exports sent out (A) and exports (or adjusted imports received (C) is then calculated in column D for each period. This procedure, of course, overreduces imports of relatively low-freight manufacture and

TABLE 7

MERCHANDISE EXPORT DEFICITS=IMPORT SURPLUSES (+) AND MERCHANDISE EXPORT SURPLUSES=IMPORT DEFICITS (—) BY MAJOR WORLD REGIONS, 1876-1913
(in millions of current dollars)

	1876-80				1896-1900				1913			
	A Exports	B Imports	C Imports Adjusted	D Balance	A Exports	B Imports	C Imports Adjusted	D Balance	A Exports	B Imports	C Imports Adjusted	D Balance
1. United Kingdom+Ireland	982	1,587	+ 349	+ 367	1,230	2,011	1,770	+ 540	2,511	3,206	2,885	+ 374
2. North-West Europe	1,920	2,250	+ 1,912	— 8	2,990	3,585			6,402	7,717		
3. Other Europe	960	845			1,322	1,080			2,374	2,824		
4. Continental Europe (2+3)	2,880	3,095	2,630	— 250	4,312	4,665	4,105	+ 207	8,776	10,541	9,487	+ 711
5. United States and Canada	700	520	442	— 258	1,260	875	770	— 490	2,836	2,431	2,180	— 656
6. Underdeveloped (As., Af., Lat. Am.) and Oceania	1,448	1,860	1,581	+ 133	1,890	2,260	1,989	+ 99	5,036	4,885	4,396	— 640
7. Totals		290' L	010' 9		8,693	9,811			19,159	21,123		
8. x as % I			85 %	— 8			88 %	+ 356			90 %	— 211

Source: PAUL YAMARTINE YATES, *Forty Years of Foreign Trade*, London, George Aslen and Unwin 1959, p. 226.

Note: Imports are adjusted to exclude transport charges, etc. reduce them to export "equivalents" by applying the percentage relation of total exports to total imports (lines 7+8) in each year to the regional data.

underreduces those of the relatively high-freight raw materials. In principle the arithmetic sum of all regions' (line 8, col. D) positive and negative balances should cancel out to a total of 0. This is the case nearly so, for the first period; but for the second and third we are left with balancing errors (in the data and/or our adjustments) amounting to about 4% and 1% of total exports, respectively.

Yates's grouping of regions, which we retain, except for the summation of "northwest" and "other" Europe (lines 2 and 3) into "continental" Europe (line 4) is similar to that of Hilgerdt — and therefore our tables for 1928 — except for the inclusion of Oceania and South Africa with Asia, Africa and Latin America, which we term "underdeveloped" for the first two periods in line 6.

SOURCES CITED

- AMIN SAMIR, *L'accumulation à l'échelle mondiale*. Paris, Anthropos, 1970.
- BARRAT-BROWNE MICHAEL, *After Imperialism*. London, Heinemann, 1964.
- CARNCROSS, AC., *Home and Foreign Investment, 1870-1913*. Cambridge, Cambridge University Press, 1953.
- CONDLIFFE J.B., *The Commerce of Nations*. New York, Norton, 1950.
- CHANDRA BIPAN, *The Rise and Growth of Economic Nationalism in India*. New Delhi, People's Publishing House, 1966.
- DUTT R. PALME, *India Today*. Bombay, People's Publishing House, 1949.
- EMMANUEL A., *L'échange inégal*. Paris, Maspero, 1969.
- FRANK ANDRE GUNDER, *That the Extent of the Internal Market is Limited by the International Division of Labor and the Relations of Production*, «Economic and Political Weekly» (Bombay) XI, 5-7, Annual Number, Feb. 1976, included as Chapter 4 in the author's *Accumulation, Dependence and Underdevelopment*, forthcoming. (Appendix B of «Accumulating Exploitation», Vol. 1, *To the Industrial Revolution*). Published in spanish in «Sociedad y Desarrollo», Santiago, No. 4, 1973.
- HILGERDT FOLKE, *The case for Multilateral Trade*, «American Economic Review», v. XXXIII, 1, Supplement Part 2, March 1943.
- IMLAH ALBERT H., *Economic Elements in the Pax Britannica, Studies in British Foreign Trade in the Nineteenth Century*. Cambridge, Harvard University Press, 1958.
- , *British Balance of Payments and Export of Capital 1816-1913*, «The Economic History Review», 1952, pp. 208-239.
- LEAGUE OF NATIONS (Folke Hilgerdt), *Industrialization and Foreign Trade*. Geneva, 1945.

Andre Gunder Frank

—— (Folke Hilgerdt), *The Network of World Trade*. Geneva, 1942.

LENIN V. I., *Imperialism, the Highest Stage of Capitalism*, « Selected Works », v. I, Part 2 Moscow. Foreign Languages Publishing House.

LEVIN, *The Export Economies; Their Pattern of Development in Historical Perspective*. Cambridge, Harvard University Press, 1960.

LOCKWOOD WILLIAM W., *Postwar Trade Relations in the Far East*, « American Economic Review ». XXXIII, 1, Supplement Part 2, March 1943.

SAUL S. B., *Studies in British Overseas Trade from 1870-1914*. Liverpool, Liverpool University Press, 1960.

SCHLOTE W., *British Overseas Trade from 1700 to the 1930's*. Oxford, Oxford University Press, 1952.

WOYTINSKY W. S. and E. S. WOYTINSKY, *World Commerce and Governments. Trends and Outlook*. New York, Twentieth Century Fund, 1955.

YATES LAMARTINE P., *Forty Years of Foreign Trade*. London, George Allen & Unwin Ltd., 1959.