Economic Imperialism

Let us ask, where is your conscience? I have heard that the smoking of opium is very strictly forbidden by your country; that is because the harm caused by opium is clearly understood. Since it is not permitted to do harm to your own country, then even less should you let it be passed on to the harm of other countries – how much less to China!

—Lin Zexu, Chinese Commissioner in Canton,
letter to British Queen Victoria, January 15, 1840

Essential Question: What economic factors contributed to the imperialism in the global economy between 1750 and 1900?

For centuries, India was the world's leading supplier of finished cotton textiles. By the late 18th century, the Industrial Revolution and a new source of cotton from America had allowed Britain to flood the market with inexpensive textiles, pushing independent Indian textile artisans out of business. By the late 19th century, India was producing only raw cotton for Britain, not cotton textiles. After Britain's textile factories processed India's cotton, the colonial government sold some of its factory-made or "finished" textiles back to the Indian subcontinent at inflated prices.

Another critical raw material for Britain was the drug opium. The poppies from which it is obtained grew easily on South Asia's fertile lands, and selling it to the Chinese became very profitable for Britain. The Chinese, as Lin Zexu expressed in the letter to Queen Victoria, objected to the export of opium to their country, and the conflict resulted in the first Opium War. The Chinese paid a heavy price for their attempt to curtail the opium trade and ended up losing much trading independence.

The Rise of Economic Imperialism

The agricultural influence and power of raw materials shifted away from Asia and Latin America to industrialized states such as Britain, the United States, France, Japan, and Germany between the late 19th century and the beginning of the 20th century. **Economic imperialism**, a situation in which foreign business interests have great economic power or influence, developed as businesses took advantage of natural resources beyond their borders. People, raw materials, and refined materials were the main resources exploited. Cash crops and mineral resources were produced on a large scale. As in the colonial era of the 15th and 18th centuries, colonial powers served their own economic interests by turning colonies into export economies that produced goods not for domestic use but to be sent to colonial powers to sell for profit.

Economic Imperialism in Asia

England's defeat of the Spanish Armada in 1588 created an opening for the British and Dutch to take over the spice trade in Asia from the Spanish and Portuguese, who formerly had a monopoly on it.

India The English **East India Company** formed in 1600 to engage in the lucrative spice trade. However, the company soon ran into opposition from the Dutch. By the mid-1600s cotton and silk textiles from India had replaced spices as the East India Company's major import, and by the 1700s the company dominated the world textile trade. Indian weavers learned to create fabrics with patterns that would appeal to European tastes. With the Industrial Revolution, India began supplying raw cotton to the textile mills of Britain, and the demand for finished Indian textiles decreased.

Dutch East Indies The **Dutch East India Company** had a monopoly on trade with the Dutch East Indies in present-day Indonesia, where the **Spice Islands** were located. By the second half of the 18th century, it had switched its focus from shipping to agricultural production. The Dutch government revoked the company's charter in 1799 and took direct control of the Dutch East Indies. In 1830, the Dutch government introduced the **Culture System**, which forced farmers to choose between growing cash crops for export or performing **corvée labor**, compulsory unpaid work. Under this system, villagers either had to set aside one-fifth of their rice fields for such export crops as sugar, coffee, or indigo, or work in a government field for 66 days if they had no land. If the crops failed, the villagers were held responsible for the loss. The practice was finally abolished in 1870.

China Chinese goods such as porcelain, silk, and tea were in great demand in Great Britain. However, the Chinese were not interested in British goods, and in this trade imbalance, British silver reserves became very low. To make up for this shortfall, the East India Company began forcing farmers in India to grow **opium**, an addictive hallucinogenic drug that also relieves pain and reduces stress. The company then sold it for silver in China, where there were millions of people addicted to the illegal drug. The company then used its profits to buy tea and other goods.

The Chinese emperor criminalized the use of opium in 1729. However, the ban had little effect. The Chinese objection to the importation of this drug led to the first **Opium War** (1839–1842). The Chinese government seized the British opium warehoused in the port of Canton (Guangzhou). War broke out when British warships destroyed a Chinese blockade keeping ships from Canton, the only port China allowed to trade with foreigners. The British attacked and occupied Canton and engaged in several other successful battles, finally capturing Nanking (Nanjing).

The conflict between Britain and China revealed the fate of nonindustrialized nations. China had not anticipated the power that industrialized nations were gaining or the shift in the balance of power that was taking place. Industrialized nations in Europe would begin to dominate and defeat states that lacked the military technology needed to stand against British steamships and weaponry.

The resulting **Treaty of Nanking** required China to open up four additional ports to foreigners, cede the island of Hong Kong to Britain, and pay damages. It also forced the Chinese to allow free trade, which the British took to include trade in opium.

Neither Britain nor China was completely satisfied with the Treaty of Nanking. The British wanted the use of opium legalized, while the Chinese were unhappy about the concessions they had been forced to make. Hostilities erupted in October 1856 after Chinese officers boarded a British trading ship, searched it, lowered the flag, and arrested some Chinese sailors. The French joined the British in what came to be known as the second Opium War (1856–1860). The Treaty of Tientsin (Tianjin) following that war allowed foreign envoys to reside in Beijing, opened several new ports to Western trade and residence, and allowed freedom of movement for Christian missionaries. After additional negotiations, opium was legalized, and China ceded to Britain the southern portion of Kowloon Peninsula, which was adjacent to Hong Kong. (Connect: Compare how Western states and the Qing Dynasty treated the Chinese population. See Topic 4.7.)

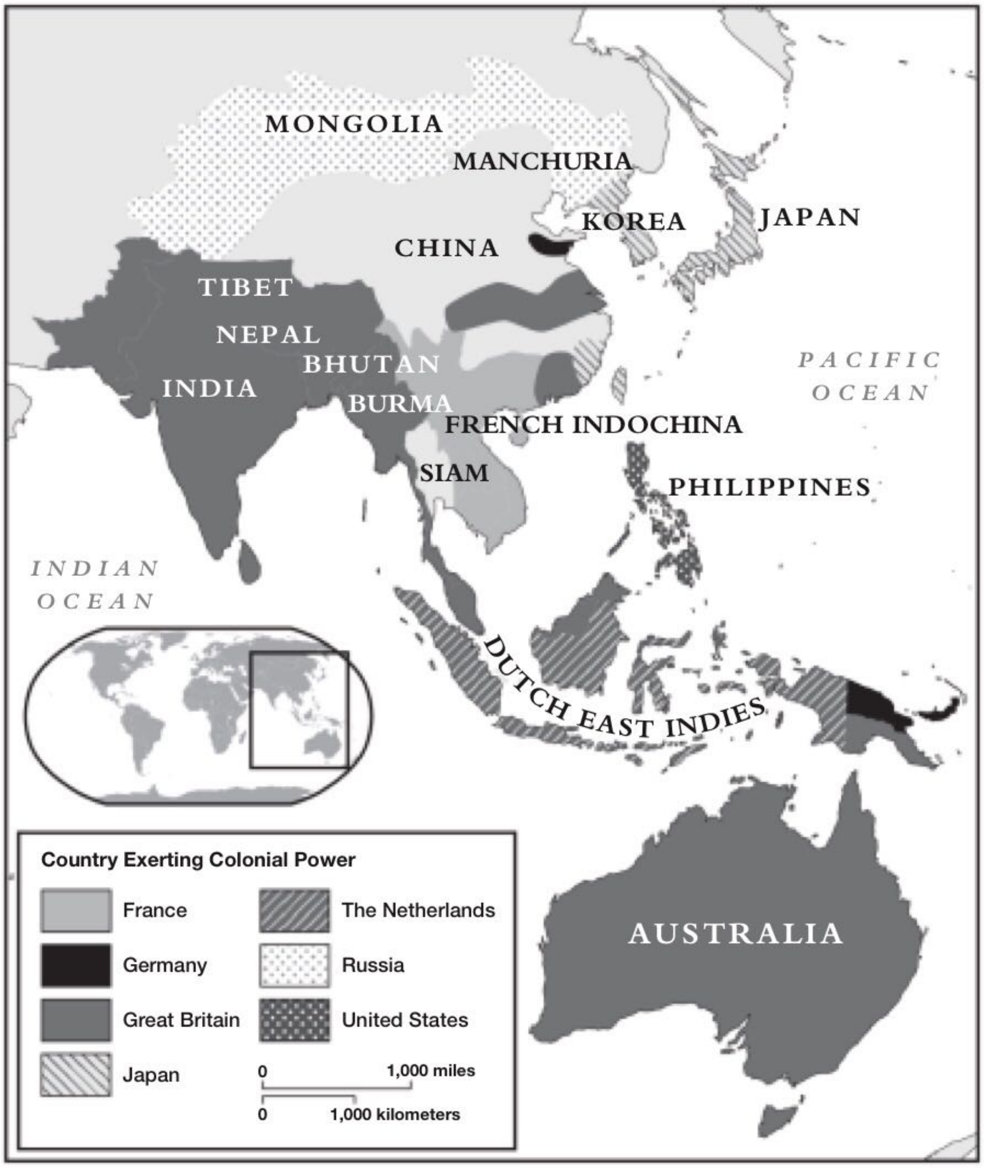
Spheres of Influence Japan, France, Germany, Russia, and the United States sought the same trading privileges that Britain attained after winning the Opium Wars. By the end of the century, these nations began forcing China to give them exclusive trading rights in areas known as **spheres of influence**. It was at this time that the Open Door policy, proposed by the United States, allowed for a system of trade in China to be open to all countries equally in order to keep any one power from total control of China. (See the map on the next page.)

Economic Imperialism in Africa

Before colonization, most farming in Africa was to raise food crops. After colonization, land that had been devoted to growing food was converted to cash crop production to provide raw materials for European industries and goods for European markets. In exchange, the Africans received cotton textiles, canned food, and alcoholic beverages. This unequal trade structure made the colonies economically dependent on the imperial powers.

Reliance on a single **cash crop,** one grown to be sold, in a country or region left many Africans vulnerable during periods of drought, economic decline, or falling world prices. Food production declined as farmers chose to plant cash crops such as cotton, which would increase the value of their land. Food shortages, even famines, could arise because the most arable land was devoted to growing crops for export.

Spheres of Colonial Influence in Asia



Egypt had embraced cotton as a cash crop before the American Civil War and more than doubled production between 1861 and 1863. By the end of the century, cotton accounted for 93 percent of Egypt's exports. It was also the leading cash crop in **Sudan**, where the Plantation Syndicate, a group of British weaving companies, dictated land use to farmers. When the British colonized **Uganda**, they encouraged cotton as a cash crop there as well, and it soon replaced enslaved people and ivory as the chief export.

In **Kenya**, most native peoples were herders. Groups like the Kikuyu were moved to reserves with poor soil and bad climates. In the fertile Rift Valley, the colonial government gave the land to white settlers, forcing most Africans to relocate. Those who remained were forced to provide cheap labor for white farmers. African farmers were also forbidden to participate in export of any cash crops, and prohibited from growing some cash crops, such as coffee and tea.

After missionaries introduced it to the area in the 1880s, cocoa became the major cash crop on the **Gold Coast.** This region soon became the largest cocoa producer in the world. Cocoa was also an important cash crop in the Ivory Coast, Nigeria, and the Portuguese colonies of São Tomé and Angola.

Palm oil, palm kernels, and peanuts (also called groundnuts) were already major exports from West Africa before colonization. It was a valuable raw material because it was used as a lubricant for the machines of the industrial revolution in Europe.

Slavery in Africa Slavery was outlawed in British colonies in 1833, but it persisted elsewhere in Africa. The French army often paid its African soldiers in slaves, and French colonial administrators relied on slaves for many of their staff. It was not until 1912 that slave raiding and trading was suppressed in most of Africa. Slavery was not abolished by law throughout Africa until the first quarter of the 20th century.

Slave labor was used to produce many of the cash crops, especially oil palms (which produced palm kernels as well as palm oil), coffee, and cocoa. Some companies felt a moral responsibility to oppose the use of enslaved people in the production of the raw materials they used. For example, cash crop production in French-ruled colonies in Africa came about as a result of the end of the slave trade in the French Empire in 1848, along with the economic transformations brought about in France by the Industrial Revolution. Quaker-owned Cadbury's, for example, stopped buying slave-grown cocoa from Portuguese African colonies in 1908 after the slave trade was exposed.

Imperial Exploitation of Colonial Crops

Commodity	Imperial States	Origin of Commodity	Consequences
Opium	Great Britain	Middle East or South Asia	• Opium addiction weakened many people in China. • China's economy weakened as massive amounts of silver went to Britain to pay for opium.
Cotton	Great Britain and other European countries	South Asia, Egypt, Sudan	• Cotton became central to the global slave economy. • Food supplies declined as farmers switched to growing only cotton.
Palm Oil	All industrialized countries in Europe	Sub-Saharan Africa	• European states created and controlled a monocrop economy, while local populations did not profit from the industry. • European powers met native resistance with brutal retaliation. • Imperial states created railroads and pathways to transport goods back to Europe.

Economic Imperialism in Latin America

In the second half of the 19th century, Latin America was subjected to imperialist aggression from both Europe and the United States. The "new imperialism" was concerned with a world capitalist economy as the industrialized nations of Europe and the United States sought raw materials, low-wage labor, and new markets for their goods. The emerging middle classes of Latin America were hungry for the latest European news and fashions.

Britain replaced Spain as Latin America's major trading partner. Companies based in Britain became the largest investors in Latin America, followed by ones from France and Germany. Europeans invested over $10 billion in Latin America between 1870 and 1919, primarily in Argentina, Mexico, and Brazil.

Role of the United States The United States was not yet as established a world power as Britain or France. However, the Second Industrial Revolution brought newfound prosperity to the young republic. U.S. corporate investments came later and were concentrated at first in Mexico and Cuba. These investments supported infrastructure and industry, especially railways, shipping, and the emerging banking and financial sectors. They also financed mining, guano, and meat processing and packing plants. In 1823, the Monroe Doctrine, the U.S. policy of opposing European colonialism in the Americas, told the world that Latin America was in the U.S. sphere of influence.

Investments in Argentina In the late 19th century, Britain had invested more in **Argentina** than in its own colony of India. As much as 10 percent of British foreign investment was in Argentina. British investors, entrepreneurs, and business leaders helped turn Argentina into the richest country in Latin America and one of the dozen richest in the world by the outbreak of World War I. They improved breeding stock and developed large-scale farming throughout the grassy plains, known as the **Pampas**. They also financed infrastructure and building projects, such as the railroad and telegraph systems. Because of its location on the shallow Rio de la Plata, Buenos Aires needed to build a new port to facilitate passenger service and the massive import and export of goods and services. The British financed and designed the new port, Puerto Madera.

Mining in Chile Spain colonized the region of present-day Chile between 1540 and 1818. Chile's economic development was initially dependent on the export of agricultural produce. The wealth of these raw materials brought dependency on Spain and tension among neighboring states. Copper would come to dominate Chile's exports. The mining sector in Chile would come to be one of the pillars of the Chilean economy, making up for more than one-third of government income.

Rubber Industry in Brazil Brazil once had a booming rubber industry. However, it declined after people began growing rubber in Malaysia at a lower cost. The shift of rubber production demonstrated how trade was organized to the advantage of companies based in Europe and the United States. Economic competition brought prosperity to some regions, but it was always fragile.

Central America and the Caribbean Foreign investors often used their governments to act as "strong men" to help them achieve the ends they wanted. The United Fruit Company was an American corporation that traded in tropical fruit, primarily bananas, grown on Latin American plantations and sold in the United States and in Europe. The United Fruit Company allied itself with large landowners to pressure governments to maintain conditions that would be favorable for the U.S. company. In a short story, the writer O. Henry coined the term "**banana republics**" to describe small Central American countries under the economic power of foreign-based corporations. The banana republics were politically unstable states with an economy dependent upon the exportation of a limited-resource product, such as bananas or minerals.

Patterns of imperial control over territories and transportation networks in Central America, the Caribbean coast of Colombia, Ecuador, and the West Indies continued as companies sought political dominance to gain monopolies over natural resources.

Economic Imperialism in Hawaii

The power of investments to transform and dominate small or weak states could also be seen in the Pacific islands. A group of American businesses and sugar planters in Hawaii went so far as to overthrow the constitutional monarchy in 1893, hoping that the islands would be annexed by the United States. In 1898, Hawaii became a territory of the United States.

Contextualizing Economic Imperialism

The Industrial Revolution developed the demand for raw materials and the technological ability through steamships, railroads, and military weapons to control other territories. These set the stage for economic imperialism.

KEY TERMS BY THEME

GOVERNMENT: Colonial Holdings Spice Islands Egypt Sudan Uganda Kenya Gold Coast Argentina	**GOVERNMENT: Treaties** Treaty of Nanking **GOVERNMENT: Wars and Rebellions** Opium War **ENVIRONMENT: Natural Resources** opium Pampas	**ECONOMICS: Companies** East India Company Dutch East India Company **ECONOMICS: Systems** economic imperialism Culture System corvée labor spheres of influence cash crop banana republics