The Meaning of Trade

Interpretations of trading in colonial India have long been overburdened by a Marxist-nationalist preoccupation with power, the question being – how did Indian traders manage to function in a world where the colonial state must have favoured European merchants? The question is not particularly useful because the working of colonial power in the field of business cannot be clearly defined or observed. Unlike in the New World and parts of Africa, where the European settler population manipulated law to grab land and impose labour servitude, the British Empire did not create institutions that favoured the settlers.[4] Informally, expatriate officers and managers dined and clubbed together, but beyond the occasional anecdote, how those social ties translated into business advantage, nobody knows.[5]

The Marxists assumed that Indian traders played second fiddle, were compradors or agents of the foreigners.[6] Alternative views have developed mainly in reaction to this presumption. The historian Rajat Ray, for example, accepts that the expatriates were the 'ascendant' and dominant forces.[7] But the Indian traders, Ray suggests, possessed unique advantages in an expatriate-dominated commercial system. Calling them 'bazaar firms', Ray shows that the bazaar formed an important link between the European firms and the Indian peasants. Claude Markovits, in the same spirit, accepts the position that the Europeans dominated the highways of trade, but stresses 'the ability of South Asian merchants to maintain significant areas of independent international operations throughout the period of European economic and political domination'.[8] The word independence here presumes a significant dependence to begin with.

[4] Tirthankar Roy, 'The British Empire and the Economic Development of India 1858–1947', *Revista de Historia Economica – Journal of Iberian and Latin American Economic History*, 34 (2), 2016, 209–36.

[5] A well-known application of the idea is that the large British-owned corporate banks discriminated against Indian borrowers; see Amiya Kumar Bagchi, *The Evolution of the State Bank of India, Vol. 2, The Era of the Presidency Banks 1876–1920*, New Delhi: State Bank of India and Sage Publications, 1997, 48. The theory of racial discrimination in the credit market can be seen as a special case of the theory of business group formation, which posits a distinction between an insider and an outsider credit markets; except that racial discrimination is not a necessary explanation for such dual markets to exist. Information asymmetry between lenders and borrowers can explain it better, because *every* banker, whether Indian or European, practised discrimination with respect to potential clients.

[6] For example, Amalendu Guha, 'The Comprador Role of Parsi Seths 1750–1850', *Economic and Political Weekly*, 5(48), 1970 1933–6.

[7] Rajat Ray, ed., *Entrepreneurship and Industry in India, 1800–1947*, Delhi: Oxford University Press, 1992, 13–30; also G. Balachandran, ed., *India in the World Economy 1850–1950*, Delhi: Oxford University Press, 10, 35.

[8] 'Structure and Agency in the World of Asian Commerce during the Era of European Colonial Domination (c. 1750–1950)', *Journal of the Economic and Social History of the Orient*, 502/3), 2007, 106–23; *The Global World of Indian Merchants, 1750–1947: Traders of Sind from Bukhara to Panama*, Cambridge: Cambridge University Press, 2008.

I do not find much value in the language of dependence and independence. The implied hierarchy between a dirty bazaar where betel-chewing Indians felt at home, and the air-conditioned office of the multinational company, is an orientalist fiction. In a different context, Morris David Morris urged the business historian to understand co-existence of ethnicities in terms of comparative advantages. 'Where knowledge is imperfect and is distributed differently among groups,' Morris wrote, 'the reactions to any economic situation will be varied.'[9] This, I find, is a more acceptable approach than the hierarchical one.

Europeans concentrated in overseas trades. Indian firms controlled overland trades feeding into the seaports. Indians also dominated banking, especially that part of it which financed agricultural operations and post-harvest trade. Indians alone could conduct the kind of financial transactions needed to fund peasant production. Land trade and sea trade imposed different kinds of demand upon credit transactions, in turn leading to hard, but not fixed, segmentation between the two spheres of trade. Indians knew the countryside better and the Europeans knew the intercontinental trade and potential partners in London or Liverpool better, and many were afraid of the countryside. One side could not function without the other, thanks to the integration between the land and sea trades. The ethnic divide derived from the need to specialise in different parts of the system by using different resources. Further, although Indians were more dominant in land trade whereas most sea trade firms were Europeans, there were significant exceptions to this rule.

Indian traders in the early 1800s understood this interdependence well enough, and defended Company's rule. That sentiment served the Raj especially well during the great Indian Mutiny in 1857–8, when the crucial supply zones that started from the port cities functioned smoothly, and numerous merchants in these cities and in the besieged ones in the interior expressed support for the Empire. Without the support of Indian businesses of the time, the British would have lost their Indian rule in 1858. Again, from a presentist perspective, we can dismiss this support as comprador sentiment of loyalty to a superior foreign power. More likely, the Indian merchant saw the Raj to be a force working for the kind of capitalism in which they had built a stake, a better bet than the remnants of Mughal feudal warlords who led the other side.[10]

That sentiment apparently persisted into the late nineteenth century. British India had little to offer by way of a well-articulated 'economic policy' except

[9] Morris David Morris, 'South Asian Entrepreneurship and the Rashomon Effect, 1800–1947', *Explorations in Economic History*, 164, 1979, 341–61. For another version of the view, see Bishnupriya Gupta, 'Discrimination or Social Networks? Industrial Investment in Colonial India', Competitive Advantage in the Global Economy (CAGE) Working Paper No. 110, 2013.

[10] Tirthankar Roy, 'The Mutiny and the Merchants', *The Historical Journal*, 59(2), 2016, 393–416.

an imposition of free trade on dependent territories including the colonies.[11] Since Britain itself stuck to a low-tariff trade regime after 1850, it did not think it necessary to justify or defend a low-tariff regime in the Empire. The policy faced a resistance from Bombay's cotton mill owners, who demanded and were denied protection from Manchester until 1927. But merchants were not known to complain about free trade. Surely, they profited from the connections forged by the Empire. Bombay's merchants exported cotton to Liverpool, sold opium and cotton yarn in Hong Kong, and imported textile machines and foremen from Manchester. Calcutta's Marwari merchants were dependent on the custom of the European managing agency houses (Fig. 4.5). The Khojas of western India expanded their presence in Kenya, Uganda, and Zanzibar thanks to the expansion of British authority in these places (Fig. 4.6).

A serious criticism of this globalisation took shape around 1900. The leading critic of the British Indian economic system, the Parsi merchant-publicist-politician Dadabhai Naoroji (1825–1917), targeted what he called the 'drain' of wealth from India to Britain. Drain was an expansive term that included types of transfer between India and Britain that could be legitimately attacked, and types of transfer like repatriation of profits that obviously created value for India. Naoroji wrote his book in anger, and did not make a clear distinction. At times, his language befitted a mid-twentieth-century Marxist revolutionary more than a nineteenth-century Parsi merchant, '[f]oreign capital does nearly all the work, and carries away all the profit. Foreign capitalists . . . make profits from the resources of British India, and take away those profits to their own countries'.[12] Still, there were legitimate targets in his critique. He pointed out, for example, that the British Indian state paid a large sum of money to Britain on account of the pensions and salaries of expatriate officers. The army was often deployed in imperialist battles that had nothing to do with the defence of Indian borders.

Although Naoroji's book *Poverty and Un-British Rule* became a canon for the nationalist discourse, which was shaped by lawyers more than capitalists, it is not clear that his views were shared by the capitalists. It is unlikely that Indian merchants, whose businesses traversed Natal, Aden, Bombay, and Hong Kong, would want Indian defence to protect only a land border around India. Another Parsi parliamentarian, Mancherjee Bhownagree (1851–1933), stoutly defended the Empire and became deeply unpopular in India for that

[11] On free trade, see Peter Cain, 'British Free Trade, 1850–1914: Economics and Policy', ReFresh (Economic History Society), www.ehs.org.uk/dotAsset/11cabff5-3f6a-4d69-bba0-1086d69be6c7.pdf (accessed 1 August 2017).

[12] Dadabhai Naoroji, *Poverty and Un-British Rule in India*, London: Swan Sonnenschein, 1901, 265.

Fig. 4.5 Marwarree brokers (see also Fig. 4.3)
Source: DeGolyer Library, Southern Methodist University, William Johnson Photographs of Western India

reason. Bhownagree shared with Naoroji the criticism of British Indian military expenditure, but not Naoroji's sentiment about foreign business. For someone who campaigned hard to encourage and protect Indian business in South Africa, Bhownagree could not possibly rail against 'foreign' business in

Fig. 4.6 Kojahs
The Khojas (derived from Khwaja, or pious) were a Muslim trading community that dispersed from Gujarat and Sind to East Africa, possibly from as early as the twelfth century, and globalized further in the late twentieth century. Their presence was valued by the colonial states in Africa. After 1947, a few Khoja business houses in Pakistan established industries and banks (for example, Habib Bank). The most famous member of the community in India is Azim Premji, an engineer who converted the family edible oil business into one of the world's largest information technology firms (see Chapter 8 on IT). This is a nineteenth century photograph, one of a series in the collection of Henry Bartle Frere, Governor of Bombay, and which includes the previous image on the Marwaris.
Source: DeGolyer Library, Southern Methodist University, William Johnson Photographs of Western India

India, as Naoroji did.[13] In short, Naoroji's anti-globalisation rhetoric came from a certain perspective more than a real injustice done to India. A contradiction was unfolding between globalisation and nationalism. Some believed that the Empire-sponsored globalisation was bad for India, and found in Naoroji's book a powerful endorsement of that belief. But merchants, by their silence or disinterest in the issue, appeared to hold that globalisation was not a bad thing. With little research done on the subject, merchant attitudes remain a matter of speculation.

So who were the merchants?

Global Trading Firms

The global trading firms were British in origin or, like the Sassoons who came from Iraq or the Ralli from Greece, developed strong links with Britain. However, their nerve centre was in India. Without exception, they retained connections with London, Liverpool, and in some cases Odessa, Shanghai, Canton, and Nagasaki. The London connection took the shape of steady deals between the Indian firm and a London counterpart, which arranged to auction goods brought there, procure goods in Britain for trade in Asia, and occasionally, provide capital, managers, and partners. Although sometimes the long-distance links were managed by a single family, this was rare. Partners were more frequently recruited from the associate firms. Given these broad parameters, the origin and operation of the firms differed.

One subset of global firms originated in the early nineteenth-century trade in India. For an important example from Bombay, the merchant firm started by Charles Forbes c. 1800 was a long survivor (Chapter 3). So were Thomas Parry, Binny, and Finlay of South India. Since some of these companies turned industrial after 1850, we will meet them again in Chapter 5.

A second subset arrived in India mid-century. James Greaves came to India around 1850 as a trader in cotton and textile machinery. He formed a partnership with George Cotton in the next decade. Both individuals were then working as technicians and managers of cotton mills of Bombay for some time. The partnership Greaves Cotton moved more firmly into textile mill agency after James' son John Greaves joined the firm in 1874. The family of David Sassoon were Turkish Jews and bankers to the Pasha of Baghdad. David's father visited Bombay in 1832 and liked the city so much as to decide

[13] On Bhownagree's views on military expenditure, Jamsetjee Ardaseer Wadia, *The Artificial Currency and the Commerce of India*, Bombay: Jamsetjee Nusserwanji Petit Parsi Orphanage, 1902, 106. See also the biographical sketches of Naoroji and Bhownagree in Natesan & Co., *Famous Parsis*, Madras: Natesan, 1930.

to move there permanently. David Sassoon inherited his father's trading firm, which continued trade in Persian and Indian products, and Lancashire textiles. Around 1860, the firm exported yarn to China and Japan, and established strong links there. In the 1870s, the Sassoon family moved into textile manufacturing and real estate development. The second son of David Sassoon, Elias David or E. D. Sassoon, set up an independent trading-manufacturing group, again with bases in Bombay and China.

In Cochin in Kerala, Robert H. Peirce and Patrick Leslie formed Peirce, Leslie and Co. in 1862. The firm conducted trade in Malabar spices and acted as agents for the British India Steam Navigation Co. From the end of the 1800s, the company started producing coffee in estates managed by it, as well as trading in coffee. It didn't give up its links with trade until the mid-twentieth century. In the 1840s, the Wallace family entered the India trade in Burma. Their Bombay Burmah Trading Corporation supplied Burma teak to the Indian railways.[14] Lewis Alexander and George Wallace were London merchants who took over a trading firm in Bombay to conduct trade in indigo, pepper, spices, among other products.

In Calcutta, the indigo crisis of 1846 killed at once two models of expatriate enterprise that had gained acceptability in the 1830s and 1840s. In one model, the trader had a partner, who was the European owner of a factory located deep in the countryside and processed an agricultural commodity for export. The model became acceptable partly because it simplified contractual issues between the trader and the producer, and partly because it was believed to be an answer to the poor quality and uncertain supplies of prepared indigo that came from inland. The rural manufacturer was not necessarily a planter in the American style, but was expected to contract with peasants who had established property rights on the land. The indigo mutiny, which was essentially a widespread failure of contracts between the planters and the peasants (1859–60) revealed that the manufacturer did not have adequate legal means to enforce these contracts, whereas their use of coercion to do so embarrassed the state.[15] The second model that died with the end of indigo was the merchant-owned bank with an undiversified base (Chapter 3). Nearly all the large trading firms of Calcutta that survived the 1846 crisis entered manufacturing, or more accurately, managed trading firms started by others. Banking was left to the banks. This set, therefore, will be discussed in more detail in the next chapter.

A third subset of global firms was engaged in grain trade, and came to India after railways opened the interior to the ports. From the last quarter of the

[14] A. C. Pointon, *The Bombay Burmah Trading Corp. Ltd., 1863–1963*, Southampton: Wallace Brothers, 1964.

[15] Tirthankar Roy, 'Indigo and Law in Colonial India', *Economic History Review*, 64(1), 2011, 60–75.

nineteenth century and until the Great Depression, exports from India consisted of primary commodities (wheat, rice, cotton, jute, wool, oilseeds, semi-processed hides and skins) and the largest import was cotton textiles. In both cases, European firms dominated the overseas operations. The Europeans, however, did not dominate the channels that brought these goods from the interior to the ports, despite having branches in the interior of India.

Salomon Volkart (1816–93), who hailed from a business family in Zurich, was established in Italy as a commodity trader when the partnership with his younger brother started simultaneously in Winterthur and Bombay in 1851. In the same year, Pantia Ralli (1793–1865) set up an operation in Calcutta. Volkart cited turbulent times of the Italian Risorgimento as the reason for a move to India. But he also understood that Indian cotton was a promising line to enter, just as Ralli seemed to shift the axis of his wheat trade away from Odessa and the Mediterranean towards India. Rallis were already established as a trading house in London when the move to India happened. In India, the Rallis had a diversified trading operation. The export goods included grain, cotton, and hides, and later Ralli also moved into shipping, insurance, and managing mills. Both companies established branches in Bombay, Calcutta, Karachi, and Madras. Ralli also had a branch in Pondicherry. Through buying agencies, cotton presses, and gins established in cotton-growing districts, Volkart and Ralli established business empires in India.[16] In 1951, business in India still formed over two-thirds of Ralli's operations, but already the Partition had divided up their South Asia interests, and damaged their prospects as traders.

A late but significant addition to this set of global firms was the Japanese merchant. The first Japanese trading firms, like the Mitsui-affiliated cotton trader Toyo Menka, entered in the 1890s. Recent scholarship on Japanese trade in South Asia has underscored several factors behind the very rapid growth in its scale in the next thirty years.[17] These were competitive shipping, efficient information exchange between Bombay and Osaka, partnership with Indian businesses (Tata in Bombay and Andrew Yule in Calcutta were among the partners), and the role of Indian merchants in Kobe, Singapore, and Hong Kong in conducting the import trade from Japan.[18] From around 1900, a

[16] George Reinhart, *Volkart Brothers: In Commemoration of the Seventy-Fifth Anniversary of the Foundation*, Winterthur: G. Binkert, 1926; Christof Dejung, 'Bridges to the East: European Merchants and Business Practices in India and China', in Robert Lee, ed., *Commerce and Culture: Nineteenth-Century Business Elites*, Farnham: Ashgate, 2011, 93–116.

[17] Between 1883 and 1928, total trade of India with Asia increased much faster than trade of India with the West. See Kaoru Sugihara, 'Japan as an Engine of the Asian International Economy, c. 1880–1936', *Japan Forum*, 2(1), 1990, 127–45.

[18] Naoto Kagotani, 'Up-country Purchase Activities of Indian Raw Cotton by Toyo Menka's Bombay Branch, 1896–1935', in S. Sugiyama and Linda Grove, eds., *Commercial Networks in Modern Asia*, Richmond: Curzon Press, 2001; William D. Wray, 'Nodes in the Global Webs of

number of Parsi cotton merchants were starting to form agency with Japanese trading firms. A. B. Paymaster, Pheroze Sethna, and Nusserwanji Guzdar were linked with first Mitsui Bussan Kaisha, later Toyo Menka Kaisha. Paymaster was in cotton selection and broking business since the 1880s, initially supplying to Britain and local mills.

In the interwar period, partnership between the Japanese Sogo Sosha and Indian merchants extended further. The former set was keen to buy Indian cotton and experienced success in selling textiles in India. This was the first time that a non-Empire country provided both British and Indian trade competition. That fact, and the suspicion that the Japanese export effort was supported by an undervalued currency, led to a series of government interventions regulating the trade. But already, it had created a large network of collaboration between the Japanese and the Indians.

In the 1920s, Paymaster had formed a partnership with a Marwari trader, Anandiram Podar. Podar purchased a moribund mill called Hope, renamed it Diamond, and sold it to a syndicate formed of Toyo Menka and Podar. The mill was further renamed Toyo Podar and stood as the most important example of Japanese foreign investment in Bombay before World War II. Another spillover of the collaborations between trading firms was a cluster of match manufacturing factories.[19] The India-Japan trading networks were sufficiently large and yet sufficiently distant from the Europe-India ones to confirm the hypothesis that they represented an emergent Asian economic alignment.[20] In any case, it was plagued by rising nationalism in both countries. After 1929, Indo-Japanese trade relations were in difficulties from which they did not recover. Japan's iron and steel industry asked for protection from Indian pig iron, in retaliation of India's textile industry's demand for protection from Japan's textile imports (Chapter 6). The desire for military security strengthened protectionist sentiment in Japan.[21]

A fifth subset of global trading firms with their major centre of operation in India consisted of the produce brokers. The produce brokers were rather more akin to the commission agents in grain trade, who sold goods on behalf of merchants but were not employees of these merchants, except that the brokers also advised the buyer and the seller on the quality of the goods sold. The term

Japanese Shipping', *Business History*, 47(1), 2005, 1–22; Hiroshi Shimizu, 'The Indian Merchants of Kobe and Japan's Trade Expansion into Southeast Asia before the Asian-Pacific War', *Japan Forum*, 17(1), 2010, 25–48.

19 Takashi Oishi, 'Indo-Japan Cooperative Ventures in Match Manufacturing in India: Muslim Merchant Networks in and beyond the Bengal Bay Region, 1900–1930', *International Journal of Asian Studies*, 1(1), 2004, 49–85.

20 Sugihara, 'Japan as an Engine'.

21 John Sharkey, 'Attitudes of the Japanese Iron and Steel Industry to Indian Pig Iron Imports, 1919–1929', *Japan Review*, 7, 1996, 159–84.

'broker' in Indian business history has been used in two distinct meanings: as an agent of trading or manufacturing firm (Chapter 3) and as an auction coordinator. The tea broker, who survives to the present day, was an auctioneer, as well as a quality adviser; that is, a tea taster. Without their judgement on quality, the auctioneer would not know what price to start the auction from and what price to expect in the end.

Within a few years after the Company's China monopoly ended (1833), tea auctions began in London and Liverpool. London's Mincing Lane was the main site of the auctions and housed several brokerage firms. These firms procured tea from the plantation companies as well as counterpart broker firms in Calcutta. For example, Thomas Cumberledge and Moss, later Thomas Cumberledge and Inskipp, a London broker, appears in the historical accounts of two Indian firms, J. Thomas, the premier broker of Calcutta, and Warren, a tea planter group from Assam. J. Thomas was a long survivor. Robert Thomas, a Welshman, born c. 1808, came to Calcutta in 1833.[22] He formed a series of 'produce broking partnerships' with other European traders. His major interest was indigo, but he also did business in sugar, saltpetre, Manchester cloth, silk, coal, and bullion. Thomas almost certainly suffered in the indigo crisis, but seemed to reorganise in the 1860s and 1870s. By general agreement between planters and traders, two broking firms subsequently came to control the indigo trade; Thomas and Co. was one, and William Moran and Co., later Carritt-Moran, was another.

Chapter 3 mentioned that the Europeans avoided settling down or operating as merchants in the interior of the country after the Indian Mutiny. This sentiment was weaker in the 1930s. There were merchants in the interior, usually small firms, trading in craft goods and local produce. This is the sixth subset of global trading firms. In South India, a string of smaller ports exported rice, along with a large variety of minor exportable goods like cashew, coir, tea, carpets, and special textiles such as Madras handkerchiefs. Gordon Woodroff was a big player in this milieu. In the 1920s two European firms, Beardsell and Brunschweiler, dominated the Madras handkerchiefs export trade from the southeastern coast to West Africa. In North India, several European firms had carpets made on contract by master artisans. C. M. Hadow, founded in 1888, operated from Srinagar in Kashmir. German Otto Weylandt, possibly the biggest buyer of carpet in Agra, was a multinational firm that owned factories in Punjab and West Asia around 1900.[23] On the Coromandel coast, the famous Madras export firm Arbuthnot made Eluru carpets on contract.

[22] The following description of the firm is based on Dipak Roy, *A Hundred and Twenty-Five Years: The Story of J. Thomas and Company* Calcutta, c. 1976.
[23] India, *Royal Commission on Labour in India*, Vol. 2, pt. 2 London, 1931: HMSO, 89–90.

In Mirzapur, a town near Benares, the European capitalist heritage (like the tea broker of Calcutta) is part of a living memory. Prior to the nineteenth century villagers in this area had woven carpets, probably of cotton rather than woollen pile. Mirzapur's location – near a big market (Benares), a centre of wool production (Kanpur), and on the main east-west trunk road – made it suitable for trade. It is not known exactly when the European traders moved in; the pioneer was reportedly an indigo factor of the area. Around 1880, there were two firms based here, E. Hill and Tellery. Both firms invested money in loom-sheds, arranged to hire expert designers and dyers from Kashmir and Punjab, and invited master artisans to execute contracts in the factory. The work had shifted to woollen-knotted carpet, which is what the foreign market wanted. They set up factories in one account because 'the weavers are not sufficiently reliable to be trusted to weave in their own houses'. In turn, the master artisans liked the arrangement because 'the European firms can pay better wages, and give greater continuity of work'.[24] In 1932, partnerships between F. H. Oakley, F. H. Bowden, and a Taylor, already engaged in buying carpets for export, merged to set up the third European firm, Obeetee Private Limited. Obeetee exists today as a subsidiary of a dynamic Indian business group, whose main interest is in tea. The Obeetee records show that the three firms resorted to both loom shed and contract purchases, that there was keen competition between them for good-quality work, occasional poaching of skilled artisans, constant anxiety over quality control, and growing fear of artisan-entrepreneurs.

A seventh subset of global traders should include agents and subsidiaries of importers of chemicals, metals, and machines. Several leading British multinationals that were prominent in India in the late twentieth century had their origin as an importing office around 1920. The import of machines and intermediate goods were done differently between industries. In cotton and jute textiles, the agents or branches of machine manufacturers in Britain usually conducted sales. The system was entrenched because a part of their duty was to ensure after-sale service via foremen sent by the parent firm. Platt Brothers were the largest suppliers of cotton mill machinery until the advent of ring spindles. Other machinery firms included John Hetherington and Sons, Dobson and Barlow, Asa Lees and Co. and Taylor, Lang and Co. The supplier profile changed after the advent of ring spinning. Howard and Bullough of Accrington supplied spinning machines for the first shop floor that used only ring spindles (Greaves Cotton). The Manchester firm Benjamin Goodfellow fitted the steam engines, and Messrs Tinker Shenton installed the boiler for this mill.

[24] Ibid., 89.