VIII. Courses of trade

The commercial history of Pondicherry for almost two centuries between 1675–1875 was closely linked to the activities of the French trading companies. Even as early as 1604, Henri IV had given to a company the exclusive privilege of trading with India for fifteen years. The company, however, proved a failure. Five more companies organised between 1611 and 1652 also did not fare well. The famous "**Compagnie des Indes Orientales**" was organised in 1664, by absorbing the **Compagnie de Chine** which was formed in 1660. The **Compagnie des Indes** was formed in 1719 by merging the **Compagnie des Indes Orientales** with the **Compagnie d'Occident** (John Law's Company). After 50 years its privileges were suspended and the company was dissolved in 1770 and trade with India was declared free. A new company, styled as **Compagnie Nouvelle des Indes** was established in 1785. Although its privileges were revoked after five years, it was re-established as a joint stock company and extended in one form or other until 1875.

It was François Martin who laid the foundation for the growth of trade and commerce in Pondicherry. Within six weeks of his taking possession of 'Pasquinambat' (Pakkamudiyanpet), 150 pieces of cloth were being manufactured every month by weavers, who were granted full exemption from taxes and duties. By 1676, the godowns of the company had a stock of over one million francs worth of textiles. A unique feature of the trade was that the soldiers recruited by François Martin were allotted cultivable lands and were encouraged to settle down and carry on weaving. These weavers, besides ensuring the defence of the town, also contributed to its economic prosperity.

Muslin, coloured cloth, cotton cloth, silk wares and brocades were manufactured and these formed a substantial portion of the exports. Liquor, linen and mineral water were imported from France. Commerce grew up gradually. Painted cloth, pepper, cotton, silk and *saltpetre* formed the chief items of export. The weekly fair held on Tuesdays attracted thousands of people. Trade was carried on through cash transactions. Credit sales were also popular. These markets were very active in spite of the fact that they were of recent origin.[37]

Colbert's death in 1683 came as a great blow to the Company which was compelled to suspend its trading operations in India. The sale of painted (coloured) cloth from India had crippled the French textile industry in Lyon and such imports were banned in 1685. The very next year the French Government prohibited the importation of printed cloth from India in the interest of home manufactures. The import of silk and muslin was also restricted in 1702. The trade of spices was relatively less affected. Though coffee was available for import into France, it did not command a wide market as the coffee habit had not yet taken roots in Europe. In 1709, the import of all kinds of cotton goods from India was prohibited marking the final victory of 'protectionism'. [38]

In 1715 the Company's privileges were extended for 10 years. Subsequently (1719) however, this Company was amalgamated with Law's **Compagnie d'Occident** under the new name of **Compagnie des Indes.**[39]

When de La Prévestière assumed charge as Governor of Pondicherry (1713) he found the fortifications and godowns in a very bad shape.[40] Coins were scarce and the products brought by ships could not be sold easily.

The **arrêtê** of 23 March 1723 strengthened the capital structure of the company. From 1726 trade in Pondicherry gathered momentum. Apart from exports, trade with the various parts of India also developed. The Machilipatnam Depot was soon revived. With the recapture of Mahe in 1725 the Company was assured of a lucrative pepper trade. As much as two million pounds of pepper were shipped from here every year. The British Company at Calicut (Kozhikode) did all in its power to destroy the settlement which included an attempt to set fire to the godowns in Mahe. But it survived all the attacks and remained with the French. From 1725 to 1759 the company sent out to India an average of 20 vessels a year, while vessels returning numbered 15 on an average a year. During the period 1747-48 the company spent 27,24,26,392 livres for the purchase of goods in India which were sold in France for 53,20,00,000 livres earning a net profit of 25,30,69,631 livres. [41] Trade in Pondicherry and other establishments like Chandernagore and Mahe grew up steadily both in terms of value and quantity. By 1740, as many as forty vessels of the company were engaged in the trade with India. Gold was transhipped to Chandernagore which had by then ceased to be a village.

Silk products were exported from Chandernagore. Mahe exported pepper, sandal and teakwood, saffron, etc. It must be noted that trade between the various establishments was not objected to by the company which enabled it to expand its business.

Trade with the interior country, which was hitherto the preserve of the employees of the company, was thrown open to all. The local commerce began to yield huge profits.[42] As trade and commerce developed, cultivation of crops in the districts was greatly encouraged.

The Seven Years War, however, dealt a severe blow to the company. An effort was made to retrieve the situation by the edict of 1764. But the attack on the company by Abbé Morellet, a noted economist of the day and the public condemnation sealed the fate of the company. In the midst of some encouraging indicators of growth, the Government of France took a step which seriously cut down the budding prosperity of the town. The monopoly rights of the French Company were suspended by the decree of 13 August 1769. However, the edict of 1770 accorded the right of free navigation and commerce east of the Cape of Good Hope to all Frenchmen. This edict was subsequently withdrawn, as France soon felt that monopoly of trade was necessary, leading to the formation of the second "**Compagnie des Indes**" which substituted the former company, the rights of which had remained suspended. This step, in turn, affected the trade within India, thus choking up a highly remunerative export business. This move considerably alienated the feelings of the local traders and created discontent among the whole population.[43]

The mini revolution in Pondicherry also had its impact on trade and commerce. Trading activities remained paralysed due to the disturbed political situation. A large number of local craftsmen, weavers and dyers migrated to Madras. Production of cloth having ceased, money became scarce. Cultivation was abandoned by peasants, many of whom left the territory for good. Even for such of those who remained, there were no jobs.

When the French took over on 4 December 1816, commercial activities in Pondicherry were almost at a standstill. The nine-year rule of Comte Dupuy witnessed considerable changes in administration and improvements in the town, which in turn led to an increase in population and trade. The period of Governor de Richemont was significant in that he encouraged the textile industry and agriculture and established the Central Bazaar. In 1829, the first modern spinning mill was established. A weaving section was added to it in 1838. Eleven years later, the Chamber of Commerce came into being. The Second Empire extended its sway over territories like Algeria and Guinea in Africa. Cochin-chine (South Vietnam) and Senegal became protectorates of France. All these developments gave a much needed boost to the export trade of Pondicherry. The textile industry was encouraged with subsidies. Under another scheme, textiles of Pondicherry were issued Certificates of Origin to enable their entry into French colonies, particularly Senegal.

Following the Free Trade Treaty of 1860, many countries adopted the policy of free trade and the question of obstructing trade between the French and British territories lost its relevance. But the textile industry of Pondicherry which was unable to compete with the products of Belgium, showed signs of decline and had to be closed down in 1870. The years from 1860 to 1871 witnessed a decline in the export of coconut oil owing to competition from Ceylon (Sri Lanka) and Malabar coast. The export of coconut oil which constituted the major component of export trade of Pondicherry was ruined.

From 1872, however, trade showed signs of revival with the growth of ground-nut export. But following the economic crisis of 1880, France again resorted to a policy of protectionism. With the passage of the Indian Tariff Act in 1894, the British Government decided to impose a 15 per cent customs duty on all goods entering British India. The commercial prosperity was once again hampered. Another period of bad trade began by about 1890 and continued with some variation upto 1900. It may also be mentioned that with the extension of the French protectorate to Cochin-chine in 1861, Cambodia in 1863, Annam in 1882, Tonkin in 1885 and with the union of all these countries into what came to be known as Indo-China in 1897, Pondicherry became the halting point for ships on their route to the Far East. This also opened the way for many Indians to Indo-China. The pier was built in 1866, and the Indochina Bank was opened in 1875. By this time, ground-nut emerged as the chief item of export. In 1889 alone 30 ships touched Pondicherry to lift cargoes of ground-nut. It is further evident from the movement of ships that the Pondicherry port also attracted the British as Pondicherry was then a free port. For example, in 1877 British vessels brought goods worth about 3.4 million francs, while French vessels brought goods worth only about 2.7 million. However, the value of goods exported in French ships amounted to seven million francs while goods exported in British ships amounted to three million francs.

The sea-borne trade between 1860–1900 showed a large excess of exports over imports as evident from the following statement :

(Value in francs)

Year			Imports	Exports
1860	..	..	6,318,235	25,995,705
1870	..	..	5,253,409	13,831,923
1880	..	..	7,970,068	25,441,664
1890	..	..	4,637,957	17,099,046
1900	..	..	4,029,536	10,713,834

The commerce was very largely in the hands of French Companies, many of them long-standing. The British India Steam Navigation Co. and the Standard Oil Co. were the most important foreign companies operating here. About this time Englishmen also came to Pondicherry to attract deposits for their banks and to canvas business.[44] Domestic commerce was very insignificant during this period. A large proportion of the local products was consumed within the establishments. Among natives, Vysyal chetties were the most active in the field of business.

The years 1901 to 1904 were prosperous; there was a slight decline in 1905, 1906 and 1907. From 1908 to 1914, the French establishments participated in the general expansion of Indian sea-borne trade and had a larger foreign trade than at any other time in their history. Ground-nut export consisted of stripped nuts or with husks. The proportion of nuts exported in shells depended largely on the availability of decorticating machines which could not keep pace with the expansion of trade. The value of export of ground-nut in 1910 amounted to 28 million francs as against 11 million francs of cotton, although the major portion of the ground-nut came from the District of South Arcot. Pondicherry grew into an important emporium for ground-nuts, grown not only within the Territory but also in British India. Special facilities were given by the Bank of Indochina for ground-nut export. In 1913, the export value of ground-nuts in husks was 2.5 per cent of the total, but a supply of decorticating machines, manufactured locally reduced the proportion in 1914 to 0.9 per cent of the total. The export of ground-nut to Marseille was handled mostly by European merchants who lifted ground-nut from Cuddalore and Panruti. The increase was very marked in the year before the outbreak of war chiefly in terms of prices obtained, for it did not reflect either in the quantities exported or in the tonnage figures. The price of ground-nuts, the most important item of export, was very high in 1913.

Next in importance to ground-nut was the export of cotton fabrics, the value of which was 7,165,720 francs in 1906, as much as 7,341,367 francs in 1913 and 6,365,182 francs in 1914. The export of ground-nut and cotton fabrics was made almost entirely from Pondicherry, those from Karaikal being insignificant.

Two other important exports—rice and fish—were made from both the ports and there was a small export of fish from Mahe and Chandernagore. The export of rice increased in value from 7,816 francs in 1906 and 10,266 francs in 1907 to 1,848,053 francs in 1913 and 1,232,266 francs in 1914. Rice was lifted chiefly from Karaikal which exported an average of 7,113 bags in the years 1909–13 against an average of 63 bags from Pondicherry. The quantity of rice exported from French India in 1913 was 6,981 tonnes. The export of salt fish rose in value from 24,018 francs in 1906 to 104,208 francs in 1907, owing to a large demand from Colombo and the Straits Settlements. The value in 1913 was 80,149 and the quantity 356 tonnes. The other items of exports were bone powder, cocotine, pottery (from Karaikal), ground-nut oil, oil, indigo, skins and hides. The export of pottery from Karaikal port increased from 1874 francs in 1906 to 11,733 francs in 1907 owing to demand from Ceylon. It reached 19,542 francs in 1913. Small quantities of coconuts, tamarinds, onions, tannin, dyes, caster oil, coconut oil, chillies, coffee, coriander and gingelli were also exported. Exports were mostly destined for France and the French colonies. Apart from the French destination, it was confined mostly to Britain and British Colonies.

The most important items of imports were cotton, arecanuts and petroleum. The import of cotton was confined to Pondicherry, arecanut to Pondicherry and Karaikal, whereas that of petroleum to Karaikal which served as a depot for the surrounding districts. Smaller imports included wines, spirits and other liquors, coal, cotton thread, jute bags and grains. A large proportion of the import trade was with the British Empire and a small proportion with France and the French possessions.

The trend of sea-borne trade in the early years of the century will be evident from the following statement :

(Value in francs)

Year		Imports	Exports
1900	.. ..	4,029,536	10,715,834
1905	.. ..	6,356,207	27,283,997
1910	.. ..	8,376,531	37,446,013
1911	.. ..	8,618,302	37,988,286
1912	.. ..	9,031,780	37,218,209
1913	.. ..	10,837,115	43,720,095

The foreign trade was almost entirely concentrated at Pondicherry, which was the only real trading centre. The export from Karaikal was about one-ninth of the total sea-borne trade. Trade at Yanam and Mahe was insignificant.

Between 1913 and 1916 the export-import trade had declined to less than half. Export of goods was more affected because of the war in Europe as the submarine war in the Mediterranean had made the export trade very risky. In passing it may also be mentioned that the year 1915 witnessed the conflict between the Chamber of Commerce and the **Banque de l'Indo-Chine** regarding the rate of exchange and bank discount (rate of pledge) which according to the Chamber was very excessive.

After the war, the export of ground-nut once again gained momentum. But in the meanwhile, a few oil mills started to operate in Pondicherry. The tannery industry also grew up. Hides and skins came to be exported to France, Japan, and the British ports in South-East Asia. Items of handicrafts and pottery were exported to Singapore and Sri Lanka. Handloom weavers who numbered about 4,000 in 1878 declined to about 800 in 1921. It was about this time that local tradesmen called for the abolition of customs barriers and preferential treatment for the products of Pondicherry.* But the British further increased in 1924 the customs tariffs introduced in 1894. The entry

* This is understood from an anonymous tract.

of local products into British India became difficult, whereas Pondicherry being a free port, foreign luxury items and liquor flooded its market, leading to large scale smuggling. Even the free trade policy followed by the French India administration did not help resolve the internal economic crisis. In order, however, to set right the situation, France agreed to hand over to Pondicherry the salt subsidy it had been receiving for more than a century, to meet Pondicherry's budgetary deficit. This came as a windfall and a vast programme of development was undertaken to strengthen the economic infra-structure of the establishments. The programme of action was delineated in the famous "**Programme des Grands Travaux pour le Developpement de l'Outillage Economique et Social dans les Etablissements Français dans l'Inde**", which appeared in 1937. The programme envisaged the balanced growth of both the rural as well as urban sector and sought to remove disparities between the two. The World War II however brought to a halt the implementation of the schemes. During the inter-war period, particularly between 1917 and 1937, the export trade showed a marked decline, while import trade enjoyed a boom. The decline in the export trade was linked to the economic crisis of the thirties which engulfed France in 1931. The export trade showed signs of improvement during 1936–37 as amplified by the following statement :

(In tonnes)

Year	Export	Import	Total
1932	40,354	9,552	49,906
1934	44,880	24,044	69,824
1936	72,631	19,364	91,995

The improvement in the trade witnessed during 1936-37 did not last long. With the World War II communication between Pondicherry and France was once again cut off. Following the capitulation of France in June 1940 even the navigation was suspended. However, following the negotiations between the French India Administration and the British Government, a Customs Union was established with British India on 28 January 1941. As a result of the Customs Union, the textile products of Pondicherry came to enjoy a ready market in the vast British India.

The trend of foreign trade in the forties would be evident from the following statement* :

(In 1,000 rupees)

Year			Imports	Exports	Total
1940–41	..	..	28,16	62,47	90,63
1941–42	..	..	1,95	22,29	24,24
1942–43	..	..	21	7,28	7,49
1943–44	..	..	1,89	2	1,19
1944–45	..	..	8	15	23
1945–46	..	..	14	Nil	14
1946–47	..	..	64	—	64
1947–48	..	..	1,30	22,31	23,61
1948–49	..	..	3,76	52,98	56,74

Soon after the war, India was assured of Independence. It was felt that the French would also follow suit. The trading community now faced a dilemma. The presence of the French appeared to them favourable. But they would be able to make hay only if the vast Indian market would remain open to them. Their prosperity, in other words, depended on India. With the abolition of Customs Union in 1949, customs barriers were once again placed around Pondicherry. The economy of the territory was subjected to a great deal of pressure.

In the early fifties the bulk of the imports consisted of luxury goods of French or continental origin such as silk, artificial silk, piece goods, diamonds, watches, gold, silver, perfumes, playing cards, motor cars, liquor, etc., the import of which was either restricted or totally banned by the Import Trade Control in India. A major portion of these imports found their way to the Indian market across the border. Smuggling was less during the period

* The Imperial Gazetteer, p. 107.

of Customs Union Agreement between 1941–1949. Even on the export side, there used to be a large scale export of various commodities which were either restricted or not normally allowed for export under the Export Trade Control Regulations obtaining in India, such as peacock feathers, copra, ground-nut kernels and ground-nut oil. There were also exports of cotton mill products of cheaper varieties suitable for African territories. Besides these items, exports consisted of cheap varieties of mill cloth like shandoras, etc., to French Overseas Territories. There were also some exports of cotton yarn, other cotton manufactures and cotton waste mainly to the United Kingdom.

The early years of the fifties also witnessed an unhealthy trend in the internal trade of paddy. Merchants who brought rice from South Arcot sold them at a high price in French India. French India was equally poor in pulses. South Arcot also suffered a deficit. The merchants in turn re-exported grain to South Arcot. The effect of the manipulations of Pondicherry traders was felt in Cuddalore and Villupuram. The Indian Government could not ignore these developments. The situation became worse when to this was added contrabandism of gold and precious stones.

Pondicherry slowly developed into an international trading centre. Gold which fetched a much higher price in India than in French India was taken to the frontier in larger quantities. Gold and diamond were imported to Pondicherry through official channels paying customs duty which was nominally increased subsequently to improve the revenues of the Territory. These were smuggled to the Indian Union. In turn, more Indian rupees from Pondicherry reached Hong Kong and the Persian Gulf wherefrom gold was brought.

During 1951–52 alone, 15 tonnes of gold were landed in Pondicherry i.e. as much as 25 times of what was imported during 1949–50. While the import of gold and diamonds during 1949 may be valued at 40 million francs, the very next year it reached 145 million francs. This contraband added to the depreciation of the rupee. Since January 1952 the territory faced a grave monetary crisis. While there was an outward semblance of prosperity, there was a scarcity of Indian currencies. Indian currencies became very scarce while the value of French currencies declined. Sometime by the end of 1952, France decided to stop the import of gold. Nevertheless, Pondicherry witnessed a scarcity of cement and essential commodities. It was in the midst of these crises that the French agreed to *de facto* merger.

Prior to merger, the Administration exercised control over foreign trade through a system of allotment of foreign exchange. Importers were called upon to present their applications to the **'Bureau des Affaires Economiques'** through one of the three Foreign Exchange Banks functioning in Pondicherry, seeking permission to import commodities required by them. The foreign exchange was provided on the principle of 'first-come-first served', within the ceiling fixed for French Indian Territories by France. In this way **'autorisations'** and attestations were issued by the said Bureau. These two documents alone could be considered as near equivalent to licences issued nowadays under the Indian Import Trade Control Regulation. In certain cases, foreign exchange was provided by the intending importers from their own private sources and these operations were known as 'Open Market Transactions'.

The French India's import and export policy was always geared to the overseas economy of France. The trend, volume and direction of imports and exports were determined by the economy of French overseas territories. The trade was mainly directed towards Saigon and the French possessions in Africa.

After merger : The Import and Export Control Act, 1947 was extended to these establishments with effect from 1 November 1954. Following its extension, imports into and exports from these establishments came to be regulated in accordance with the provisions of the said Act. A Controller of Imports and Exports for the French Establishments was appointed. As regards orders placed outside the establishments and finalised through the grant of a licence by competent French authorities in accordance with the laws and regulations in force prior to 1 November 1954, licence holders were advised to apply to the Controller of Imports and Exports for validation of licences held by them. The import of gold and silver was banned. It was also not allowed to be exported to the rest of India.

Import and export licences were granted in accordance with the policy announced by the Indian Government from time to time on an all–India basis. Pondicherry being comparatively an under developed area, additional licences were granted especially with a view to compensating the merchants for loss in turn-over in business due to the imposition of the Import Trade Control Regulations. Since *de facto* merger the quantum of imports licensed went on increasing until it reached its peak during January—June 1956 when licences to a value of Rs. 2.25 crores were issued. This was done also with a view to ensuring that the application of the Indian Import Trade Control did not adversely affect the quantum of trade carried on through the Pondicherry port. As for imports of consumer items like soap, perfume, silk fabrics, liquor, etc. from France, they were allowed to import to the extent of 100 per cent of the imports irrespective of the policy for the items under the Indian Import Trade Control.

A Special Additional Licensing Scheme was introduced for the first time during the January—June 1955 period. Under this scheme, all those who produced satisfactory evidence of past imports were enrolled under the Special Additional Licensing Scheme upto the January—June 1956 period when half-yearly licensing under the scheme reached the level of Rs. 1.5 crores. On account of the unfavourable foreign exchange position and adverse criticism from other parts of India, imports were not allowed at the same level since July—December 1956. Hence in the import policy for the July—December 1956 period a cut of 33-1/3 per cent was made on the grant of Special Additional Licences for this area. During the July—December 1956 period, Special Additional Licences were granted only to the extent of 66-2/3 per cent of the licences issued for the January—June 1956 period. In view of the growing need of foreign exchange for the various development schemes sponsored under the Five Year Plans, these Special Additional Licences were granted from the January—June 1957 period upto the April—September 1959 period to the extent of 10 per cent of the licences granted for January–June 1957 period within an overall ceiling of Rs. 15 lakhs per half-year. The Special Additional Licensing Scheme was of an *ad-hoc* character and it was renewed every half-year subject to revision. Similarly specific Special Additional Licences were also granted for imports from France, irrespective of the policy for the items after applying the cuts on par with the special additional licences.

Following persistent representations from trade circles, the Government of India decided to change the Special Additional Licensing Scheme into a quota system with effect from the October 1959–March 1960 period subject to the condition that imports made under the Special Additional Licences would be admitted for quota only to the extent of 50 per cent of past imports. This was done in order to provide some relief to some categories of importers. Replacement of the Special Additional Licences by the quota system raised the import bills of Pondicherry by Rs. 25 lakhs per half-year. In spite of this rise in the foreign exchange commitment, special additional licences were issued on repeat basis upto the April—September 1960 period and thereafter it was discontinued, as the items concerned were highly restricted and there was no commitment of any type on the part of the Indian Government to allow imports from France on a preferential footing. This concession was allowed in the beginning just to ensure that the long trade association of Pondicherry with France was not suddenly dislocated by the introduction of Indian Import Trade Control. Imports made under the Specific Special Additional Licences were admitted for quota provided the item was licensable then, subject to the same conditions as were applicable to quotas fixed on imports made under other Special Additional Licences.

The main items of imports under the Special Additional Licences were electrical instruments, motor starters, house service meters, betel-nuts, cloves, chemicals, drugs and modicines and other consumer items imported in terms of the quota system introduced since the October—March 1960 period.

On the export side it may be stated that there was not much of a change in policy. Cotton piece-goods produced by the three textile mills formed the main export item from Pondicherry. Export of cotton piece goods was decontrolled. The other items of export were ground-nut oil and onions; but these items were exported by Pondicherry exporters through other ports like Madras and Nagappattinam, and such exports were few and far between. Lately there have also been some exports of art silk fabrics from this port under the Exports Promotion Scheme, a portion of the exported goods being replaced by the issue of an import licence for art silk yarn forming the main component of the exported commodity.

A large number of small-scale industries were engaged in the manufacture of electrical instruments, railway block instruments, cable boxes, soap, perfumes, stapler pins, buttons, etc. These small-scale industries were granted licences for the import of machinery, components and raw-materials required by them. The requirements of small-scale industries engaged in making interlocking switches and other electrical appliances, soap, aerated waters, matches, etc. were also taken care of by the issue of import licences for raw materials and components.

Some co-operative societies were granted import licences for certain consumer item, viz., milk food for infants, packing and wrapping paper, etc.