

## **Trade of Nepal Duringthe Mid- 20th Century**

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### **Abstract**

The international trade has existed in Nepal since the 8<sup>th</sup> century. Nepal advanced significantly from ancient to medieval periods. Current time, Nepal faces the trade deficit with the foreign country. This study focuses to inform the condition of trade of Nepal during the 20<sup>th</sup> century. That is the trade pattern of Nepal during the Rana dynasty. The objective of the study is to explore the international trend of Nepal during the mid-20<sup>th</sup> century. This study employs secondary data of the trade of Nepal in mid-20<sup>th</sup> century to British-India. Up to the early 20<sup>th</sup> century, Nepal experienced a trade surplus, primarily exporting raw materials and importing finished goods from British-India. This research employs a historical approach. This research paper informs the scenario of trade of Rand dynasty of Nepal to the entire academic's ordinary people.

**Keywords:** Trade history, Export-Import, International trade

### **Introduction**

'Arthashastra,' written by Kautilya in the 4th century BCE, mentions 'Nepal' as an independent state and notes that the woolen blankets produced in Nepal were of good quality (Department of Customs, 2019). This indicates that Nepal engaged in international trade since ancient times. An inscription from 607 CE in Tistung, Makwanpur, by Anshuvarma, stated that goods such as iron, yak's tail wool, musk, and copper vessels were exportable goods. These pieces of information show that

international trade in Nepal has existed from ancient times. Trade with Tibet started in the early 8th century (Rana, 1995). After that period, Nepal, especially the Kathmandu Valley, became the center of the trade route between India, Tibet, China, and Mongolia.

In the medieval period, the Malla dynasty ruled Nepal. At that time, Nepal was known as the area governed by the Kathmandu Valley. In the 16th century AD, King Mahindra Malla (1689-1994) focused on trade with Tibet. He introduced silver coins in Nepal and also produced Tibetan coins for Tibet (Levi, 2020). He emphasized exporting goods such as Buddhist sculptures and handicrafts to Tibet. During the rule of King Pratap Malla (1641-1674 AD), Tibet became a monopoly market for Nepal and prohibit to entry for foreigner businesses besides Nepalese business to business purposes until the early 20<sup>th</sup> century. Bhim Malla, a powerful minister of Pratap Malla, conquered Tibet and established Nepali businesses from Newari families under the name of 32 Kothi businessmen (Tandon, 2077 BS). The king was always concerned about the Tibetan market. Tibetan coins were made in Kantipur, yielding a profit of 5 lakh rupees yearly from Tibet. The Malla King invited Goshain (Indian businessmen) from India and Muslims from Kashmir to promote economic activities and business in Nepal.

After the Gorkha King Prithivi Narayan Shah conquered the Kathmandu Valley and other small states, problems between Nepal and Tibet arose in the name of trade. Economic relations and dependency towards the East India Company increased after the Sugauli Treaty of 1816 AD. After the rise of Gurkha, especially after building of the greater Nepal, economy of Nepal started to decline (Hyagan, T 2075BS). Economic relation and dependency towards the East India company increased after the Sugauli treaty of 1816 AD. In 1816 AD the custom income of Nepal was Nepali rupees 80000 and in 1833 AD it became Nepali rupees 250000 (Levi,2020). In 1846, Janga Bahadur Rana captured the power of Nepal through the massacre and established family rule in Nepal and from that time dependency of Nepal increased to British-Indian government and economy. In this paper, we discuss about the trade trend of Rana dynasty, especially trade of Nepal and British-India during the mid-20th century. According to the economic

survey published by the Ministry of Finance, the total trade transaction in the fiscal year 2021/22 was Rs. 2120.48 billion. In that year, total exports and imports were Rs. 200.03 billion and Rs. 1920.45 billion, respectively. Nepal faced a trade deficit of about Rs. 1720 billion, which was 34.86% of the GDP. This is not a good scenario for a healthy economy. Is Nepal's trade deficit a current problem, or does it have historical roots? This study seeks to answer this question. The study provides valuable knowledge on the trade history of Nepal, which is helpful for both ordinary people and economists. Therefore, this study aims to analyze the trade trends of Nepal in the mid-20th century.

This study is conducted to answer the following questions;

1. To analyze Nepal's export and import trends up to the mid-20th century with India.
2. To identify the major exported and imported items between Nepal and British India during the mid-20th century.

## **Methodology**

This paper employs a historical methodology to investigate the trade history of Nepal, focusing on its trade relations with British-India from the mid-19th to mid-20th century. Historical methodology involves systematic steps to gather, analyze, and interpret historical data, ensuring a comprehensive understanding of the subject. This a review study based on secondary information from books, journal articles, and following research papers. This paper basically studies following research articles: *Trade and Commerce in Nepal* (Levi, 2020), *Economic History of Nepal*(Pandey, 2019),*Landownership in Nepal* (Regmi, 1987), *An Economic History of Nepal* (Regmi, 1988), *Trade Routes of Nepal* (Singh, 1996), and *Historical Trade Relations of Nepal* (Tandan, 2020)

## **Result and Discussion**

### **Trade of Nepal with British-India**

In this heading, the researcher focuses on trade of Nepal which exists in the Rana

dynasty. The major export and import items and its volume are presents in different headings. Nepal's trade didn't deficit all time. It defecated mainly after the 1950s. Since the First World War, Nepal's economy rapidly depended on the British-Indian economy but trade deficit did not exist until that time (Panday, 2019). Nepal's production sectors were smoothly decreased and import sectors were increased.

### Export and Import in 19th and Mid-20th century

Table-1: Trade between Nepal and India in initial of 19th and 20th century:

Year	Export Value (Rs. In Millions)	Import Value	Export/Import Ratio
1809/10	0.364	0.71	0.5120
1830/31	1.00	1.6	0.625
1890/91	1.720	1.29	1.333
1895/96	1.834	1.362	1.346
1900-01	2.36	1.63	1.448
1911/12	4.368	2.213	1.973
1915/16	3.949	2.070	1.908
1920/21	5.969	2.820	2.117
1924/25	5.82	2.794	2.083

**Source:** *Rajnaitik Arthashastrako AAKhijhal Bata, Baburam Bhattarai.*

The above table presents the export and import between Nepal and British in the initial period of the 19<sup>th</sup> and 20<sup>th</sup> century. According to the table, between the period 1809/10 and 1830/31 Nepal exported less than the import. In 1809/10 Nepal exported to India about the amount Rs. 0.364 million and imported about the amount Rs. 0.71million. Similarly, in 1830/31 Nepal faced the trade deficit during the year, export and import of Nepal was Rs.1 million and Rs. 1.6 million respectively. In 1895/96 the trade favour with the Nepal. In 1920/21 and 1924/25 exports of Nepal was more than double of imports, that is, exports on these years were Rs. 5.969 million and Rs. 5.820 million; similarly imports on same years were Rs. 2.82 and Rs. 2.794 million respectively.

The table no.2 below shows the trade volume of export and Import between British - India and Nepal.

Table-2: Volume of Indo-Nepalese Trade (1880/81to 1889/90)

Years	Export to British-India from Nepal(Rs.)	Imports into Nepal from British India(Rs.)	Total(Rs.)
1880/81	16,040,560	8,838,069	24,878,629
1881/82	13,457,436	8,133,468	21,590,904
1882/83	13,326,704	8,124,349	21,451,053
1883/84	14,694,763	9,386,416	24,081,179
1884/85	14,055,191	9,573,645	23,628,836
1885/86	16,633,552	8,391,077	25,024,629
1886/67	17,993,354	8,533,715	26,527,069
1887/88	17,872,111	11,110,714	28,982,825
1888/89	15,097,010	10,652,568	26,049,578
1889/90	15,406,349	11,530,656	26,937,005

*Source: Report on the external Trade of Bengal with Nepal, Sikkim, Bhutan and Tibet 1880/81 to 1889/90. Note on the Trade of the North western Provinces and Oudh for the year ending 31 March 1879; Annual Report of the foreign Trade of North Western Provinces and Oudh for year 1880/90.) citation from Indo-Nepal Trade Relation (1846-1947 by Vijay Kumar Tiwary.)*

The above table shows that trade between Nepal and British-India from the period 1880/81 to 1889/90. Nepal gained in trade surplus on that period. In the year 1880/81 Nepal exported from British India about the amount Rs. 16,040,560 and Import from the British-India about the amount Rs. 8,838,069. On that year Nepal's surplus was about Rs. 7,202,491 out of total trade volume of Rs. 24,878,629. Import increased with respect to export since later time of the 19<sup>th</sup> century. The table below presents the Nepal-India

trade in the eastern and central sectors from 1880 to 1900. During this period trade favored to Nepal. Nepal exported more quantity of exportable goods than the importable goods.

Table-3 Nepal-India trade in the eastern and central sectors 1880-1900..

Year	Export to India (In Millions)	Import from India	Surplus to Nepal
1880/81	10.3	5.6	4.7
1890/91	12.4	6.9	5.5
1899/1900	16.9	11.5	5.4

*Source: An economic history of Nepal 1846-1901 by M.C.Regmi p.210*

The above table shows the trade benefit of Nepal with India. In year 1880/81 Nepal exported more than Rs. 4.7 million than the import. The gap again increased in the year 1890/91 to Rs. 5.5 million. But in year 1999/1900 the gap was Rs. 5.4 million which was less than the year 1890/91. Nepal was benefited in trade with India but import percentage was increased more than the export percentage. During that time from 1880/81 to 1899/1900 the export increased by 64.07 percentage and import increased by 105.3 percentage respectively. This shows that import from India was starting slightly increasing then exporting during the later part of the 19<sup>th</sup> century.

### **Major Export and Import Commodity in 19th and mid 20th century**

Nepal has been exporting different types of commodity from India and other countries for a long time back. According to Regmi (1988), Nepal exported primary as well as final products in the early time from the different parts of the nation. Musk, hawk, and horse from the Himalayan region; cotton, cardamom, medical herbs and metal goods, ghee, from the hilly region; agricultural product such as, food grains, pulses, oil seeds, skin, and timber were exported from Terai region. Half of the Nepal's total export was of foods grains and other half of the export was of the following items: timber, ghee,

tobacco, hide and skins etc during the closing year of the 19<sup>th</sup> century. During the mid 19<sup>th</sup> century Nepal started exporting Opium to India. Opium export was highly increased in year 1883/84. Another major exported goods was Saltpeter to India. In 1878/79 Nepal export Saltpeter amount to about 35205 maunds of worth Rs. 281640 to India. Nepal also exported copper to India up to mid 19<sup>th</sup> century (Regmi,1988).

During the early years of the nineteenth century, Nepal imported mainly final luxuries products from India and European countries through India. Cotton and cotton goods, salts, sheep, goats and buffaloes, zinc, lead, tin, pewter were imported from India. Household utensils made of copper, brass and bell-metal also was imported in Kathmandu and hill sides. Kerosene and petroleum products were imported from the beginning of the 20<sup>th</sup> century (Regmi, 1988).

Table-4: Food grain exported from Nepal to India through Bengal 1878/78 to 1889/90 (In maunds)

Years	Wheat	Gram&p ulse	Other spring crops	Rice(husk ed)	Rice (unhusked)	Other rain crops
1878/79	9467	31,415	25,730	990,644	617,238	322,620
1879/80	7,606	54,089	23,019	811,105	665,457	244,039
1880/81	13,556	78,209	74,530	791,191	495,772	187,020
1881/82	8,360	64,762	43,162	747,268	640,690	173,415
1882/83	12,890	58,258	58,164	832,516	758,458	228,069
1883/84	16,455	63,842	37,526	508,288	644,137	275,142
1884/85	7,432	43,300	27,920	361,560	541,118	213,995
1885/86	9,375	30,937	33,157	613,117	649,504	293,849
1886/87	38618	95,790	53,628	768,411	811,946	201,778
1887/88	69,979	113,501	50,546	999,770	1,184,152	333,926
1888/89	22,903	40,127	38,460	376,922	632,623	152,745
1889/90	7,272	23,496	14,179	704,401	977,587	276,019

1890/91	29,112	122,955	43,301	879,926	1,296,506	235,754
1891/92	43,813	81,247	45,113	441,520	700,887	142,508
1892/93	6,878	70,705	11,605	460,539	857,579	309,066
1893/94	7,558	84,298	20,107	582,219	909,282	162,132
1894/95	28,199	143,671	86,905	659,651	1,009,555	886,595
1895/96	56,293	179,414	131,100	761,696	991,522	279,951
1896/97	44,111	158,919	113,185	690,970	709,656	570,946
1897/98	17,083	160,298	59,739	737,316	893,881	361,831
1898/99	31,471	145,267	95,137	634,598	1,032,352	287,977
1898/1800	34,808	162,477	89,575	1,136,688	1520,563	498,779

*Source: Indo-Nepal trade relations (1846-1947) by Vijay Kumar Tiwary*

The above table presents the major foods grains exported by Nepal from the year 1878/79 to 1899/1900. Over that time Nepal exported to India mainly wheat, gram & pulse, other spring crops, rice (husked), rice (unhusked) and other rain crops. Husked and unhusked rice were the main exported goods from Nepal.

Timber, another important exported item of Nepal was exported from Terai region. Large amount of the timber was exported and Rana ruler had monopoly over the market of the timber. In 1878/79 out of 569,409 maunds of timber 48,373 maunds of timber were exported through Bengal and remaining through North Western Provinces and Oudh.

Table- 5: Export of timber from Nepal to India 1878/79 to 1889/90

Years	Quantity in maunds	Value In Rs.
1878/79	569,409	845,110
1879/80	679,235	1,489,994
1880/81	1,492,721	3,110,042
1881/82	1,920,623	1,891,194



1882/83	1,763,097	2,635,669
1883/84	1,850,276	2,536,662
1884/85	2,517,341	3,634,130
1885/86	2,110,105	2,930,375
1886/87	2,222,383	3,024,613
1887/88	2,430,756	2,350,040
1888/89	1,423,007	2,054,123
1889/90	45,001	699,206

*Sources: Report on the External Trade of Bengal with Nepal, Sikkim and Bhutan 1878/79 to 1889/90. Annual Report of the Foreign Trade of North Western Provinces and Oudh 1878/79 to 1889/90. Citation from Nepal and British India.*

In the year 1880/81 Nepal exported 1,492,721 maunds of timber with worth Rs.3,110,042 and in year 1886/87 Nepal exported 2,222,383 maunds of timber with the value Rs. 3,024,613. But the timber was cheaper in the year 1896/87 than the year 1880/81. The timber sold to India in year 1889/90 was amount Rs. 699,206 of weigh 451,001 maunds which was the minimum quantity during the period 1878/79 to 1889/90.

Ghee was another major exported item from Nepal to India. Hilly region was suitable for animal farming and each farmer used to keep animals in their farm. From the hilly sides huge amount of ghee was exported.

Table 6: Exports of Ghee from Nepal to India through Bengal

Years	Quantity in Maunds	Value in Rs.
1880/81	4,284	138,088
1818/82	5,881	188,192
1882/83	10,352	300,208
1883/84	7,239	209,931

1884/85	7,244	211,558
1885/86	5,640	168,810
1886/87	3,460	111,975
1887/88	5,127	171,397
1888/89	9,075	289,021
1889/90	11,295	359,636

*Source: Nepal and the British India*

The above table shows the export data of ghee from Nepal to British-India from 1880/81 to 1889/90. During this period Nepal exported different quantity of the ghee. In 1880/81 Nepal exported 4,284 maunds of the ghee of the worth Rs. 138,088. This amount were increasing up to the year 1889/90 besides the year 1886/87. In the year 1889/90 Nepal exported 11,295 maunds of the ghee of value Rs. 349,636 which was the highest amount during the period.

Hides and skin were also exported from Nepal to the British- India. Nepal exported the hide in year 1877/78 about 2,047 maunds with value Rs. 32,723 (Singh, 1996). Opium was another exportable product of the Nepal. In 1883/83 Nepal exported 628 maunds of Opium in India (Regmi, 1987).

#### **Import of Nepal from British-India:**

Up to the mid 20<sup>th</sup> century Nepal's economy was linked mainly with British-India. Nepal used to import almost deficit commodity from the India. Few elite and ruler person used to import luxuries item from Britain and Europe. Major imported goods were final products not primary goods. Cotton clothes were the major imported product which was brought from India as well Europe also.

Table 7: Import of cotton and cotton goods from Bengal into Nepal

Years	Raw in maunds	Cotton Rs.	Piece goods European value in Rs.	Piece goods India Value in Rs.
1878/79	6,511	104,176	1,887,996	295,842
1879/80	7,011	119,187	1,724,118	297,426
1880/81	5,721	96,306	2,174,290	184,979
1881/82	5,623	95,591	1,834,818	132,693
1882/83	8,154	138,618	1,819,592	178,058
1883/84	8,069	132,750	2,135,246	247,540
1884/85	5,849	88,264	1,864,682	336,557
1885/86	7,198	99,123	1,557,508	162,654
1886/87	5,454	86,072	1,646,437	173,627
1887/88	5,836	87,768	1,927,111	307,190

*Source: Report on the External Trade of Bengal eith Nepal, Sikkim and Bhutan. Citation from Nepal and the British-India.*

After the Sugauli treaty, Nepal's economic relation rapidly increased with the East India Company. During that time involvement of British Indian business persons were increased in Nepal and imported items were rapidly brought in Nepal from India as well as from British European region. Major imported item was the clothes. The above table no.7 presents the import of raw cotton from India and pieces cotton from the European and Indian origin. Nepal brought large amount of pieces cotton than the raw cotton from abroad. European cotton was imported in large amount than Indian origin cotton.

Nepal imported different items from abroad specially from India and British Europe. Major imported goods were gram and pulses, iron and steel, brass and copper, kerosene and other oil products, salt, betel nuts, sugar, tea and tobacco. Copper was imported in Nepal since mid-1860s (Regmi, 1988). Iron was also produced in eastern Nepal in Dolakha district. Its production was decreasing after initial time of the 20<sup>th</sup> century and imported from India (Pandy, 2076AD). Nepal brought the final goods than the raw

goods. Kerosene and salt weren't produced in Nepal, because of these reasons it was necessary to import from abroad. Nepali cloths productions were affected by importing from the India and Britain. High class elite family and middle people stopped to wear the Nepal made cloth after the initial time of the 20<sup>th</sup> century.

Table-8 Major Imports Items from India into Nepal (Quantity in '000' maunds)

Year	Gram & pulses	Iron & Steel	Brass & copper	Kerosene & other oil product	Salt	Betel-nuts	Sugar	Tea	Tobaco
1942/43	174	13.1	0.9	73.8	646.6	9.2	62.0	1.2	55
1943/44	202.2	12.0	0.3	79.8	717.2	13.9	78.7	3.8	26.9
1944/45	169	15.8	1.3	29.0	712.9	13.6	64.0	2.5	23.0
1945/46	280.8	33.6	5.8	66.6	937.8	25.1	62.3	2.3	36.9
1946/47	268.8	29.0	11.6	59.7	629.5	11.0	51.2	3.1	27.9
1947/48	149.9	16.9	6.9	62.4	680.0	11.8	31.9	13.3	18.3
1948/49	127.4	13.2	3.5	64.2	851.2	19.5	51.8	4.1	13.6
1949/50	89.6	25.3	17.6	62.4	648.9	18.8	31.3	1.2	24.4
1950/51	200.5	51.7	7.8	70.5	748.6	22.6	49.2	1.6	26.0
1951/52	33.6	47.7	4.1	100.0	795.0	20.8	47.7	9.4	19.5
1952/53	89.7	24.9	2.3	59.9	802.3	10.2	37.7	2.1	17.4
1953/54	33.4	28.6	3.1	83.1	430.9	10.6	38.8	1.0	12.9
1954/55	38.2	23.3	3.7	76.1	588.3	4.8	43.3	0.4	15.5
1955/56	39.4	29.7	3.7	118.8	773.4	3.9	49.0	0.6	19.3
1956/57	91	36.1	3.6	232.4	516.7	4.6	56.1	1.3	8.7
1957/58	65.1	72.4	11.3	403.1	742.4	10.3	74.1	1.9	51.9
1958/59	85.4	41.25	11.0	325.1	830.8	4.8	84.3	1.8	45.8
1959/60	20.4	27.0	4.7	245.2	581.6	0.6	14.2	0.8	48.6

*Source: Indo-Nepal trade relations (1846-1947) by Vijay Kumar Tiwary*

The above table presents the imported goods by Nepal. Nepal imported salt in huge amount which is the first rank among the above list. Copper and sugar were imported in lower quantity among the above table.

Nepal, one of the world's oldest countries, has engaged in international trade since the 8th century. From the ancient to the medieval period, Nepal significantly advanced in trade. However, in recent times, Nepal faces a trade deficit with foreign countries. This study focuses on the trade conditions of Nepal during the mid-20th century, particularly with British-India. The objective is to explore the international trade trends of Nepal during this period, using secondary data from the mid-20th century. Up to the early 20th century, Nepal experienced a trade surplus, primarily exporting raw materials and importing finished goods from British-India.

### **Conclusion**

The historical analysis of Nepal's trade patterns from the mid-19th to mid-20th century reveals significant insights into the country's economic development and its interaction with British-India. Initially, Nepal enjoyed a trade surplus, particularly in the late 19th century, where exports of raw materials like ghee, hides, opium, and various food grains consistently outpaced imports. This period of trade surplus was marked by robust exports of primary goods, which were highly sought after in the British-Indian market. However, this trend began to shift in the early 20th century. The increasing importation of luxury items and finished goods from British-India and Europe, such as cotton clothes, kerosene, and household utensils, gradually tipped the balance. Nepal's reliance on imported goods, particularly those not produced domestically, grew significantly. This reliance highlights the transformative impact of British colonial trade policies and the industrial goods influx from Europe, which altered local consumption patterns and production capabilities.

The Sugauli Treaty of 1815 played a pivotal role in accelerating this trade relationship, fostering closer economic ties and increasing British influence in Nepal. The treaty's

aftermath saw a surge in British-Indian business activities within Nepal, further integrating Nepal into the regional economic framework dominated by British interests. By the mid-20th century, Nepal's trade dynamics had undergone a noticeable transformation. The decline in local production sectors, particularly in traditional industries such as textiles, metal goods, and food grain processing, resulted in a greater dependency on imports. This shift was exacerbated by global events such as the First World War, which disrupted trade patterns and emphasized Nepal's economic vulnerabilities. The country's transition from a net exporter to a net importer reflects broader economic trends and the challenges of maintaining self-sufficiency in a rapidly globalizing world.

The historical trajectory of Nepal's trade underscores the critical need for strategic economic planning and diversification. As Nepal continues to navigate the complexities of international trade, lessons from its past highlight the importance of bolstering domestic production capabilities, reducing dependency on imports, and fostering sustainable economic practices. Strengthening local industries, investing in technological advancements, and promoting value-added exports can help Nepal achieve a more balanced and resilient trade portfolio. Understanding these historical trade trends provides valuable insights for policymakers and economic strategists aiming to address contemporary trade challenges and enhance Nepal's economic sovereignty.

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