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INDIAN MERCHANTS IN CENTRAL ASIA DURING 17th AND 18th CENTURIES: COMMERCIAL PRACTICES AND ECONOMIC ROLE

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Abstract

This paper presents a meticulous description of the economic scenario related to commercial practices and trade by Indian merchants during the period of seventeenth and eighteenth centuries. The commerce and the trade during the period of seventeenth century were marked by the dominance of Mughal empire though the Europeans were given a position of privileged trading by the Mughals. The privileged trade position enjoyed by the Europeans created the dominance over the trade by merchants in Central Asia. The subsequent establishments and fast spread of British colonialism in India during 18th century has been deeply rooted in the privileged rights conferred by Mughals to outside traders and merchants. This paper is conceived to analyze the importance of the 'entry of the Europeans' – and, in that effect, create the standpoint for an evaluation of the international trade pattern, commodities and relations of the Indian sub-continent – by highlighting the trade between India and Central Asia. This trade decreased more slowly and gradually, and was a more regionally varied experience, than has traditionally been believed; the central focus has thus been to explain why this trade persisted – an aim that is not evident in the available literature in this regard. The main outcome of the analysis is that the commerce and the trade existed because of the nearly no substitutability of, and complement ability between the Indo-European as well as Indo-Central Asian merchants. The European trading and traders faced substantially lower tariffs than the merchants who traded with Central Asia. The situational analysis highlights two non-mutually exclusive explanatory possibilities: that the trade persisted because the Europeans could not supply those goods arriving from Central Asia which we may say as insufficient trade-diversion, and also that the European demand stimulated and increased supply which we may say as trade-creation. Finally, the seventeenth century may have given rise to the making of Northwest Europe in precise the Britain, but it would not observe the unbundling of South Asia: this was a more gradual progression that would conclude only in the nineteenth century when economic and armed forces crystallized into sub-continental domination.

Key Words – Central Asia, Central Asian Merchants, International Trade, Trade Creation, Trade Diversion

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1. INTRODUCTION

It is in the period after Vasco da Gama's landing in India in 1498 that the foundations were laid for the birth of the modern world and in which the way was paved for British dominance on the Indian sub-continent in the nineteenth-century. In the early seventeenth-century, the Dutch (1606) and the English (1607) established their first trading posts in India in an attempt to wrest control of the profitable spice trade from the Portuguese. Following the defeat of the Portuguese in 1615, the Dutch and the English Companies would spend much of the seventeenth century in the struggle to secure monopoly rights over the trade of certain spices, and trading privileges for other valuable goods such as textiles and opium. The decline of the Dutch grip on Asian maritime trade after 1670, the dwindling competition from France in the latter half of the eighteenth century, and the conquest of Bengal in 1757, placed Britain squarely on a trajectory towards territorial and commercial hegemony on the land and in the ocean [1][2].

The Indian sub-continent, however, had been connected to the fringes of Europe, the Near East and Central Asia as well as East and Southeast Asia not for centuries, but for several millennia before 1498. The first Indians merchants are thought to have travelled to Central Asia approximately two-thousand years ago, where they contributed to the growing overland trade of the trans-Eurasian Silk Route, which ironically they outlived. The first maritime contacts are thought to have been made across the Indian Ocean from India between 3,000 and 5,000 years ago. The ancient trade networks prevailing prior to Portuguese presence probably did not disappear after 1498, or even after the 1750s, but have long been forgotten in the popular histories of the period. Moreover, their existence challenges teleological portrayals of European expansion in Asia (at least as far as commercial control is concerned8), as well as the extent to which this period can be seen as the turning-point or 'revolution'9 in the trading-history of the sub-continent [3].

In view of the entitled study, it would be the most appropriate that the section of review of historical perspectives is preceded by the appropriate research methodology and the corresponding assumptions in the form of pointed hypotheses. The reason is that the research design is mainly based on the situational analysis, and the review of earlier studies and the historical perspectives itself would highlight this approach of design. And hence the review presented would cover discussions on framed hypotheses which would be further subjected to examining the available source materials as final proof or disproof of the constructed hypotheses.

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2. METHODOLOGY AND HYPOTHESES OF RESEARCH IN THE PRESENT WORK

Looking to the historical perspectives and the evidential literature made available in the earlier research, the envisaged research methodology for the purpose of this study is point wise briefed below.

- Situational Analysis of the facts trade, commerce and economic condition prevailing during 17th and 18th centuries.
- Developing focused and pointed hypotheses describing the preliminary assumptions and verifying the same from factual points of historical perspectives.
- Examining available source material to identify how best the hypotheses are satiated and the methodological problems if any those may be encountered.

Hypotheses

- The seeds of British dominance on Indian continent in the 19th century were sown at the commencement of the 16th century itself.
- Europeans enjoyed the privileged trading position conferred by the Mughals.
- The Indo-Asian Merchants' overland trade was abandoned in 17th century after the establishment of Dutch and English trading activities on the Indian subcontinent.
- Textiles and Horses were the two major trading items of Indian merchants during the 17th and 18th centuries which were the part of trade diversion in key goods and potential for trade creation in others.
- The Dutch had a strong hold on Asian maritime trade in 17th and 18th centuries.

3. REVIEWS OF ESTABLISHED HISTORICAL PERSPECTIVE

The former histories deal explicitly with the issue of European commercial contact. On the one hand, it has been argued that a major turning-point in history can be located in the era of sustained commercial contact by the Europeans in Asia and the Americas, as

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these contacts initiated the process of globalization i.e. increasing global interconnectedness [4]. Some scholars deem the two centuries after 1498 as a significant period in which unprecedented European trade integrated markets across the globe [5], while others have proposed specific dates, such as 1571 when the Old World was connected directly to the New World via Manila [6]. This also suggests that despite the Portuguese lead in Asia, it was later in the era of British, Dutch, and French competition with the Portuguese that any significant changes occurred. On the other hand, evidence of limited factor price convergence in the period before 18th century – which is at least an indication of economic globalization – casts doubt on the significance of these contacts [7].

Yet, the futility of attempting to date globalization notwithstanding, the perspective taken by global historians seems to preclude the construction of explanations in favor of mapping the history of the process of globalization. The series of vignettes offered by Pomeranz and Topik, for example, demonstrate that the globalizing force of trade has shaped modern markets and commodity production, but do not explain how or why such changes occurred [8]. Indeed, as with world histories, such histories are, by admission of global historians themselves, less keen about making predictions than about tracing the course of civilizations [9]. Thus, from the reference-point taken by these global histories, it is likely that the post 1498 period i.e. 17th and 18th centuries economic perspective was of some significance as far as the history of globalization is concerned, but little is offered to an explanation of the ways in which European commercial contact altered Indian trade patterns.

World historians, however, have been less concerned with globalization by itself than with understanding how interconnections have shaped ‘world' and ‘local' level systems and processes such as migration, trade, urbanization [10]. Two sub-sets of such histories are discernable. The first emanates from the early work of Braudel on the maritime economy of the Mediterranean, in which the sea, the littoral, and the over land are seen in the unified sense of a world [11]. On the one hand, it is undoubtedly the case that the Mediterranean world differed greatly from the Indian Ocean world and that the analysis of these worlds in isolation reflects analytic simplification rather than reality for example sea-borne contacts existed between the Atlantic and Indian Ocean coasts since at least the mid-fifteenth century and between the Indian Ocean world and the Levant from an even earlier period. Furthermore, India and Indian Ocean have been relatively absent from such world histories, in comparison to the Atlantic [12]. On the other, this approach can undoubtedly enrich studies of trade and commerce of India and elsewhere by introducing the world as constructed, imagined, and designative concept in contrast to the

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spatially determined and fixed globe, which takes as its reference point the epicenter for example the European core or the Indian sub-continent of whatever space is being analyzed.

In the above contextual systems analysis, Pre-European India is seen as an external arena before for example just like another world-system with which the capitalist world-system had a trade relationship but as a semi-periphery after just like a region within the capitalist world-system which is less industrialized than the core but more capitalistic than the periphery European commercial contact. The immediate difficulty is avoiding: (i) constructing a history of the Indian economy (and the world-system/external arena of which it is a part) which asserts its defenseless subordination to the European-centered capitalist world-system, and (ii) failing to note the ways in which "the West did not autonomously pioneer its own development in the absence of Eastern help as its rise would have been inconceivable without the contributions of the East [13][14]. Indeed, world-systems analyses after Wallerstein have not only posited that the capitalist world-system is more deeply rooted than previously believed, but also that it was Asia-centered; hence, the rise of the capitalist world-system cannot be seen in terms of the rise of the West and its subordination of Asia, but in terms of the fall of the East [15].

Maritime history, including Indian Ocean history, has been seen greatly influenced by the above discussion. The idea of an Indian Ocean world has been used in several studies but perhaps most pin pointedly by K. N. Chadhuri [16]. The logic underlying the concept of the 'world' (*i.e.* as a space that can be constructed for analysis in a way that reflects the spaces imagined or perceived by contemporaries), has also led to the fragmentation of the Indian Ocean world into smaller and more analytically manageable regional spaces.

Some argue that the 17^{th} century was marked by general prosperity on the sub-continent, thereby undermining the idea of harmful competitive effects associated with the coming of the Europeans not least because certain merchant groups proved to be adaptable in the face of the new competition, and because trades such as the slave trade were hardly affected at all; others suggest that the 18^{th} century marked a major turning-point for Indian commerce as the English Company by-passed middlemen and directly controlled the productive activities inland. Thus, it is evident that, useful conceptual innovation notwithstanding, the reference point taken by maritime researchers precludes an examination of the pattern of overland and maritime trade between the sub-continent and her neighbors. A perspective or reference point rooted on the sub-continent itself is needed [17].

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Thus, from the issues raised in above discussion and the analysis of the historical perspective it is evident that useful conceptual innovation notwithstanding the reference point taken by maritime historians precludes an examination of the pattern of overland and maritime trade between the sub-continent and its neighbors. A perspective or reference point rooted on the sub-continent itself is needed for which a argument is presented in the next section of this research study which examines the argument form analysis about one element of sub-continental trade relations after 1498 which provides the stepping-stone to the topic of the envisaged research study and the corresponding investigation.

4. THE ARGUMENTS

The issue of whether European commercial activities wrested the Indian Ocean trade away from Asian merchants remains ambiguous in the maritime history tradition, but an established tradition exists which argues that as far as European maritime trading and Indo-Central Asian overland trade were concerned, the effects were unequivocally harmful. The central contribution to this tradition was made by Steensgaard in 1974 [3]. He concluded that it was not until the arrival of the Dutch and English Companies in the Indian Ocean, a century after Portuguese, that the trade of the Indian sub-continent experienced a revolution which can also be said as the change in its established trade patterns, because the Companies were successfully able to internalize protection costs and enjoy improved technology and communication networks. This view has recently been held in the work of the Douglas North [18]. Also, these Companies unlike the Portuguese or the Indo-Central Asian caravan merchants – consequently benefited from economic buffers rather than from lower transportation costs, which did not affect international trade until the nineteenth-century, thereby causing the decline of the latter.

Yet, while the former contention is probably valid and useful to an understanding of the effects of European maritime activities in the Indian Ocean, the latter is problematic in at least three respects. First, Steensgaard's dismissal of the significance of the overland merchants is largely driven by his characterization of such merchants as itinerant peddlers, and more fundamentally by the absence of suitable evidence of their activities, from which he infered back that they must have been insignificant. Secondly, in addition to the informational advantages possessed by the indigenous merchants and middlemen, it continued to disadvantage foreign commercial interests on the sub-continent even though there was decisive evidence that kinship networks were extended in this period to mitigate the costs associated with long-distance trade [19]. Merchants also developed

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networks across religious (*e.g.* Hindu-Muslim) and ethnic (*e.g.* Indian-Armenians) lines. The difficulty in seeing how these mechanisms might have reduced transaction costs to the same (or, least, to a sufficient) extent as those of the Dutch and English Companies perhaps been entrenched by the new institutional perspective, which emphasizes the evolution beyond kin-/cultural-institutions to successfully deal with transactions costs as the scale and scope of exchange was widened [20]. Steensgaard's conclusive remarks, with which the researcher also agreed after a thorough analysis, is posed entirely in terms of trade-diversion. That is, the enlargement of English and Dutch trading activities was based on the diversion of goods destined for Asian markets to Europe: a more sophisticated (and convincing) explanation that leads to the findings about balance between the diversionary and creative forces of the European trade activities.

It has been argued that in response to the loss of Indian control over the maritime trade in the face of expanding European activities in the ocean, the rulers of the Mughal, Safavid, and Uzbek empires responded by initiating a policy of protection for the overland trade [21]. It has indeed been demonstrated that the Mughal emperors despite their failure to develop the maritime trades felt some connection with their Central Asian homeland and sympathized enough with merchants to be compelled to reduce taxation, relay the roads, and order the building of caravanserais. The overland trade was thus enmeshed in a many-sided cultural, commercial, and political web - quite unlike the maritime trade [22].

5. THE DILEMMA

Much valuable conceptual innovation and marshalling of evidence have taken place in the study of Asian commercial history in the past few decades. Yet, review and the historic perspective profiled in earlier sections have highlighted two fundamental weaknesses that must be addressed, and which have been established as the aims of this investigation. The first is the absence of a sub-continentally rooted reference point or the perspective, which engages with global and world level processes, and which knits together the interacting histories of the land and the ocean". The second is the absence of a convincing explanation as to why this trade continued until the later-eighteenth and nineteenth-century, without recourse solely to trade diversion (or the lack there of), and despite newly available evidence. Thus, naturally the question came in mind and taken as the starting point was: *Why did the Indo-Central Asian overland trade persist after the establishment of Dutch and English trading activities on the Indian sub-continent?* All such issues and intervening questions of interest and the corresponding hypotheses have been aptly discussed in this paper. The assumptions in the form of pointed hypotheses

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constructed in the earlier section of this paper have been tested for their acceptance or rejection and the results are presented in following sections along with detailed discussions and conclusive remarks which removes the dilemma and clearly come out as the findings of this work.

6. TESTING OF THE HYPOTHESIS CONSIDERED IN THE PRESENT WORK

In view of the historical background tracked as above and the categorical viewpoints presented, the hypotheses formulated have been checked for confirmation or rejection. The result of the same is produced below. Based on it, the final results are discussed and concluded under subsequent sections of this study.

- The seeds of British dominance on Indian continent in the 19th century were sown at the commencement of the 16th century itself: **Accepted**
- Europeans enjoyed the privileged trading position conferred by the Mughals: **Accepted**
- The Indo-Asian Merchants' overland trade was abandoned in 17th century after the establishment of Dutch and English trading activities on the Indian subcontinent: **Rejected**
- Textiles and Horses were the two major trading items of Indian merchants during the 17th and 18th centuries which were the part of trade diversion in key goods and potential for trade creation in others: **Accepted**
- The Dutch had a strong hold on Asian maritime trade in 17th and 18th centuries: **Rejected**

7. DISCUSSIONS AND CONCLUSIONS

It is from the seventeenth-century – until perhaps the late nineteenth-century – that India had been engaged in trade with Central Asia. There are, however, at least two reasons for limiting focus to the seventeenth-century. First, whilst the contingency of history limits the use of assumptions with other conditions remaining the same, the seventeenth-century – unlike the following centuries – provides a more constant environment in which it is possible to begin to understand the effects of European trading activities within the scope of this work. Indeed, as already noted, the eighteenth century was a period of increasing territorial advance by the English on the sub-continent, and by the Russians and Chinese in Central Asia. Furthermore, it has been argued that the diversion of the credit and trade facilities of the Indian banking firms, from the Mughals and towards regional powers such as the English Company, facilitated the disintegration of the Empire in the eighteenth-century [23]. Consequently, it is difficult to disentangle European commercial and territorial actions and consequences after the seventeenth-century. Second, as noted in the debate between global historians, a major issue concerns the extent to which the pre-Industrial Revolution period can be located as a major turning-point in world and global history, thus meriting a study of the seventeenth-century.

The second point of clarification is related to the territorial units studied in this study. It amounts to positing the existence of three countries: a home country, a partner country with whom the union is formed, and a non-member representing the rest of the world. This raises three issues. First, taking an Indian reference point, the trading world being examined consists of the totality of its commercial contacts – including China, Japan, Southeast Asia, Central Asia and Russia, the Near East, Africa particularly, but not exclusively, East Africa, and parts of Europe. The Indo-Central Asian system is one such system: on the one hand, this system was undoubtedly connected to other systems, such as the Eastern European and Russian systems in the trade of furs and fruits, or the African and Arab systems in the trade of slaves on the other hand, while the Indo-Central Asian trades can reasonably be analyzed as a single system, it is analytically useful to separate the maritime and overland trades of which it is composed into two sub-systems, for these existed in both competition (*e.g.* in the horse trade) and cooperation (*e.g.* at nodal points, such as Hormuz or Aleppo, where goods were traded and/or goods transported in ships were forwarded by caravan, and vice versa) [24]. The Indo-European system – in which goods were transported directly or indirectly via other parts of Asia, to Europe – was another such system which emerged with significance in the seventeenth-century. Second, it should be noted that the Indian sub-continent, England and Holland and Central Asia (as defined by the Indo-Central overland sub-system) can realistically and reasonably be conceptualized as the three countries.

Third, and as a consequence, it is necessary to define the geographic limits of India and Central Asia. The former, following convention, is the sub-continental mass south of the Hindu Kush and Himalayas; specifically in this discussion, however, it is the Mughal Empire that is of interest because it is here that the flourishing overland trade was centered in the 17th and 18th centuries and where most analyses have focussed.The latter, is defined as the region controlled by the Safavids and the Uzbekh Khanates, thus

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encompassing the important trading cities of Bukhara, Samarkand, Qandahar, Isfahan and Astrakhan [25].

Finally, if a customs-union is the coordinated effort of two countries/regions to eliminate tariff walls, then an immediate issue concerns whether the situation being analyzed is one of customs-union formation. On the one hand, issues of the existence and direction of state (*i.e.* Mughal) policy notwithstanding, it is doubtful whether either the Europeans or the Mughals – for all the efforts of ambassadors such as Sir Thomas Roe – intended to create anything like the customs-unions of the twentieth century. Yet, customs-unions were often primarily concerned with the establishment of market power and it has already been noted that the Europeans strived to obtain monopoly privileges on the trade of textiles, spices, and other goods. Ultimately, the above clarification provides the valuable insight into how the low costs experienced by the European Companies in its trade with Mughal India impacted the established trade pattern between Central Asia and Mughal India.

There is much evidence that the Indian trading world was highly competitive. For example, the overland trade was undertaken by individual merchants and pastoral nomads and as such probably limited the exercise of market power. The trade may then have been carried on by Indian or indigenous merchants who, despite the volume of trade they likely to have carried, are noted for their individualism and the need for competitiveness.” “The goods, which are widely documented in contemporary Central Asian and Mughal sources, included: luxury items such as horses, camels, furs, raw silk, military slaves, and other items such as dried fruit [26]. Other goods which have since received less attention, but which are recorded in the accounts left by the Arab geographers, medieval travelers and Persian chroniclers included: luxury items such as silk and silk-stuffs, precious stones, as well as various types of clothes, fruits, plants and herbs, olive-oil, rose-water, and glass. Bullion was used to finance the purchase of cloth in India for European markets and for bartering in the Spice Islands of Southeast Asia. Since the intention of tariff-levying was to increase costs on imports (albeit while generating revenue for the state), tariffs are conceptualized as tariffs proper and additional costs on Central Asian exports. On the one hand, it seemed that the Mughals liberalized rather than protected trade in this period. Jahangir, the first of the seventeenth-century Mughal emperors, seemed to have taken an unequivocal step towards liberalizing rather than protecting trade: the port duty (*mir bahri*) and personal travel tax (*tamgha*) were abolished while trade costs were reduced through the building of caravanserais (roadside inn for travelers with central courtyard) to ensure security in transit. Furthermore, income tax (*zakat*) was abolished, because it seems the emperor feared that

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it hurt merchants from the Safavid Empire and so Indo-Central Asian merchants faced significant tariffs in this period. Similarly, Aurangzeb (the last of the seventeenth-century Mughal emperors), repealed many of the damaging measures implemented by his father Shah Jahan; for example, he abolished a form of tax on profits (*hasil*) in 1663 and various transit and income taxes (*zakat*, *rahdari*, *pandari*).

On the other hand, not only had Shah Jahan introduced (the later repealed) transit taxes on food, drink and livestock, but less hagiographic sources from the reign of Aurangzeb's demonstrate that the trend towards higher tariffs increased through the seventeenth century. For example, despite the abolition of the 2.5 percent sales tax for Muslims in 1667, the tax still had to be paid by Hindus and at a rate of 5 percent. Furthermore, the contemporary French traveller Tavernier notes that all foreign visitors (except those belonging to the English or Dutch Companies) were searched on arrival in the sub-continent and ordered to pay 4-5 percent of the value of their goods in tax, and that gold and silver coins were confiscated at the northern frontier and re-minted into local coins". Finally, "Having paid the import tax and the separate tax on silver, gold, and precious stones, merchants were free to sell their goods, but whenever a sale took place they had to pay a commission of 1 to 2 percent to a broker." The Europeans, in contrast, enjoyed happier economic relations with the Mughals, which resulted in relative freedom from the payment of tariffs. Thus, Indo-Central Asian merchants faced (relatively speaking) significant tariffs in this period (and which were probably rising, rather than falling, albeit having started from a low level in the reign of Jahangir).

The analysis reveals that the goods exported by India included: luxury items, such as several varieties of cloth, carpets, embroidery, pearls, elephants, rhinoceros's horns, peacocks; and non-luxury items, such as ghee, spices, aromatic-roots, cotton, indigo-cakes, iron-swords, musk, different types of wood, sugar-candy, and food grains. With regards to the tariff, on the one hand, tariffs were levied by the English in response to fears that the domestic cloth industry could not compete with the Indian industry and on the other hand, the absence of tariffs was probably unimportant to the then purposes. In reality, England and Holland can be seen to have joined the Indian trading world at the same time that such a drop in tariffs would have been experienced, so that their absence reflects the same situation as trade having been prevented by tariff protection.

The formation of the customs union (*i.e.* the simultaneous elimination of tariffs between the home and partner countries) has two consequences. The first is *trade-diversion*, that is, the exports from the non-member (*i.e.* Central Asia) are supported by the exports from the partner (*i.e.* England and Holland). The reduction of tariffs on the imports of good from the partner allows to overcome the disadvantages from being less

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efficient, and so trade in such goods is diverted away from the Central Asia and towards Europe. England and Holland, of course, were not actually producing such goods as defined above. This suggests the assumption or the hypothesis constructed in this regard as to why the Indo-Central Asian trade was able to persist in this period [28]. The hypothesis with regards to *Trade-diversion from Central Asia to Europe must have occurred as envisaged without a significant change in the demand for Central Asian goods (which were not supplied by the Europeans). Similarly with regards to the hypothesis with regards to the trade creation*: the home-country expanded its imports of above specified goods because those goods had then become cheaper in view of the tariff policies. There is evidence of bullion inflows increasing in this period suggesting, in turn, that Indian export-production must be increasing to match the rise in imports. This suggests the satiation of the constructed hypothesis in this regard. The above discussions and the review presented highlighted two traded goods which merit investigation in conjunction with the trade-creation and trade-diversion hypotheses, respectively. First, textiles formed perhaps the most significant exports from India to both Europe (by the Companies) and to Central Asia (by the merchants of the Indo-Central Asian system) in this period [29]. Second, horses formed a valuable and significant part of the overland trade in the thirteenth and fourteenth centuries and continued to do so in the seventeenth, eighteenth and nineteenth centuries [30].

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