BRITISH COLONIAL EXPLOITATION OF INDIA AND GLOBALIZATION

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There exists a theory that globalization is an instrument of to continued economic exploitation of developing and poor countries and maintain the colonial legacy of loot and plunder. Thus this paper sees if there exists any resemblance between British India colonial plunder and economic globalization of India and whether colonialism is even continued today through trade and commerce under umbrella of globalization. One of the theories finds a resemblance between globalization and colonialism in some ways and this interesting parlance is researched in my study. Globalization has become really controversial and is hot topic for discussion these days. Indian economy, trade and commerce have certainly been affected by globalization. Proglobalists enumerate the benefits and those who oppose it go for ill effects it had on Indian economy. But the proponents of globalization have been, if anything, even more unbalanced. To them, globalization (which typically is associated with accepting triumphant capitalism, American style) is progress; developing countries must accept it, if they are to grow and to fight poverty effectively.[1] But to many in the developing world, globalization has not brought the promised economic benefits.[2] Another part which forms globalization package is free trade. Now again we have two opposite kind of views and evidence about its relevance in context of Indian economy. Globalization has provided impetus to scores of MNCs which form backbone of trade and commerce. But their role in affecting local vendors is questioned. Indian government has opened the retail sector to big Indian companies like Reliance in 2006 and is stated to do the same for foreign players like Wal-Mart.[3] Another facet of globalization is its control by international agencies like International Monetary Fund, World Bank etc. which may not be always liked by India and other developing countries.

Globalization has been criticized as another form of colonial exploitation. In order to analyze resemblance between the two I start with the British Indian economy, trade and commerce (1757-1947) and its impact on native India. India was looted innumerable times in History except that British rule succeeded in starving the country as never before. Why and how British were able to topsy-turvy India-one fifth of all humanity – in 190 years, from the richest to the poorest country of the world is a most tragic episode of Indian history.[4]

When the British gained territorial control over a part of India in the 18th century a parasitical symbiosis was established between an advanced trading nation and a vast agrarian state.[5] Though India has been labeled as a purely agricultural country, we find that industrial and commercial strength of pre-British India was incomparable. India was chief supplier of luxury items like muslin, ivory, carpets, steel, pearls, precious stones etc. Trade and commerce was pretty developed in pre-British India. Indian goods were in demand worldwide and appreciated for their fine craftsmanship. In the words of an American author, muslin "was made of counts above 400 and that a Sari (normally 6 yards) long enough for a full-grown woman could be drawn through an ordinary finger ring."[6] It was just one example of excellent craftsmanship of India.

It started in 1757 with Battle of Plassey and gradually British penetrated almost all areas of administration. British colonial economy can be divided into different phases. The first, 'mercantilist' phase, from 1757 up to 1813, was marked by direct plunder and the East India Company's monopoly trade, functioning through the 'investment' of surplus revenues in the purchase, often at arbitrarily low prices, of Indian (primarily Bengal) finished goods for export to England and Europe.[7] By the Charter Act of 1813, the monopoly of the East India Company had been put an end to and private traders of free merchants were permitted under special license to trade lawfully.[8] In its result the Charter Act happened to be the death blow for native industries.[9]

The Industrial Revolution in England dramatically changed the whole pattern of trade, and the years from 1813 to 1858 saw the classic age of free-trader industrial capitalist exploitation, converting India rapidly into a market for Manchester textiles and a source for raw materials, uprooting her traditional handicrafts—a period when 'the home-land of cotton was inundated with cotton'.[10] Thus Industrial Revolution in England turned out to be evil for Indian native cotton and other industries which had to now fight the competition from British imported machine-made goods. India was now converted into a reservoir of cheap raw materials like cotton, tea, indigo, coffee, etc. while British merchants and its industries prospered in this course, India had to suffer losses on all accounts. Indian handicraft industries were ruthlessly killed in this process.

During First World War, British made India pay for war expenses. S.G. Panandikar, the Indian economist, pointed out that India occupied second place (after England) in the British empire for its expenditure during the war.[11] Not only this, British authorities were spending huge amounts of money on upkeep and maintenance of army which was actually used for suppressing Indian national movement for independence. This expense so lavishly done by British led to huge debt increase on India. According to a statement in the Indian Legislative Assembly, Finance Member, Sir Basil Blackett, this debt, which had reached Rs4,100 million on 31 March 1914, had increased to Rs.7,810 million by 31March 1923.[12] Even the findings of an official committee of enquiry into the handloom industry in 1942 admitted that there was a large increase in unemployment and under-employment among weavers. The earnings of weavers fell drastically and they had to switch their old occupation. Many weavers changed to cigarette making.[13] British rule worsened the condition of peasantry as well. Prolonged domination of the British and the feudal survivals led to underdevelopment and stagnancy in Indian agriculture. This increased imperialist oppression, fragmentation of the peasants' plots and intensified power of the capitalist market, all of which led to ruin of peasant tenants.

The East India Company as a trading concern was more interested in profit than in the welfare of the people of India.[14] Though some developments in infrastructure took place like development of ports, the introduction of intra-portal navigation services, the connecting links between the ports and the hinterlands and finally the introduction of railways but the underlying motive always was to boost the British trade in India. India, which was once upon a time an opulent repository of fine yarn and delicately woven fabrics that adorned the drawing rooms of aristocratic European homes and used as status-symbol for the rich in England, had practically lost all her splendor as a manufacturer of cotton goods of superb quality owing to persistent policy of hostility and protection adopted by the British Parliament from the early eighteenth century with its series of laws in order to prevent the Indian cotton goods from competing with the newly emerging British manufacturers.[15] By the large-scale import of English yarns to India a considerable portion of the population engaged in spinning was thrown out of employment.[16] In this process traditional Indian artisan production declined. British officials and publicists tended to accept the decline of traditional Indian artisan production as a fact, sad but inevitable. Some scholars did not agree with this theory of deindustrialization. U.S.scholar Morris D. Morris argues that deindustrialization itself was a myth. He says that precise statistical proof of the decline of handicrafts is admittedly difficult to find, both for the pre-Census period and even afterwards.[17]

Now why and how did British introduce principles of free trade which proved harmful for India is the main issue. Montgomery Martin, author of the first complete history of the British colonies in five large volumes said: " I have been impressed with the conviction that India has suffered most unjustly in her trade, not merely with England but with all other countries, by reason of the outcry for free trade on the part of England without permitting to India a free trade herself."[18] The parasitical symbiosis was not only of benefit to the British as far as the extraction and disposal of land revenue was concerned, they also controlled Indian trade to an ever increasing extent. The doctrine of "Free Trade" which they invented in order to refute the ideas of the earlier age of mercantilism helped them a great deal in this respect.[19] Free trade and its principles were used to justify the economic drain of India. Another face of free trade which proved to be very costly was shipping of silver and gold in high quantities. The originally mercantilist drain had therefore become closely associated with the processes of exploitation through free trade and with the structure of British Indian finance capitalism.[20]

Adam Smith (1723-1790) is said to be the founder of free market economics. His book Causes of the Wealth of Nations is considered as first modern work of economics. Many economists claim that he was not a free trader as portrayed and that selective use of his writing is done for interest of Britain. Free trade was actually supposed to be useful for economies with same level of strength and weaknesses. It may not be a good idea for unequal. Hence other writers have argued that Smith's support for laissez-faire has been overstated.

In the nineteenth century the British had already developed their industries to such an advanced stage that it was ahead of other European countries and it was beneficial for it to pursue free trade and commerce. On one hand British administrative were busy increasing its geographical area and maintaining its hold on these colonies and on the other hand its theorists were devising a powerful free trade school based on the theory of comparative costs from a selective reading of Adam Smith who was no free trader actually. After independence India followed the path of protectionism till 1991. It was required to save its newly established industries in initial stage of development. This was only natural as we have seen America did the same after getting independence from Britain. But now things were different in international arena. Britain no longer held the crown of economic supremacy and latter was transferred to America. It was technological, economic and cultural supremacy of America which gave it the power to change political and economic equations of the world. No wonder it objected to the policy of protection adopted by Indian government after independence. In 1989 it blacklisted Japan, India and Brazil for restrictive trade practices in its Report on Foreign Trade Barriers. Government of India had to publicly admit that protecting indigenous industries was a wrong step and that it sought to rectify it. Astonishingly maximum reduction on customs duty upto 150 per cent was allowed in the same year under liberalization drive. Quantitative restrictions on imports have been removed to a level of 95 per cent of tariff lines in pursuance of Article xi of GATT. Tariff lines have been removed on 2714 items, as notified by WTO. No doubt provisions of WTO are followed and yet it is said that some of these are used by developed countries in their own profit, against the wishes of developing countries. It is the lobby of developed countries which advertised free trade as capable of solving all economic problems of the world. It is said that as more and more countries are adopting free trade policy inequality is increasing in different countries. Twenty percent of the people of the western countries continue to consume eighty percent of the natural resources of the world.[21] Globalization was expected to provide benefit to developing countries by reducing poverty and bringing down inequality but it has not happened. The main culprit is TRIPS agreement under the WTO which enables the developed countries to preserve their monopoly over frontier technology.[22] Developing countries are competing among themselves to sell their produce at the lowest price and developed countries are happily buying cheap commodities charging high prices for their monopolistic control of technologies. In the absence of strong (or effectively enforced) competition laws, after the international firm drives out the local competition it uses its monopoly power to raise prices.[23] Thus benefits could be short-lived. Then foreign firms charge what they want and in absence of any equivalent competitor it is free to do so.

Another area where globalization and foreign direct investment is talked about is banking. Is money more secure with foreign banks than domestic ones? Foreign banks may have greater financial strength. Still, the threat foreign banks pose to the local banking sector is very real.[24] One of the social and moral downturns of foreign investment is that it promotes corruption. In some cases, new investors persuaded (often with bribes) governments to grant them special privileges, such as tariff protection. In many cases, the U.S., French, or government of other advanced industrial countries weighed in-reinforcing the view within developing countries that it was perfectly appropriate for governments to meddle in and presumably receive payments from the private sector.[25] It is however, true that in most cases blame goes to corrupt government of our country. It is alleged that foreign direct investment flourishes because of special privileges extracted from the government. Involvement of government officials in bribery cases has become a day to day occurrence.

Though foreign direct investment did click in few cases like Singapore, Malaysia, China it had no role in development of Korea and Japan. As long as foreign currency flows in economic picture is rosy and full of optimism. The problems start when foreign investors who were invited with the motive of solving one's economic problems fly away faster than they came. Growth rate is reduced as soon as inflow ceases. Worst situation could be when investors lose their trust in economy and pull out all their money. Such situation has already occurred in East and Southeast Asia. This region was rising with a sudden pace and had an economic growth unprecedent in History.[26] But in 1997 all of a sudden economy collapsed in Korea, Taiwan, East Asia and Southeast Asia. In East Asia many countries were doing quite well but because of foreign borrowing from international banks the economies were getting overheated. These countries received foreign investment in excess of 1 percent of their GDP in seventies. But as foreign investment declined in eighties their growth rates also became negative between (-) 3.3 percent and (-) 4.3 percent.[27] Thus we can see that flight of foreign investors not only demoralizes the economic sentiment of country but may even ruin it as we have seen. So we have to keep that in mind that foreign investment can put us more at risk than ease.

The burden of the East India Company's London establishment and of dividends to its share holders was replaced after 1858 by the costs of the Secretary of State's India Office, while the India Debt in England, already considerable thanks to the Company's military adventures and the expenses for suppressing the mutiny, was sharply enhanced in that year when compensation to company shareholders was added to its account.[28] The invisibles arising out of the East India Company's financial accounts with Britain, which featured prominently in parliamentary enquiries etc. naturally drew public attention. From time to time the other component of the invisibles, viz. those arising from the transactions of the resident British trading, financial and industrial interests also drew public attention although no one quite knew the magnitudes involved in this case.[29]

We have to remember that all this was done to a poor nation where majority of the population lacked basic infrastructure facilities. This economic exploitation was condemned not only by Indian but British writers as well. Beginning with observations on the behaviour of the East India Company and its servants, among the many who write about this drain are Lord Clive himself, Adam Smith-in his brief, little known but in tone surprisingly modern treatment of the East India Company, Burke-while impeaching Warren Hastings in the British Parliament, Raja Ram Mohun Roy, the named and unnamed authors of many Parliamentary Reports after 1757, and many sensitive civil and military officers of the Company, and later of the Government of India.[30]

Monopoly of East India Company was snatched in 1813 and after 1834 it worked as the government's agency until the 1857 Indian Mutiny when the Colonial Office took full control of its colonial empire. The East India Company ceased to exist after 1873. With its end an important chapter of modern history ended.

East India Company drained India of its riches and natural resources. Eminent scholar Dadabhai Naoroji made a rough estimate of the wealth transferred during the entire period. IN his 'Poverty of India', while piecing together data on per capita production, consumption etc., Naoroji remarked on the 'deficit of imports as compared with the exports of India', the position in many other countries being the opposite, ... 'normal condition of the foreign commerce of any country is generally such that for its exports there is always a return in imports equal to the exports plus profits'. For India, general commercial profit at 15 per cent shall be quite under the mark, he held. On this basis, after allowing for foreign debt for railways etc., for the period 1833-72 he arrived at a figure 'of about £500 mn. Which England has kept back as its benefit, chiefly arising from the political position it holds over India'.[31]

Another issue is that sovereignty and democratic ideals are compromised somewhere in the struggle for supremacy among these companies. The MNCs decide what to produce and how to produce, where to sell and at what price. In this unequal relationship, not just the tiny countries but even the large ones often find themselves without the data to counter the MNC viewpoint, and therefore, prove to be no match for these corporate giants in negotiations.[32] The MNCs may deny the host governments vital information that might have improved the latter's bargaining position, and may even punish a host government for adopting a hostile attitude by not producing or exporting enough from that source.[33] Not only this MNC sometimes push its own government to impose ban on the trade of the country, if host government takes any strict action against this company. In this whole process national interest is compromised several times.

In the 'Wealth of Nations', Adam Smith began his book IV, chapter VIII by stating prophetically that 'The discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events in the history of mankind ... it is impossible that the whole extent of their consequences can have been seen.'[34] Birtain had trade and commerce relations with many of its colonies in medieval and modern periods of history and it was one of the results of these naval discoveries. With India, one of its prime colonies, its trade relations were special. In India, East India Company of UK started as a commercial unit and gradually took its role in politics as well. The East India Company was not a purely commercial corporation, but also a political organization to exert the conquest of England and ruin the power of her European rivals in the East. It was engaged in commerce, as the state is universally engaged now in producing distributing and exchanging millions of pounds worth of goods by being the biggest capitalist enterpreneur and merchant rolled into one.[35]

It was the economic interest of the East India Company and Britain which promoted their commercial and political activities in India. Some time ago Professors J. Gallagher and R. Robinson propounded their famous thesis that economic aggression was the cornerstone of the British imperial policy during the nineteenth century, no matter what persons or parties were in official. The salient features of this policy, according to the authors, were overseas trade, investment, migration and culture. To support their hypothesis, the authors have cited, among many examples, the governmental promotion in India of products required by British industry.[36]

India was largely agricultural colony of Britain then. Its role was mainly to supply raw materials to Britain. India, with her very meager industrial base, would have needed to import practically all the manufactured goods – machinery and equipment, both large and small for investment in industry, and for the associated minimum supporting infrastructure.[37]

Statutorily, it was the Sea Customs Act, 1878 that provided the basis for implementing the official basis in favour of imports from Britain. Goods originating from other countries could be simply charged higher import duties than the goods originating from Britain or territories favoured by Britain. The imports and exports (Control) Act, was enacted "to continue for a limited period, the powers to prohibit and/or control imports and exports." The initial life of the Act was three years but it was extended from time till 1971.[38]

Several strong reasons were cited in opposition to British Free Trade policies. Ira Klein gives an interesting account of this matter. Before concluding Klein states that in addition to the 'Drain' the tariff conflict provided a more concrete, explosive and directly economic complaint with which to condemn British rule, and 'British free Trade policies were proving inadequate not only to bring prosperity to India but to maintain English hegemony, in the international economy.'[39]

Foreign trade must yet have exercised much more influence on the lives of the people than one would be prepared to grant at first sight. This can be ascribed perhaps to two factors. One was the composition of trade. Exports rested on a dominantly agricultural base. Added to this was the wide geographical spread of the sources from which the exports were derived. Imports, on the other hand, were almost freely admitted, and seriously affected large groups of domestic producers – especially of cotton goods which led to large – scale 'de-industrialization', of the indigenous economy.[40]

In addition to their composition, another reason why exports are very likely to have had a pervasive influence on the economy of the country is their size. During the five years ended 1897-98, exports averaged Rs.106 crores a year despite bad weather conditions in the last two years. In the first three years, exports were steadily rising, the average exports for the three years being Rs.110 crores. The condition in 1897-98 was officially described as 'most disastrous' to the expert trade. Exports fell by 6% following a 9% fall in 1896-97 largely due to natural calamities and plague in and around Bombay, aided and abetted by a certain slackening of external demand especially for food grains and the rising value of the rupee since 1894.[41]

India had to import most of the machinery and Cotton products and as said above it slowed industrialization process in India. Therefore, 'Free Trade' policies of Britain were harmful for Indian native industries. Another problem with the East India Company operating initially as commercial organization was that it gradually meddled in real politics and started taking interest in local politics. Time came when company took political and administrative reigns of country in its hands.

After India obtained independence Indian export-import scenario remained almost stagnant till 1991. In 1991 our foreign exchange reserve had depleted substantially. We then had just enough reserves to tide over the import requirements of three weeks. The only recourse left to India was to increase its exports to tide over the ever-increasing imports. The Government announced various export promotion measures and incentives. Laws were framed to streamline the process of export and import. The Export and Import Policy or the Exim Policy, 1992-97 was a significant landmark in India's economic history. This policy coincided with the 8th Five Year Plan and has yielded impressive growth in exports. While India's total exports during 1991-92 were US $17.86 billion, they increased to US $156 billion in 2007-08 almost 2½ times of the figure four years ago.[42] India's share in the global trade has gone up and the share of exports as percentage of GDP has also increased substantially. It is necessary for any developing country to expand export continuously because export growth ultimately results in creation of jobs, building up of infrastructure, economies of scale and added foreign exchange earnings. The FDI inflows into the country from 1991 to June 2008 stand at more than $89 billion. The phenomenon of global sourcing at the most competitive costs and the need to increase productivity of the domestic industry through the imports of hi-technology products has resulted in import liberalization being an imperative tool,for economic growth.[43] Agricultural commodities and light manufactured consumer goods were for long basis indegredients of Indian export. However recent decades have witnessed change in overall composition of export-import. Since liberalization the value of India's international trade has increased sharply, with the contribution of total trade in goods and services to the GDP rising from 16% in 1990-91 to 47% in 2008-10.[44] India accounts for 1.44% of exports and 2.12 % of imports for mechandise trade and 3.34% of exports and 3.31% of imports for commercial services trade worldwide.[45]

Major export commodities in 2007 included engineering goods, petroleum products, chemicals and pharmaceuticals, gems and jewellery, textile and garments, agricultural products, iron ore and other minerals. Major import commodities included crude oil and related products, machinery, electronic goods, gold and silver.[46]

Since 1991, removal of quantitative restrictions, massive reduction tariff rates and protection rates, easing the restrictions on foreign investments unification of exchange rates, devaluation of rupees, dismantling import license system are some of the main factors which accompanied liberalization. These reforms according to proglobalists have brought positive changes in economy like trade openness, accelerated rate of economic growth increased capital flows and reduction in poverty. The amount of exports increases as seen in the last section. India's major trading partners are the European Union, China, the United States of America and the United Arab Emirates.[47]

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