

FOREIGN TRADE DURING BRITISH RULE IN INDIA

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Main points of discussion

- Foreign trade in Pre- British India
- Foreign trade in British India



Foreign trade in Pre- British India: Composition, Direction and Balance of Payments

- India's Exports consisted of Calicoes, muslins, silks, indigo, salt-petre, spices and pepper. India's chief imports were gold, silver, precious stones, horses, metals, tobacco etc. Thus, India exported manufactured goods.



- India's main trading partners were Arab countries, West Asia, England, Europe
- India always had surplus in her balance of payments. India was self sufficient and her import needs were limited. India received her export surplus as gold and silver from other deficit trade partners.
- Volume of trade was limited compared to modern times. Transport infrastructure was underdeveloped restricting trade. Sea route was mainly used for foreign trade.



Foreign trade in British India : Composition, Direction and Balance of Payments


- The British period can be subdivided into:
 - a. The East India Company Rule from 1757-1857-58
 - b. British Government Rule from 1858-1947


- ❖ Also, the whole period can be marked by important international events like:
 - a. World War I
 - b. Great Depression
 - c. World War II



Prominent changes in the character of India's Foreign Trade during British Rule

- India became a primary product exporting country and imported manufactured goods from abroad .
- U.K. retained a monopoly among all the European foreign trading partners in trade with India. Other trading partners were China, Sri Lanka, Persia, Japan, U.S.A and other Asiatic regions. Reasons for monopoly by Britain were political domination of India by Britain and control of sea transport required for foreign trade by Britain among others.

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- India had large export surplus in the BoP during this period but a great part of the surplus was drained from India as tributes etc. to Britain and it was not used for the development of the Indian economy.
 - The exports of primary products came at the expense of farmers as there was high land tax and tribute to the British Government ruling in India.

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- A large proportion of imports to India was for the foreigners residing in India and the Government.
 - Food grains were exported from India even during famine years.


World War I period

- India could not take full advantage of the war to expand her industry and trade.
- Average value of trade was reduced to 60% by 1918.
- Both exports and imports fell but fall in imports was more.
- Share of Britain increased in exports from India.
- Balance of payments shows increasing surplus brought about at the cost of great hardship faced by India.

Inter war period and the Great Depression

<i>Quinquennial Average</i>	Value in Crores	
Year	Imports	Exports
1914-15 to 1918-19	159.25	217.89
1920-21 to 1924-25	261.78	300.81
1925-26 to 1929-30	240.29	327.27
1930-31 to 1934-35	134.28	161.33
1935-36 to 1939-40	150.21	180.86

Source: G. Kaushal, Economic History of India, Foreign Trade, pg 440

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- During this period, India started shifting towards exports of manufactured goods. At the same time, Importance of Britain as India's major trading partner declined. Also BoP surplus decreased due to the depression and resultant contraction in exports.
 - A very important development was adverse BoP with Britain causing gold exports from India worth Rs. 314.62 Crores in 1938.

World War II

- Decline in volume of trade more than compensated by increase in value of trade.
- Proportion of Manufactured Exports increased and that of raw materials decreased. The opposite happened in the case of imports.
- Britain remained India's major trading partner.
- Balance of trade remained favourable and India was able to repay her external debt and accumulated a large sterling balance in 1946.



THANK YOU!