

## Chapter 18

### Port and Salt rights of the Baroda State in Gujarat.

From this Chapter we enter on the series of discourse of some subjects which had more of an economic bearing but at the same time involved a vital question of 'Right' which was of political nature and thus became major political issues. The first of this was the 'Port and Salt rights of the Baroda State.'

#### 17th Article of the Definitive Treaty.

By the 17th Article of the Definitive Treaty between the British and Baroda Governments it was provided as under:

"The contracting parties hereby bind themselves to ~~xxxx~~ take into consideration hereafter, the commercial relations between their respective territories and to settle them in due time by a commercial Treaty."\*

The contemplated Treaty was, however, never entered into. His Highness' Government had nevertheless, consented from time to time, to agree to such arrangements as the British Government suggested in order to safeguard their fiscal revenues or to protect their monopolies. In many of these, the fiscal interests of this State were not altogether overlooked, and this was even admitted by the Baroda Government; but in some cases, the Darbar remarked, the result of the general policy pursued by the British Government since the acquisition of Supremacy in British India had been that valuable rights exercised by His Highness' Government prior to and long after their connection

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\*A.T. Vol. 6 Ed. 5 P. 345

with the British Government had been extinguished. As an instance in point may be cited the right of His Highness' Government to establish Salt works and open new Ports in Baroda territory in Gujarat.

By the Partition Treaty of 1752 A.D. ,Damajirao Gaekwad made over half of the territories and rights which he had till then acquired in Gujarat, to the third Peshwa, Balaji Bajirao. The object aimed at effecting the partition was to secure an equal or an approximately equal division of revenue and little regard was paid to any administrative or geographical convenience. This happened particularly in the case of the division of the districts comprised in the tract known as the Surat Atthavisi. The districts were equally divided, but it happened that the Jakat or customs revenues of the Mahals south of the Tapti excepting those of the Vyara group which had been retained by Damajirao were included in the share of the Peshwa, while the ~~the~~ Jakat revenue of the Mahals of Olpad, Hassot and Ankleshwar to the north of the Tapti, and Bardoli and Valod to the south which were given to the Peshwa, was retained by Damajirao as part of his share. \*

#### Reason for the anomalous position.

The reason for this anomalous arrangement seemed to have been that the whole tract of Surat Atthavisi was conquered by Damaji Rao from the Nawabs of Surat under them, the whole region was owing to its peculiar situation, but more owing to the prevailing traffic routes, divided into three customs circles viz:- (1) Mahals north of the Tapti grouped under Kimkatodra, (2) Prant Surat, consisting of most of the Mahals south of the Tapti and (3) The Vyara Circle,

consisting of the remaining Mahals south of the Tapti including Bardoli and Valod \*. The same divisions were allowed to continue after the partition. The total revenue from Jakat of the Surat Atthavisi was estimated in 1752 A.D. to amount to about one lakh of rupees, of which Rs. 55,000% being the revenue of the second of the above three circles was assigned to the Peshwa, and the revenue of the remaining two circles amounting to Rs. 45,000% (33000 + 12000) was retained by Damajirao himself.

The inconvenience arising from the situation created by the above distribution of revenues could only have been obviated by assigning all the territories comprising in any one of the ~~X~~ Jakat circles en bloc to one of the contracting parties to the Treaty, but this may not have been found feasible on strategical or political grounds in the circumstances of the time. North of Nerbudda where the administrative and customs divisions coincided with each other, the Jakat revenues of the several Talukas were allotted to the party to whom the Jamabandi revenues ~~of the several Talukas were granted~~ were granted. The levy under the above arrangement, by one Government of duties at particular places in the territories of the other, implied only the exercise of certain fiscal powers by the former in the territory of the latter. The criminal and civil jurisdiction over the Mahals remained with the Government to which the Jamabandi or main revenues appertained.

The Jakat revenue of Rs. 55,000 % p.a. referred to above, as having been allotted to Peshwa's share consisted of inland customs and transit duties levied in the region south of the Tapti (excepting

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\*H.P.O. Selection No. XV 'Customs' P. 247  
% From 'The Reply of Baroda Government to the Indian States Committee'

in the Mahals comprised in the Vyara circle) whether forming part of the Peshwa's or the Gaekwad's share and also of fees from salt works and sea customs recovered at all the Ports in the creeks in that region, whether in the Peshwa's or in the Gaekwad's territory.

By the Fourth Article of the Treaty of Bassain of 1802 the Peshwa ceded to the British Government for the maintenance of a subsidiary force all his territories and interests south of the Tapti including the customs of Prant Surat, the revenue from which had then increased from Rs. 55,000 to Rs. 83,000. He also ceded all his Mahals situated between the river Tapti and the Narbudda with the exception of Olpad. This latter Mahal too became part of the British territory in 1818, on the overthrow of the Peshwa. By these cessions The British Government became entitled to derive customs revenues not only from a large portion of their own territories south of the Tapti, but also from the territories of the Baroda State south of the river, excluding the places comprised in the customs circle of Vyara. In 1803, the Baroda Government ceded the Jakat of the Kimkatodra Circle\* i.e. of the whole region between the Taptee and the Narbudda whether subject to Baroda or to the British Government in part payment of the charges of the subsidiary force maintained by them. This cession was confirmed by the Definitive Treaty of 1805 between the Baroda Government and the East India Company. In the Vyara Circle south of the Taptee, including the Talukas of Bardoli and Valod which had been ceded by the Peshwa to the British Government, the Gaekwad continued to levy customs according to the terms of the Partition.

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\*H.P.O. Selection XV 'Customs' P. 246.

Later on in the exchange of territories and rights effected by Article 4 of the Treaty of 1817\* the Baroda Government became entitled to the revenue of the Sayer of the 'Petlad District.' These included the land customs levied in the Talukas of Borsad and Anand in the Kaira district which talukas formed part of the territories ceded to the British Government by the 3rd Article of the above Treaty. The Baroda Government thus became entitled to levy Jakat in two more Talukas belonging to the British Government.

The state of things continued upto the year 1846. In that year in pursuance of the provisions of Act 1 of 1838, the British Government abolished the land customs duties levied by them in the Baroda paraganas of Gandevi, Navsari, Teladi, and Maroli and at the nakas of Hathuran ( हथुरान ) and Variav ( वरियव ) in Baroda territory. † north of Taptee (which nakas had been ceded to the British Government by the Gaekwad Government in 1803 as part of the item known as Jakat Kimkatodra) Subsequently in 1866, the British Government transferred to the Baroda State all their nakas in the Baroda paraganas south of the Taptee viz. the paraganas of Balesar, Timba, Mahuwa and Kamrej, together with the chowki at Kim, north of the river, in exchange of the Jakat Nakas till then maintained by His Highness' Government in the British Talukas of Borsad and Anand and of Bardoli and Valod. @ Subsequently in 1879, the British Government decided not to reopen any of the salt works situated in the Baroda territory in the region south of the Tapti. ‡ Thus partly by exchange and partly by waiver, the British Government surrendered most of the rights acquired and

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\*A.T. Vol. 6 Ed. 5 P. 355.

† H.P.O. Selection XV 'Customs P. 241.

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‡ Selection No. XVI 'Salt' Pp.69-70

exercised by them in Baroda territory under the treaty of Bassein with the Peshwa in 1802 and the Definitive Treaty made with the Baroda Government in 1805 A.D. Similarly by the exchange effected in 1866 A.D. the Baroda Government relinquished the rights possessed by them in the British districts north and south of the river Taptee. The levy of customs duties by the British Government at the Baroda Ports of Bilimora and Navsari was the only relic remaining later on of the anomalous situation created by the Partition Treaty of 1752 A.D.

So long as the Peshwa's Government was in existence, the State of things created by the partition was naturally well known to and well understood by his officers. The early British authorities, too, were aware of the origin of rights of the British Government in portions of Baroda territory south of the Taptee, and they had, therefore, no misapprehension as to the real nature of these rights, and were careful in consequence not to push these rights beyond their legitimate import. About the middle of the 19th Century, however, the origin of the anomalous arrangements was lost sight of and from the enjoyment of the British Government of rights of an unusual character in Baroda territory, adverse inferences commenced to be drawn. The rights, as claimed by the Baroda Government were erroneously supposed to be extra territorial rights arising out of the authority formerly exercised by the Peshwa in his capacity as Head of the Maratha Empire. When, therefore, in 1855, the Baroda Government opened a port at Dabka on the Mahi river and contemplated the establishment of Salt works at the same place, the Government of Bombay referred the matter to the Government of India, who judging from the existence of the above mentioned rights in Baroda territory, and without consulting the Baroda Government as to their origin, enunciated

the position that the British Government as successors of the Peshwa\* had the power to permit or forbid the opening of ports or the establishment of salt works through out Gujarat, and that therefore the Port and Salt works in question should be closed. The decision was confirmed in 1861 by the Secretary of State.

Decision of the Government of India dated 31-5-1859  
and Gaekwad's protests.

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This decision was passed by the Government of India and confirmed by the Secretary of State without hearing the objections of the then Maharaja. As he had no doubt about his own competence to open ports or salt works in his territory, it appears from his unpreparedness that he had not anticipated the arguments of the Governments of Bombay and India. His first protest dated the 30th January 1860, was not forwarded by the Resident to the higher authorities. His Highness the Gaekwad thereupon addressed a Khareeta dated the 26th September 1861 % to the Government of Bombay in reply to which a yadi was received informing him that he might manufacture salt at Dabka for the use of his Government but then he should bind himself not to open salt works anywhere else. @ This letter appears to have been written before the Secretary of States' despatch No. 53 dated the 8th April 1861 had reached the Government of Bombay through the proper channel and normal routine. For, three days afterwards, another Yadi was received by the Darbar from the Residency in which conditional permission given to open salt-works at Dabka was revoked, and it was stated that as a despatch dated 8th April 1861, confirming the decision of the Government of India, dated 31st May 1859, had been received from Her Majesty's Secretary of State for India, H. E. the Governor General

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\*H.P.O. Sele. XVI 'Salt' P. 23.  
%       "               "       P. 24  
@       "               "       P.25.

was not prepared to reopen the controversy relating to the manufacture of salt in Baroda territory.\* The Baroda & Darbar twice protested against the decision, but the British authorities declined to reopen the question. It was said by the Baroda Government that neither Maharaja Khanderao nor his successor Maharaja Malharao, however, felt satisfied with the decision, and no action was accordingly taken by either of them upon it, and no proclamation or other order prohibiting the manufacture of salt in Baroda territories was issued.‡

Matters rest at this state till 1878, in which year Raja Sir T. Madhav Rao, who was in charge of the administration of the State, during the minority of Sir Sayajirao III, was called upon to take steps to make penal the manufacture and collection of salt in Baroda territories in Gujarat@. He doubted the authority of the British Government to make such a request, but was given to understand in unequivocal terms, that no discussion as to the merits of the claim of the British Government would be permitted. He, therefore, enacted the necessary rules as desired by the British Government.

#### Position after the First World War.

After the first World War the Baroda Government reopened<sup>a</sup> the question, and the main points in their representation were as follows:

"In the correspondence which has taken place they have conclusively shown that the decision of 1861 was due to a misapprehension of the historical position created by the partition of 1752, that the rights enjoyed by the Peshwa to which the British Government succeeded

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\*H.P.O. Sele XVI 'Salt' P. 25.  
‡ " " P. 26  
@ " " P. 22

in 1802 were merely fiscal rights, that they were confined to the region south of the Taptee and were now limited by the exchanges effected to the levy of Sea Customs duty at the ports of Billimora and Navsari; that the Peshwa had not the right to permit or forbid the opening of ports in Baroda territory, and that any rights of this nature which he may have had over Baroda territory were pronounced by him by the Treaty of 1817 with the British Government; that accordingly the Baroda Government have the right to open ports in their territories north of the Taptee and to levy sea customs there according to the engagement of 1865, and that they have also the right to manufacture and excise salt in their territory. x x x His Highness' Government have also suggested that the right to levy sea-customs at the ports of Billimora and Navsari should be transferred to Baroda either in exchange for adequate consideration or by waiver, so that the inconvenience arising from the British Government having rights of this nature in Baroda territory may be obviated and the obstacle in the way of the full development of the adjoining territory may be removed."\*

#### Kathiawar.

The Baroda Government owned the Ports of Dwarka, Port Okha, Kodinar and Velan in Kathiawar.

In 1817, the Baroda Government entered into a reciprocal arrangement with the British Government under which trading and other vessels from the Ports of either Governments were to be allowed to visit the Ports of the other without let or hindrance. % This arrangement

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\*From the reply to the States Committee.  
% From a note on the subject

ensured to the subjects of the Baroda Government the same freedom of commerce, navigation and transit in British India as the inhabitants of British India.

In 1838, when the British Government abolished all inland and transit duties through out the Bombay Presidency they recognised the position that the trade from and to the Ports of the Baroda Government in Kathiawar by land was entitled to the same treatment as the trade from and to British Ports by land and that they (the British Government) had not the right to impose a cordon of land customs against the trade of the Baroda Ports.

British Government's Reform of 1848.

In 1848, the British Government carried out another reform in the system of their customs administration under which they freed the trade by sea between the different provinces of British India from any customs levies.\* In 1865, for the proper carrying out these reform they offered to all maritime Indian States an arrangement by which in return for their (the States') agreeing to levy the same or higher import and export duties on the foreign trade of their ports they (the British Government) undertook to treat the ports of the States as British Indian Ports, or, in other words, exempt goods imported at or exported from British Indian Ports from or to the ports of the States from the levy of customs duties prescribed under the customs tariff of British India \* . Only five States - Travancore, Cochin, Baroda, Bhavnagar and Cambay agreed to this arrangement at the time % . By this arrangement, the States agreeing to it surrendered

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\*H.P.O. Selection XV ' Customs'.

% From 'Reply to Indian States Committee' P. 45

a valuable sovereign right, viz. of levying lower duties at their ports than those levied by the Government of India at theirs. In return for this consideration the States were given the privilege of exemption of their foreign trade from duties at the ports or at the land - frontiers of British India. Where such land frontier duties existed against the States which subscribed to the arrangement, they were withdrawn. There were no such duties against Baroda and there was, therefore, no question of their removal. This arrangement was favourable to the British Government and was designed to secure British ports from the competition of the State Ports except so far as such competition should rest on natural or developed physical advantages.

Customs Cordon in 1903- a violation.

In contravention of this arrangement, the Government of India imposed in 1903, a customs cordon known as the Virangam Customs Line\* against the whole of Kathiawar including the territory of the Baroda Government in the Peninsula. The protest of the Baroda Government that this action was against the terms of the engagement with them and they were being wrongly treated like other Kathiawar States with which there were no arrangements and which made no sacrifices in 1865, proved of no avail.

Ultimately the cordon was withdrawn on the State agreeing in 1917 to a subsidiary arrangement under which the rights acquired by Baroda under the Treaty of 1865 were reaffirmed and some other obligations were undertaken by the State. \*

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Baroda's rights under arrangements of 1865 and 1917.

The rights and obligations of the Baroda Government under the

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\*From 'Reply to Indian States Committee' P. 46.

engagement of 1865 and arrangement of 1917 were:-

- 1) Baroda has to levy at its ports the same duties as or higher duties than those at the British Ports <sup>on</sup> ~~and~~ imports from or exports to foreign countries.
- 2) The trade from and to Baroda Ports is not liable to be taxed by land in British India.
- 3) It can levy any duties it likes on the trade to and from British India by sea or land (whether the goods are of foreign or Indian origin).
- 4) The trade to and from Baroda Ports is not liable to duties at the British Ports.
- 5) Baroda is entitled to administer its customs department without interference or supervision.
- 6) That so long as Baroda fulfils its obligations, no pecuniary limit can be fixed to the customs revenue which the State can derive at its ~~own~~ ports from the trade with foreign countries or with British India.\*

In spite of these Treaty Provisions, the Government of India had asked the Baroda State to surrender its customs administration or agree to its supervision by British authorities and to accept a limit to the customs revenue derived at its ports. As the State did not agree to this, the Viramgam customs line was reimposed. Baroda was carrying on its customs arrangements on the lines of the arrangements obtaining in British India and had shown its readiness from time to time to take such steps as may be necessary to ensure that the legitimate interests of the British Government were safeguarded.

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\*From 'Reply to Indian States Committee ( P. 46

### Question of Port Okha.

The Baroda Government also submitted that at Port Okha (which was formerly known as the harbour of Beyt) it had constructed a pier 400 feet in length with berthing accomodation for two ocean going steamers and an approach Viaduct connecting the Pier to the main land at Adatra opposite Beyt.\* These improvements had cost a sum of nearly Rs. 30 lakhs and the State was committed to a further expenditure of Rs. 15 lakhs on the Port and connected works. A railway had been built (from the approach viduct to the frontier of Okhamandal at Kuranga at a cost of Rs. 35 lakhs; and with the concurrence of British Government, it further pleaded, the State had advanced a sum of Rs. 40 lakhs more through a limited company in Bombay for the construction of the railway in Nawanagar connecting Kuranga with Jamnagar and so with the general railway system of India. All this large outlay exceeding a crore of rupees had been rendered infructuous by the action of the British Government.

### Salt in Okhamandal and its Export.

The district of Okhamandal in Kathiawar belonging to Baroda afforded natural facilities for the production of edible salt of a superior quality.† Before the British Government introduced their system of excise of salt in British India, this salt could be exported to any part of India including the territories of the British Government, but after the introduction of the excise system, the entry of this salt into British India or into other portions of Baroda territory was not allowed, and the export was in practice confined to places outside India. In 1887, in order to give effect to a decision arrived

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\*. From 'Reply to Indian States Committee' P. 46.  
† H.P.O. Selection XVI 'Salt' P.133

at during the minority of His Highness the Sayajirao the III, an arrangement was made by the British Government with Baroda under which the export of salt to any places in British India or ~~the~~ in foreign European Settlements in India was prohibited.\* The Baroda Government considering this prohibition against the spirit of their engagements pressed their request to be allowed to export salt to ports of British India in which it would find a profitable market.

After much correspondence, the Government of India had agreed to the salt being exported to Calcutta by sea only, on payment of the prescribed British excise duty, in the same manner as salt from foreign countries like Germany, Austria, Spain, Italy or Egypt was imported into Bengal. The salt was not allowed to be exported to other parts of India or to be exported to Calcutta by land.‡

Owing to these restrictions, the Baroda Government could not develop the resources of Okhamandal to their full capacity and the State lost revenue which it would otherwise have derived from royalty on salt exported.

The above referred restrictions and the prohibitions were placed, it appeared owing to certain fears entertained by the Government of Bombay that the facility which export would give to such illicit trade, which would constitute a grave menace to Imperial interests, and that the cost of the preventive establishment which it would be necessary for their (Bombay) Government would be prohibitive.

Baroda Darbar dismissing the above fears of the Bombay Government

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\*H.P.O. Selection XVI 'Salt' P. 236 Article III.  
‡ From 'Reply given to the States Committee' P.44.

as Unfounded, stated that it was possible to adopt measures whereby the British Government could be assured of the levy of the full salt duty on the salt imported into British India, whether by rail or sea, and whereby any attempt at smuggling could be efficiently prevented. Again, if extra preventive establishment was rendered necessary, it was not a just ground to prevent the exercise of a legitimate right by a friendly neighbour, when the same commodity from foreign countries was allowed to be imported. \*

But the real reason of the British Government for imposing restriction was to maintain their monopolistic stronghold with regard to such a vital commodity of daily use to the people from which they had such large revenue throughout the Indian sub continent. And this vested interest prevented them to mete out such equitable treatment to the Native State keeping with the terms of treaty Engagements.

#### Preventive Customs Line at Virangam. %

We have referred to the customs barrier at Virangam in the foregoing pages. It will be of interest to note more about it particularly as to its origin and purpose. However it was an ingenuine device to force the native States to make them toe the line as they wanted in their self-interest.

With a view to protect their fiscal interests, mainly, the Government of India had proposed, in 1895, certain arrangements under which the customs houses and staffs at Baroda ports in Kathiawar were to be controlled by the British Officials. An alternative proposal was made to establish a preventive line on the frontier of each Native State for the collection of revenue from goods dutiable under the Indian Tariff Act. His Highness' Government having

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\*H.P.O. From a Baroda Representation on salt in Okhamandal.  
% H.P.O. From a note dated 15-9-12 on the subject.

expressed their unwillingness for agreeing to the proposal, the Government of India established a Customs Barrier at Viramgam in 1903. This has been referred to.

In 1906, The Residency communicated for the consideration of His Highness' Government with regard to their ports in Kathiawar, certain terms which, if accepted by the Kathiawar Maritime States, would enable the Government of India to abolish the said preventive Customs line. One of the terms was that the Baroda Government should agree to the periodical inspection of the accounts and arrangements at Baroda State Customs houses by a Customs Officer of the Assistant Collector's Class in British Service. \*

With the exception of this condition, which had the effect of bringing in interference in the internal administration of the Baroda State, all the rest were accepted by the Darbar in 1908, with slight modifications, as a tentative measure for a period of ten years, and a hint was thrown that if the Baroda Government were not accorded differential treatment at its ports in Kathiawar from other States there, the question would be forced upon the Baroda Government's attention whether they should not, with a view to avoid being handicapped in competition with the other Maritime States in Kathiawar, recede from the arrangement of 1865, which was being loyally carried out by them.

Under that arrangement, the Baroda Government having undertaken to levy at their ports import and export duties at rates not lower than

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\* From H.P.O. a bound Volume . A comparative note on the subject.

those leviable under the British Indian Tarrif Act, their ports were declared to be British Indian Ports for purposes of certain sections of the Sea Customs Act.\*

As the Customs Barrier at Viramgam continued to be a constant source of considerable annoyance and irritation to Baroda Officers travelling on duty to the Amreli Mahals, and to Baroda subjects its abolition was considered necessary and His Highness' Government , therefore, proposed in 1910, that if instead of periodical examination of the accounts and administration of their ports by a British Officer, the employment by them, at a moderate salary , of an Indian Officer of the British Government as their Customs Officer would satisfy the Government of India, they were willing to agree to such an arrangement tentatively, inthe first instance, for a period of five years. The Government of India, however, did not regard the alternative suggestion as a satisfactory solution of the difficulty as they thought it would not afford adequate protection to the important British interests involved etc. They further gave His Highness' Government to understand that under the arrangement of 1865, articles entering British India by sea from Baroda ports could be admitted free of duty, but imports by land could not claim a similar exemption even if duty had already been levied on them at British Indian rates at the port of import; and as the distances between Baroda ports and the nearest British Districts were considerable and as several Native States intervened between them, goods which entered these portsand came to British India by land had, after leaving Baroda territory, to pass through other foreign territory before reaching British India, and

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\*From a note dated 15-9-12.

duty could therefore, legitimately be charged on them on the principle that the Paramount Power had an undoubted right to levy duty on all goods imported into its territories from foreign territory, irrespective of the origin of the goods and the route by which they had travelled. \*

Hence Viramgam Customs Barrier was a symbol of the Paramount Power which constantly reminded the Native States of their subordinate alliance and therefore subordinate place in their relation with the British Government.

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\*From a note dated 15-9-12