HUMANITIES INSTITUTE

TRADE

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Role in World History The importance of contact patterns in constructing world history, and in defining key world history periods, makes trade a prime subject. From the classical period onward, each new world history stage is partly shaped by changes – expansions – in trade relations. Trade is an essential part of the definition of complex societies or civilizations as well, for these always involve a role for cities which, in turn, depended on trade relations at least with the surrounding countryside and often more broadly.

Merchants The significance of trade spills over into attention of those people most responsible for it, the merchant groups. Not all trade depended on formal merchant activity. In cities, during the Agricultural Age, artisans usually sold the wares they made in their own front-room shops, whether the specialty was leather goods or bread; wives, frequently, kept the books and oversaw transactions. Many peasants took foods to market at least once a week; indeed, the need for market activity helped create the need for weeks, as an artificial unit of time, in all agricultural societies (though durations varied). Still, merchants loomed large in organizing many of the trading activities on which cities depended, and all the longer-distance exchanges. Yet agricultural societies harbored some suspicions of merchants, whose profit motives did not always suit the value systems of landowners or peasants. In the Confucian social view, in China, merchants were low on the scale, below peasants and craftsmen; in fact, China depended on their efforts, and many became wealthy; but status remained somewhat contested. Christianity initially distrusted profit motives, and only gradually, as trade increased for example in Western Europe by the 11th century, became more accommodating. Islam welcomed merchant activity, but insisted that it be combined with ethical practices, including avoiding charging interest on loans, and with extensive charity. In many societies, into the early modern period, merchants relied extensive on kinship networks to supply reliable contacts over extended distance. Indian merchants thus sent relatives to do business in central Asia. Many merchants in sub-Saharan Africa had substantial kinship groups, often with hereditary roles. In sum, trade played a vital role during the Agricultural Age, but there were some distinctive features in its practice and perceived value.

Regional Patterns Much trade remained local, in weekly village markets where peasants and artisans sold wares and occasional peddler might bring goods from more distant parts. Many regions had larger fairs, often once a year, that would bring products from a wider range. Local trade sometimes depended on barter, but money was introduced in early civilizations and played a role in trade as well.

The Classical Period Some long distance trade undoubtedly predated the classical period. Phoenicians, a seafaring people in the Middle East, traded extensively for needed materials such as tin, and also for precious stones – including lapis lazuli, available only in Afghanistan. Centers like present-day Bahrain, which linked merchants from India and the Middle East, became increasingly important. Long distance trade solidified in the classical period itself. Chinese expeditions to conciliate nomadic groups in central Asia, designed to discourage invasion, included offers of gifts such as silk. The nomads in turn, needing less than the Chinese offered, began trading in India and the Middle East (encouraged by the Persian Empire's construction of roads and rest stops, which facilitated moving goods into the region and bridging between the Indian Ocean and the Mediterranean). Thus were established the Silk Roads, running from Chinese production centers westward. Merchants in this system usually carried goods only 250 miles or so, exchanging with another group at that point, for the Silk Roads were really only a step toward more systematic exchange. Merchants also worked the Indian Ocean. Colonies of Roman merchants located in Indian cities during the centuries of Empire, arranging trade in spices; and Chinese ships visited India as well. India itself was probably the leading merchant center in the classical period, benefiting from its extensive coastline and trading actively particularly with southeast Asia; merchants formed the third-highest group in the caste system.

Postclassical Developments Trade surged further in the postclassical period, even though the collapse of many great empires made the Silk Roads more dangerous. Attention focused more strongly on Indian Ocean trade, where Arab merchants led the way. Innovations in Arab sailing ships facilitated this process, and trade soon benefited as well from the introduction of the compass (initially from China). Arabs developed capacities for banking transactions over long distances. Clusters of merchants located in many places, including the port cities of southern China. Feeding Arab-sponsored east-west trade were other routes. Active trade developed between the Middle East and the east African coast, town to present-day Tanzania; merchants groups mixed Arabs and Africans and developed Swahili as a common language. West African and Arab merchants exchanged across the Sahara, with Africa supplying gold and other commodities. Overland and river routes brought Scandinavian merchants through western Russia and Ukraine, and Arab merchants often used these routes as well, with Constantinople as a hub, in the Byzantine Empire. A bit later, West European merchants traded with Arabs, in centers like Egypt. Japan initiated regular trade expeditions to Korea and China. The overall result was an unprecedented transregional trading system. Exchanges increased still further, particularly among East Asia, Persia and Western Europe, during the Mongol period (13th-14th centuries), when Mongol safe passages made overland trade more secure once again. By this point, the Arab role in transregional trade was being matched or surpassed by other Muslim merchants (from Persia, India and southeast Asia) and also by more West European activity (Europeans companies increasingly dominated Mediterranean shipping, reaching out particularly from the assertive Italian city states). Capping this flurry, for a few decades in the 15th century, the Chinese government, now freed from Mongol control, organized giant expeditions through the Indian Ocean, reaching the Middle East and east Africa. The goal was probably a quest for tribute more than trade, and the government abruptly ended the expeditions before midcentury, preferring to invest in new defenses – a much expanded version of the Great Wall – and a new capital city in Beijing. During this period also, but quite separately, trade routes developed among city centers in Central America.

The Early Modern Period The early modern period marked many changes in world trade, though prior patterns continued for example in Islamic trading activity in the Indian Ocean. The inclusion of the Americas, and access to silver from Andean mines, galvanized further transregional trade and gave European merchants new bargaining power. Atlantic trade, including the slave trade, altered commercial patterns in West Africa. In the Indian Ocean, European ships, often using the new weapon of ships' cannon, muscled into the trade, even when the goods were generated in the region itself; about half of Indian Ocean trade fell into European hands. East Asian governments sought fuller control over European activity in their region. Japan, afraid of foreign influence, actually reduced its trading activity after about 1600, limiting access only to Dutch merchants. China traded more widely, but controlled European merchants by channeling through the single port city of Macao. Still, global trade increased rapidly. Additional technology helped: European ships, adding to Arab sails, gained new maneuverability and speed in open waters. Navigational systems and maps improved steadily as well. Finally, European merchants combined with some government sponsorship to create great trading companies –like the Dutch or British East India companies. These companies controlled a great deal of foreign trade, and also set up production centers; the Dutch East India company thus ran spice plantations in what is now Indonesia, using unfree labor. In India, by the 18th century, the British East India company actually took on government powers, as the subcontinent was increasingly colonized. These companies also separated merchant activity from kinship networks, setting up wider bureaucratic recruitment and more impersonal operating systems. Russia increasingly participated in the European-dominated trading system as well, sending timbers, furs and grains that were carried in Western ships, run by another set of Western trading companies.

Regional Inequality The trading systems of the early modern period created new regional imbalances. Most Asian economies held their own, despite depending in part on European intermediaries. China for example gained more American silver than any other country, brought by Europeans in payment for goods like silk or porcelain; India stood second in silver profits, selling not only spices but also printed cotton cloth. But West Africa and Latin America were increasingly pressed into systems that yielded disproportionate profits to the Europeans, who ran the trading companies that exported raw materials and slaves, importing more expensive goods – like guns, or craft items – from Europe in turn. Trade relations also worked to the disadvantage of Eastern Europe, where again production focused on foods and materials and most long distance trade was run by outsiders.

Impact of Industrialization Trade volume increased massively during the 19th century. It was fueled by new technologies. Steamships, after a probationary period when they could not venture long distances because of fuel needs, greatly accelerated the speed and volume of oceanic trade; the building of the Suez Canal, in the 1860s, also facilitated greater trade between Asia and Europe. In key cases, transcontinental railroads also played a role, again after the 1860s, and the telegraph facilitated long-distance market news. While tariff barriers affected trade, they did not prevent rapid growth, and Britain, after great debate, became a free-trade leader. Between the 1850s and 1900, the value of world trade actually quintupled. Additional countries became active in world trade: the United States, Australia, Japan, and Germany. Western industrialization increased the need and demand for foods and raw materials from other parts of the world – British demand for cotton, for example, became increasingly pressing. Correspondingly, the Western factories needed markets, and their low cost products could often undercut local manufactures. Regional economic inequalities increased, even as trade volumes soared. International linkages also created new vulnerabilities to economic downturns. A food shortage or a bank crisis in one region might reduce global demand, launching a spiral in which trade and production levels plummeted, unemployment increased in many regions, both industrial and agricultural; a first global crisis of this sort occurred in the mid-1850s, but a larger global depression hit for several years after 1873. Finally, the commercial organization of trade shifted to large shipping or industrial organizations. The great trading companies faded away, some of their powers taken over by colonial administrations. Many new corporations now combined manufacturing with raw materials production, organizing trade either regionally or internationally to bring the components together.

The Contemporary Period Global trade patterns were partially disrupted by the wars, upheavals and depression of the first half of the 20^{th} century. The Soviet Union pulled out of some of Russia's earlier trade arrangements, organizing exchanges internally. Many countries increased tariffs in response to the depression of 1929. Global trade persisted, but with no dramatic breakthroughs. The situation changed after World War II. Improvements in global shipping – with larger ships and air transport – and more rapid communications helped facilitate more exchange. Despite the Cold War, Western nations helped generate a more effective policy environment in the agreements reached from 1944 onward. New protections guarded against extreme financial fluctuations, and there were important steps toward tariff reduction. Key decisions – by China in 1978, by the Soviet Union in 1985 – brought additional nations into the global trading network. More and more regions participated successfully. Rising industrialization, for example, spurred Chinese exports, which grew by 400% between 2002 and 2007 alone. Brazil raised its exports both of raw materials and of industrial products like steel and computers. Growing economic success and greater participation in world trade, in other words, increasingly went hand in hand. Multinational corporations, basing specialized production in various areas depending on local regulations, labor costs and market access, depended on expanded trade simply to coordinate basic production of goods like automobiles or computers. Problems remained, in persisting poverty for example, and periodic economic crises such as the global recession of 2008. But global trade levels, and the framework within which they occurred, had clearly entered a new phase.

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"The Opium Monopoly." By Ellen N. La Motte (1920). http://legacy.fordham.edu/Halsall/eastasia/eastasiasbook.asp

Suggested Reading:

The World That Trade Created: Society, Culture and the World Economy, 1400 to the Present. By Steven Topik and Kenneth Pomeranz (Routledge, 2005).

The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor. By David S. Landes (W.W. Norton & Company 1999).

World-Systems Analysis: An Introduction. By Immanuel Wallerstein (Duke University Press, 2004).

Discussion

1. How did Mesoamerican trade compare with patterns in Afro-Eurasia?

2. What were the changes in early modern trade patterns and structures, compared to earlier patterns?

3. How did merchants organize trans-regional links before the early modern period? What changed after 1500?

4. What were the main innovations in trade connections and technologies in the postclassical period?

5. What role did China play in world trade in the early modern period?

6. Why did world trade fluctuate in the late 19^{th} and early 20^{th} centuries?

7. What allowed Western Europe to gain a new role in world trade after 1450?

8. Discuss changes and continuities in world trade since 1950.