

# *Chapter = 8*

## *Summary of Observations*

## Chapter-8

### Summary of Observations

Major observations that the present study has so far made on the basis of available data and information are summarized in this chapter. This summary follows the course of chapterisation.

#### 8.1. On political-economic scenario

The central observation in Chapter 2 is that prior to the regime of Ugyen Wangchuk, there was a two-way causation between Bhutan's external and internal political environment, on the one hand, and her prospect of trade on the other. Various political events concerning Bhutan in the eighteenth-nineteenth centuries had far-reaching bearings on her foreign trade. When the Tibetan trade route via Nepal was closed to the British in the late eighteenth century, the East India Company sought for a route to Tibet and China through Bhutan. But since Bhutan was then stubborn not to allow any transit trade by the European, the Company's administration in Bengal sent several political missions to that country (and also to Tibet). Many trade concessions were also granted to the Bhutanese. At the end, the Company obtained permissions for transit trade, and also trade in that country by non-European traders, especially Indians. But the Duar War (1865) that the British indulged in for tea and related industries in and around Assam, again vitiated the mutual trust between them. A series of trade-related concessions to Bhutan including an annual compensation followed by virtue of the Sinchula Treaty (1865). But the Treaty could not bring any significant break-through in her trading activities as the *laissez faire* philosophy that the Treaty enshrined was not appreciated at large in the Bhutanese society. Three successive civil wars in Bhutan during 1866-84

further vitiated the prosperity of her trade. Our trend analysis for 1878/79-1899/1900 has shown that there was a secular decline in her exports during this period.

The following period of 1900/01-1905/06 brought trade prosperity to this Himalayan kingdom based on the privileges that British India granted to her. The British sanctioned those concessions in this period with a view to checking the expansion of the Russian imperialism in the Eastern Himalayas, especially the kingdoms of Tibet, Bhutan and Nepal. The Chinese threat to Bhutan also induced British India to keep her under a tighter grip. Because of benevolent British policies, however, Bhutan's trade grew rapidly during this period, and this has been evident in our trend analysis of export for this period.

## **8.2. On Bhutan's historical trade route**

Trade route of Bhutan with Tibet, Assam and Bengal that Chapter 3 elaborates were very active during the nineteenth century. The Bhutan-Tibet trade route that ran about 410 km from Paro to Lhasa belonged largely to the territory of Tibet with Bhutan accounting for only one eighth part of this stretch and three links out of 26. It was thoroughly a mountain route posing various hazards and threats to travelling traders. That was why the speed of caravans there was as low as less than 16 km a day on the average. There were three other contemporary trade routes between Bhutan and Tibet, which originated from different places of Bhutan but were all destined to Lhasa.

The Bhutan-Assam trade route ran around 170 km from Tashigang to Hajo with its intermediate stretch distributed almost equally between the hills and the plain. The route consisted of eleven links out of which six belonged to the hill terrain and five in the plain. Journey on the mountain links was tedious, and involved a good amount of risk.

Obstacles in the plain were, however, created by the rivers which did not go dry even in winter. Most of the rivers in the hills, however, remained dry in that season so that travellers walked over their beds in caravans. There were two paths connecting Tibet with this route through the valley of the Manas. Those were: a) a path via Tashigang, and b) a path via Donkar through the Ging la.

In contrast to the Bhutan-Tibet or the Bhutan-Assam trade routes, the Bhutan-Bengal trade route belonged mostly to the plain. Only a part of its 268-km long stretch from Paro to Rangpur had alternating inclinations of hilly terrain. Gently climbing down from the mountain, it passed amidst century-old human settlements in the plain. Expectedly, the average speed of caravans in this route was on a higher side, viz. about 21 km per day as against 14.5 km per day in the Bhutan-Assam route, and 16 km a day in the Bhutan-Tibet route.

Caravans used to ply on these routes only during the winter because of favourable climate and also to take advantage of dry river courses. Pack animals that were mostly used were mules, ponies, yaks, sheep etc. Choice of pack animals, however, varied according to the nationality of caravans. These were definite preference to horses in the Tibetan caravans, ponies in the Bhutanese caravans to Bengal, and sheep among the nomads. Human beings were also employed for transportation of goods in the Bhutanese caravans.

Bhutan's export list included rice, woolen cloths, *manjeets* and certain imported products from Bengal in the Bhutan-Tibet route, ponies, rock salt, blankets, spices and gold in the Bhutan-Assam route, and *tangun*, *manjeets*, blankets, cow-tails, wax, musk, walnuts, lac and certain Chinese products in the Bhutan-Bengal route. Imports from these

respective routes were raw wool, musk, tea, silver, gold, rock salt and silk goods; paddy, rice, silk cloth and cotton cloths; and broad cloth, indigo, goat skins and copper. A number of imported items such as gold, silver, rock salt, musk etc. were meant for re-export indicating the transit nature of the Bhutanese trade. The nature of the commodities traded through these routes indicates that they gave rise to trans-ecological exchanges in conformity with the hypothesis of Curtin.

### **8.3. On the use of coins**

During the seventeenth-eighteenth centuries, foreign coins like Tibetan coins, Assamese coins and *Narayani* coins of Cooch Behar were in circulation in Bhutan. Those coins flowed in from various sources through trade and also from British subsidies. Within the country the circulation of currency took place between the government and the public, and also in wholesale trade where foreign traders participated. Petty retail transactions were, however, carried on barter. We have estimated that Bhutan's tax payment was monetized at a rate of 1.13 per cent per annum during 1747-1831.

From the first half of the nineteenth century Bhutan started striking her own silver coin, the Deb Rupee, which was used side by side the foreign coins. Initially this currency had a consistent weight with 80 per cent fineness but due to the shortage of silver and also the dishonesty of minting authorities, the fineness deteriorated. The copper coins that also became current owing to the shortage of silver also deteriorated in weight and fineness during the nineteenth and the early twentieth century. A standard form of the Bhutanese coin emerged only after the enthronement of Bhutan's first monarch Ugyen Wangchuk. He regularized this system by various measures such as the confinement of

minting privileges to limited authorities, standardization of coins, and the use of dies manufactured at Calcutta mint.

Bhutan's currencies in use, however, came from two sources, foreign sources (since foreign coins, especially Indians, were accepted in all transactions) and domestic mints which minted the imported treasure and the proceeds of trade balance. This study has estimated that during 1900-25 total accretion of the Bhutanese coin was of the order of Ma-tam 308,842,188. Out of these, Ma-tam 64,392 were minted in the country, and Ma-tam 308,777,796 came from British India.

#### **8.4. On the trend of export**

There are four observations in Chapter 5. Firstly, during the reign of Ugyen Wangchuk, Bhutan's export expanded significantly through an annual growth rate of 75 per cent during 1907-08/1914-15. Although the growth was checked during World War I, it took again an upturn since 1920-21. Secondly, Bhutan promoted export during this period on the basis of her traditional line of comparative advantages. This follows from the fact that her traditional item of export, viz. live animals, continued its place of prominence, and that its share improved by 11 per cent. Thirdly, the direction of her export underwent changes during the study period. As against a clear predominance of Assam and Eastern Bengal in her trade prior to 1920, Bengal became the most favourite direction thereafter. Fourthly, exports of all articles did not move uniformly during the study period. This was mainly due to World War I which altered the demand pattern for those products in British India. For the requirement of War, certain articles were in high demand, for example, horses, ponies, mules, and other animals, while certain other products such as wax fell in demand in view of emergent resource crunch.

### **8.5. On the trend of import**

Chapter 6 has indicated that Bhutan's import trade grew on an average at 11.29 per cent per annum during the study period. But the performance was not at all uniform; it grew at a rate of 21.40 per cent per annum in the pre-War period but retarded at an annual rate of 25.55 per cent during the War. The rate of growth was 0.05 per cent per annum thereafter. Among other important findings in this chapter we note firstly that Bhutan's direction of import trade was changed during this period, especially from 1915-16. While Bhutan earlier took the lion's share of her import requirements from Assam and Eastern Bengal, Bengal gradually came into prominence thereafter, and superseded its rival in this respect in the closing year of our study period. Secondly, changes also started taking place in her composition of import that was predominated by manufacturing products and agricultural goods. Our data source has indicated a 9.30 per cent decline in the share of manufacturing products in Bhutan's import during the last six years of the study period. Thirdly, there was also diversification of import base of Bhutan in this duration. A number of new products such as paint and colours, leather, Chinese and Japanese wares, and oil were introduced in her import list in this period. Lastly, imports of all commodities did not move in a uniform direction during different phases of the study period. British India's War compulsions and constraints determined the courses of their movements.

### **8.6. On the terms of trade**

Our study in Chapter 7 has generated six major observations. Firstly, prices of most of the important export and import goods increased during the study period. Out of ten important export commodities, the price of only one commodity fell during both the War

phase and the post-War phase while that of one each was lower in one of these phases. Again, out of ten important import items, price of seven went up in both these phases, and those of three alternated their directions of change. Secondly, the price-quantity relationships for six export commodities have been found statistically significant. Out of them, the exports of three commodities were supply-determined, and those of other three commodities were demand-determined. Thirdly, the similar relationship for eight import articles have been statistically found significant, and imports of all of them were demand-determined. Certainly the trade relation between a large and a small country generates such a feature. Fourthly, six out of eight important import goods have been found to be elastic in their respective prices and four out of six important export goods were inelastic. Since all the important import articles were demand-determined, elastic nature of those commodities reduced their values of import in the phase of rising price. Inelasticities of export products also exerted favourable impact in the phase of rising price on the value of export even for those commodities whose prices were demand-determined. Note that the value of export for the commodities, whose prices were supply-determined, always increases due to higher price irrespective of the value of elasticity. Thus, the price elasticities of import and export that Bhutan confronted during the period of study were very congenial for the economy. Fifthly, the balance of trade was surplus for Bhutan throughout the study period, and it underwent steady improvement over years. Last but not the least, the study has shown that the domestic currency in Bhutan was devaluated only insignificantly during the study period, and that the rate of devaluation was 0.31 per cent.