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Interrogating Provisions Of The Interportal Trade Convention And Financial Squelching Of Travancore

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Abstract

Travancore, the erstwhile native state of India, was well pinpointed as a maritime country among the native states of colonial times. The long coastline of Travancore helped to extract revenue from customs duties. Along with agrarian output, it served for the financial progress of the State. The entry of Colonialism made matters worse. The British government passed the Free Interportal Trade Act in 1848. It freed the coasting trade from all customs duties on goods passing from one port to another within British India. The native states, including Travancore, suffered heavily on account of it. It led to negotiations between British India and the native states to remove the evil effects of the act. That course led to the formation of the Interportal Trade Convention in 1865. But it was targeted to conduct a serious drain on the revenue resources of Travancore from various sectors.

Key Words: *Chowkey, Pandakasala, Thorums, Vijarippukar, Sirkar, Candy.*

Introduction

Travancore, the erstwhile native state of Kerala situated on the southernmost and western coast of the Indian Sub-continent. The emergence of Travancore in the 18th century is concurred with the penetration of European commercial activities in India. The advantageous geographical features with rich spice pockets added fame to Travancore a lot. The state had an area of 7625 miles, and the extreme length of Travancore is 174 miles. Situated in the southernmost part of the Indian Peninsula, the state has sparkling streams, wide lakes, large backwaters, abundant vegetation, rich forests, and tall mountains. Frontiers of the state are demarcated by natural barriers on all sides, giving a triangular shape. The Western Ghats is a continuous chain of varying altitudes from north to south, isolating Travancore from the Madras Presidency. Travancore has a well-ordered system of natural drainage, most of which had its source in the Western Ghats. In bygone days, the commodities were taken from the hinterland to the ports were connected to shipping centers through these perennial rivers. Spice-pockets were situated on the river sides in plenty.

Trade is the most vital factor for the commercialisation developed in Travancore. The region was renowned for commercial activities in the earliest phase of human existence. The Chinese, Arabs, Greeks, Egyptians, and Romans maintained brisk trade with the land. Later, the Danes, the Portuguese, the Dutch, the French, and the English made commercial dealings with Travancore. The Internal and External Trade was developed during that period through the migration of European merchants. With that, Travancore was entered into the international trade and market. Travancore was known as the Spice Garden.

The western nations were treated with extreme cordiality in the Travancore court. Ramayyan Dalawa took a leading part in the consolidation of Travancore territories. He eagerly promoted the economic status of the country. He constructed warehouses or commercial stores that were established at Padmanabhapuram, Trivandrum, Quilon, Mavelikkara, and Arakuzha. These commercial stores were designated *Pandakasalas*. The Travancore Government exercised the right of monopoly over those articles. They were sold both wholesale and retail under government patronage. The word '*Chowkey*' is the familiar name for a customs house in Travancore. Regular customs houses owe their origin to Ramayyan Dalawa. Rules were framed fixing tariff rates, and officers were appointed to perform the duties connected therewith.

The most outstanding personality in Travancore's commercial and industrial history was Raja Kesava Das. He was a statesman, financier and warrior. He spread the fame of Travancore far and wide. He was the earliest statesman in Travancore to realise the significance of commerce in stabilising the economic status of the people. He realised the benefits of a long coastline and the possibility of trade with the outside world. As a result, he set out to improve the seaports of Travancore from Colachel to Poracad.

The condition of the sea at Alleppey presented to the constructive brains of Raja Kesava Das. A survey was immediately ordered, which disclosed the existence of a smooth water anchorage. Thereupon upon he decided to open a seaport in Alleppey. The government built a few ships and a warehouse. Through the intervention of his friends in Bombay, Cutch, and Sind, merchants settled down in the new port. Cloth

merchants were brought down from Tinnevely. The hill produce was brought to Alleppey. They were stored in charge of a *Vijarippukar*. The town of Alleppey was strewn with a network of canals to connect the port with the backwater.

The rapid growth of commerce in Alleppey necessitated the appointment of a functionary higher in status than a *Vijarippukar*. Therefore, a Commercial Department was organised and Captain Gordon was appointed the first Commercial Agent. Alleppey rose in importance with all-round commercial progress when suddenly its activities were brought to a standstill by an enactment of British India in 1848 C.E. This act freed the coasting trade from all customs duties on goods passing from one port to another within the country. Therefore, this act was known as the Free Interportal Trade Act.

The native states were excluded from the benefits of the act. Travancore, in common with other native states, suffered a good deal in the development of its trade. The articles of export and import were subjected to customs levy, being treated as foreign commodities. The practical operation of the act revealed its weakness. The existence of a backwater route to the port of British Cochin from Travancore rendered the evasion of duty a profitable concern. Smuggling sprang up in powerful organizations that affected the customs revenue of the British government. The provincial governments were forced to move on the matter. Besides safeguarding their revenue, they desired to fall in line with the government of England; for in 1853, the government of England resolved that "Travancore and Cochin shall be treated in every respect with their trade on the same terms as apply to British India".

Act and Its Repercussions on Travancore

In 1861, the Government of Madras proposed the extension of the Act to the states of Travancore and Cochin. It was on the ground that exclusion caused serious injury to the British revenue. They stated that owing to the network of backwaters along the coast and the very peculiar geographical position of British Cochin, smuggling was easy in both directions. It was emphasised by them that the loss of salt revenue to British India on account of Cochin salt finding its way into British Malabar aggregated to about one and a half lakh rupees a year. Further tobacco valued at Rs. from ten to twelve lakhs in the selling rate of the Travancore monopoly found its way into British Cochin, which was far more than its demand.

Compared to the states of Travancore and Cochin, Travancore was struck harder. The port of Alleppey was completely paralysed. The then Dewan of Travancore Sir T. Madhava Rao made a forcible appeal to the Madras Government to find a solution to the undesirable state of affairs. He pointed out that the merchants found it more advantageous to take Travancore goods by land to British Cochin, and thence transport them to other parts of British India under the freedom granted by the said act, than to export them from Travancore ports directly by sea to British Indian ports. The same was the state of things where imports were concerned. This unnatural diversion of trade had subjected it to trouble, expense, and delay, while it had almost paralysed

the action of the ports of Travancore, especially of Alleppey. It has blared its remarkable natural advantages, which were added to by constructing a first-rate lighthouse and other improvements effected by the Sirkar.

On the representation of the Dewan of Travancore, the Madras Government proposed certain terms for the consideration of the Travancore and Cochin Governments. The Government of India ratified the action of the Madras Government, deputed one Mr. Clarke to arrange details. Mr. F. N. Maltby Resident in Travancore admitted to Mr. Grant, then Collector of Malabar that the trade in the port of Cochin was in proportion of 6/16 with Travancore 2/16 with Cochin and 8/16 with British Indian territories and accordingly that the duty collections which amounted to Rs73000 should be divided in the proportion of Rs 36500 to the British Government, about Rs 9000 to Cochin state and Rs 28000 to Travancore.

The negotiations fructified in due course, and a commercial treaty known under the name of 'Interportal Trade Convention' was concluded between the three states in 1865. The notification under that was issued by the King of Travancore in accepting the treaty encompasses;

- From and after 1 of June 1865, no customs duties on account of Travancore would be levied on goods imported by land, sea or backwater, into Travancore, and being the produce, and manufacture of British India or the territories of the Cochin state excepting on Tobacco, raw and manufactured Salt, Opium, Spirits, which would be treated as heretofore.
- The British Indian and Cochin Governments would also give up their customs duties on all goods imported by land, sea, or backwater, into Travancore from their territories.
- On imported goods other than those which were the produce or manufacture of British India, or territories of the Cochin state, the Travancore Government would levy the British Indian rates of duty, except when they had already paid duty to British India or the Cochin state.
- The duty that this Government would levy on goods exported from Travancore would be 10 percent. On Timber, Rs15 per candy of 500 English lbs. on pepper and Betelnut, and 5percent on all goods. But Tinnevelley's clothes exported from Travancore to British India or to the Sirkar Cochin would be free. And also, a limited number of commodities would be liable to export duty at the *Chowkies* of Rameswararamcottah, Bhagavathivottah, and Edappally: the said commodities being notified from time to time.
- Neither the British Indian Government nor the Cochin state would levy any duty on goods imported into their territories from Travancore, excepting Salt, Opium, and Spirits.
- The Sirkar would not tax Coimbatore or other British Indian produce passing through the Travancore backwater to British Cochin, or the Cochin state, nor tax the produce of the territories of Cochin Sirkar, directly proceeding through Travancore to British Cochin, or to some other part of the territories of the Cochin State itself.

- The British Indian Tariff valuations would supersede the Tariffs hitherto in force in the *Chowkies* of this Sirkar.

The British Government, in turn, published the notification in May 1865 in agreement with the terms.

- No duties would thereafter be levied, whether by the British government or the Travancore and Cochin States, on goods, being the produce or manufacture of British India, on their import, whether by sea or by land, through the Cochin and Travancore territories, excepting tobacco, salt, opium and spirits.
- Free import would be allowed by the Cochin State into the territories of Travancore produce and manufactures and vice versa, on the same terms and with the same exceptions as those arranged with the British government.
- The Cochin and Travancore States would adopt the British Indian tariffs and rates of import duty on all foreign goods imported into them; tobacco being excepted on import into Travancore.
- Foreign goods which have already paid duty on imports to British India, or to either the Cochin or Travancore State, would be allowed to pass free on further transport to any of these territories.
- The Cochin State would adopt the British Indian rates of export duty on articles exported to foreign countries, pepper being excepted and charged at Rs 15 a candy.
- The Travancore State would continue for the time being to levy export duties not less than those obtaining in British India but not more than 5 percent, on all ordinary exports, 10 percent on timber, and Rs 15 on candy on pepper, and betelnut.
- The export duty at the Travancore inland *Chowkies*, viz., those not situated on the backwater, would be confined to principal goods only, which would be notified from time to time.
- Goods passing from one part of the Cochin State through Travancore territory to any other part of the former would be exempted from export duty in Travancore.
- The Travancore and Cochin States would adopt the British Indian tariff valuations for exports as well as imports.
- The Cochin and Travancore States would adopt the British Indian selling price of salt, the rates at inland depots being raised to place the salt of Cochin, Travancore, and British India on the same footing in the market.

- The Travancore State would levy import duty on tobacco at rates not exceeding the following:

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On Coimbatore tobacco..... 40 Rupees a candy

On Tinnevely tobacco.....83 Rupees a candy

On Jaffna tobacco.....120 Rupees a candy

A modest computation indicated a loss of Rs 1,16,500 to the Cochin Sirkar on account of customs revenue, and that loss the British Government agreed to make good. Regarding Travancore, a stipulation was made that the British Government should compensate to the maximum of Rs. 40,000 on account of the customs revenue on goods landed at British Indian ports for consumption in Travancore. This figure was arrived at by the average, for a few years, of customs duty on foreign goods imported both by land and sea. The average receipts thus calculated amounted to Rs. 52,218, of which Rs. 13,218 formed the duty on goods imported directly by sea. The British Government maintained that to every increase over Rs. 13,218 on account of duty directly received in the sea customs houses of Travancore, a corresponding reduction should be made from the compensation of Rs. 40,000 agreed upon. The Travancore Government yielded to the stipulation.

It was an absolute misfortune that Travancore had to agree to a compensation progressively vanishing in its scope and effect. The treaty was contracted for the development of trade. There was no great financial foresight to envisage a progressive rise in the volume of trade in the years ahead, and the State should have obtained a proportionate elastic return from the growing trade through land routes, exclusive of the seaborne trade. The trade growth could not be one-sided. The total volume of import trade in 1862-63 amounted to Rs. 15,89,719, which yielded an import revenue of Rs. 1,31,765, including the duties on Indian products and manufacturers. Excluding the duty on Indian produces and manufacturers, the average duty on foreign producers and manufacturers stood at Rs. 53,218. An import trade of the volume of Rs. 16 lakhs produced a revenue of Rs. 50,000 on account of foreign articles at a standard tariff rate not above ten percent on an official valuation basis. Then the volume of import trade ranges in the neighbourhood of 71/2 crores of rupees. The standard rate of duty after twenty years was 25 percent ad valorem, i.e., it was approximately two and a half times the rate in vogue prior to the formation of the Interportal Convention. The volume of trade had increased by forty-sevenfold. Therefore, based on this calculation, the import duty legitimately accruable to Travancore on products and manufacturers other than India should be roughly 117 times Rs. 50,000, which works to Rs. 58,50,000. Including the duty that could have been leviable on Indian producers and manufacturers, the then prospects of the import revenue based on the figure of Rs 1,38,764 realized in the year 1862-63 might have stood in the neighbourhood of Rs 1 crore and 45 lakhs.

The loss of Travancore solely centered on the revenue from foreign producers and manufacturers, which extended to about Rs 58,50,000, against which a revenue of Rs 2 lakhs was realised on foreign importations even which was divided equally shares among Travancore and the Governments of Cochin and British India.

From the very initiation of negotiations, one of the main planks on which the cause of Travancore was ventilated pertained to the disability of the tobacco revenue consequent on the scope for smuggling which had been prolific for ages back, down to the day. Unfortunately, despite the clear admission made by the British authorities as to the justice of Travancore's cause in respect of tobacco revenue the Interportal Trade Convention coldly left it in the lurch to the great detriment of an important source of public income which in the prosperous days of the monopoly system accounted for half of the aggregate revenue of the state. Even in the sinking days of monopoly in 1862-63, in which year the import duty system replaced the monopoly system, the tobacco revenue amounted to Rs 13,49,178 to a population in the neighbourhood of 13 lakhs. The population in 1884-85 was approximately 51 lakhs, almost four times the number in 1863-64. Hence, it might not be extravagant to expect revenue from tobacco in the proximity of Rs 50 lakhs while the actual realisations stopped at between 20 and 21 lakhs. Even allowing a margin for the change of habits tending to an indulgence in tobacco preparations and for the reduction of duty rate from the highly pitched monopoly level of tax, the loss in the tobacco revenue was still disastrously enormous.

Under the terms of the Interportal Trade Convention, spirits have been completely excluded from the operation of the provisions thereof, which invested the Travancore government with absolute freedom to levy taxes thereon, irrespective of the consideration that they were once subjected to duty on their first importation into British India. However in recognition of the principle that guided the formation of the alliance i. e., removal of restrictions to trade, the then Dewan agreed not to levy the duty, because he hoped that this country would be reimbursed fully on the quantity consumed in Travancore; but his hopes were shattered on account of clerical inadvertence which included the duty on liquors, an article exempted from the operation of the convention, in the list embodying the figures coming under the purview of the treaty as eligible for compensation. This simple mistake annually entails on Travancore a loss of about Rs.2 lakhs.

The loss of the import revenue had created a serious disability in the export policy of Travancore. The loss of the customs revenue from imports by land had necessitated the retention of a large export schedule in Travancore, which had no parallel in the rest of the world. Even in the stipulations of the Interportal Trade Convention, provision was made for the progressive reduction in the number of articles subjected to export duty.

In pursuance of the treaty conditions, export duty on several articles was abolished in the year 1865-66. The year 1875-76 witnessed the abolition of export duty on 120 articles, among which was included the export duty on coir matting, which became a thriving industry in 1895. In 1877-78 export duty on a set of 99 articles was done away with. In 1905, another set of 30 articles was exempted from the levy of export duty. Despite these successive abolitions of export duty, there remained a comparatively large export tariff schedule in the fiscal system. In the year 1893-94 the British Government pressed the Travancore Government for a further curtailment of the Export Tariff. Dewan had to make an imploring appeal to the British Government for the retention of the export tariff. This was no doubt a legacy of the vanishing compensation agreed upon in the Interportal Trade Convention.

The impassionate plea put forward by the Dewan was as described below:- ‘As regards customs as a source of revenue, exports are to Travancore what imports are to British India. From the proportion -97 percent – which the exports bear to this revenue as a whole, it was obvious that Travancore depends entirely on the export duty, and to give up that duty was to give up that source of income altogether as there was no means of recouping from imports. Even if the export duty was not entirely abolished, but only on what were termed manufactured articles, the sacrifice must affect the bulk of the customs revenue. In the first place, no exact line could be satisfactorily drawn between raw and manufactured articles. If the term “raw” was taken to apply to products more or less in the shape in which they are parted from the soil, the dutiable items of that class would be comparatively few as ginger against dry and bleached ginger, coconuts and coconut husks against copra, coconut oil, fibre, coir and coir matting. The latter set of articles represented various stages of production from raw materials and embraced others of similar description, the staple items which then yielded five lakhs of rupees out of a total of six lakhs falling under exports. Even the small margin left was liable to disappear as raw materials would cease to be exported, having to pay duty as against the free export of manufactured goods. To maintain a proper equilibrium between the year's income and expenditure, all that the Travancore Government could do was to ask for a gradual revision of the export tariff valuation to create a sufficient inducement for the expansion of the manufacturing industry.

In giving expression to the foregoing view, it was not at all intended to oppose or under-rate the principle of free trade. Travancore had no choice between the two classes of imposts, and that, with all its surplus receipts, it could not afford to give up any of the sources of income, limited as they were, without impairing its financial condition and the means for meeting the growing demands of progressive administration. This puts in a nutshell the economic sterility caused by the acceptance of exhausting compensation.

Another great disability to which Travancore was subjected by the Interportal Convention was the loss of its tariff autonomy. This was clear from the emphasis laid by the Joint Select Committee of Parliament on the Government of India Bill, 1919. Speaking of the fiscal autonomy to be granted to British India under the reforms constitution the Committee observed thus: -“A satisfactory solution of the question could only be guaranteed by the grant of liberty to the Government of India to devise those tariff arrangements which seem best fitted to India's needs as an integral portion of the British Empire”.

Conclusion

Travancore, the erstwhile native state, became an ally of the British. The state had been forced to adopt the British Indian tariff, as Travancore's autonomy was lost in every field. The state had been obliged to follow the tariff changes in British India. It had deprived the State of its tariff autonomy, which in its turn had hindered the introduction of any large-scale industrial programme. In short, the provisions framed out in the Interportal Trade Convention severely affected the State's revenue receipts. The financial stability of the native state began to diminish. Thereby to the financial dependency of Travancore on export revenue experienced an unprecedented decrease, resulted in a less progressive and welfare measures.

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