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## FOREIGN DEPARTMENT.

### NOTIFICATION

*Fort William, the 18th December 1902*

The subjoined Agreement between the British Government and the Hyderabad State, whereby His Highness the Nizam leases the Berar Districts in perpetuity to the British Government, is published, with the connected correspondence, for general information

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No. 19, dated India Office, London, the 28th March 1876

From—The Most Noble THE MARQUESS OF SALISBURY, Her Majesty's Secretary of State for India,

To—His Excellency the Right Honourable the Governor-General of India in Council

I have received and considered your letter of the 11th of June last (No. 18 of 1877) enclosing a memorial from the Regent Ministers of Hyderabad, praying for restoration to them of the administration of the Assigned Districts of Berar, and Your Excellency's reply to that request.

2 I concur with Your Excellency in thinking that the previous correspondence which has passed upon this subject dispenses with the necessity of examining and refuting the historical contentions put forward by the Ministers in support of their prayer. It is superfluous at this time to inquire into the grounds and motives which actuated those who concluded the Treaty of 1868. The fact that it was signed, and that its provisions are binding on those who signed it, is the material fact with which Her Majesty's Government on the one side and His Highness's Government on the other side have to deal. To go behind it—to impugn the reasons which induced the signatories to conclude it, and on that ground to challenge its validity, is inconsistent with the practice of nations.

3 It would be sufficient, therefore, that I should now simply express my approval of the course which you have followed, and my concurrence in the

arguments which on this and on former occasions your Government has employed. But in this and in former letters from the Ministers, a line of reasoning has been pursued, of which, if I do not take any notice, I may seem to have admitted the legitimacy, and upon which, therefore, I will make some observations.

4 A claim, as of right, to the restitution of the administration of Berar will be naturally sustained by appeals to the treaties and other formal obligations of the British Government. To a certain extent the arguments advanced have been of this character, and little as the Regent Ministers appear to Her Majesty's Government to have been successful in establishing their contention, no doubt can as far be made to the legitimacy of the evidence to which they appeal. But formal treaties, or instruments of like authority, are by no means the only documents which they quote in seeking to fix a pledge or obligation on the British Government. A large portion of their argument rests on expressions of opinion by servants of that Government, contained in letters or minutes addressed by them, not to the Nizam and his officers, but to their own superiors or subordinates. It often happens that these papers are subsequently given to the world in a Parliamentary Blue Book. The Ministers appear to assume that opinions which they find expressed by highly placed officers of the Crown, and published in this manner, are binding upon Her Majesty's Government, and constitute a pledge which the latter may be called upon to fulfil. It is very necessary to point out that this assumption is quite unfounded.

5 In all Governments, and especially in the Government of India, it is generally requisite that public servants should record the reasons on which any particular measure or order is based. The statement of these reasons may take the form of instructions to the subordinate officer, by whom the orders are to be executed, or they may be contained in minutes and reports addressed to Her Majesty's Government in explanation of the policy that has been pursued. Such documents, if they are to be of any value, must contain not only records of fact, but statements of opinion upon disputable questions. They may contain arguments upon the rights and claims of persons concerned, upon contested questions of obligation, upon controverted points of external and internal law. It must occasionally happen that, in his treatment of these questions of opinion, the officer may hold, and express with great distinctness, views which are entirely at variance with those of the Government under which he is serving, and, perhaps, the consciousness that his opinions are not generally shared will lead him to dwell upon them at greater length, and to advocate them with more energy. The Government may possibly approve the measures that have been taken by an officer, while dissenting from his opinions upon matters of controversy, but unless the statement of these opinions contains matters requiring immediate decision, they will probably be satisfied simply to approve his policy without expressing any judgment on his opinions. The documents may, in due course, be published, but it would be a great error to assume that Her Majesty's Government are in the slightest degree pledged to the expressions of opinion or the interpretation of documents, or the estimate of rights, which the reports so published may be found to contain. No obligations can be created on their part towards any other person, except by assurances addressed by them or on their behalf to him for that purpose.

6 It is, therefore, irrelevant to discuss point by point the various opinions which have been quoted during this controversy out of the official correspondence of various Governors-General and other officers during the half century which elapsed between the surrender of Berar by the British Government to the Nizam, and its re-assignment by the Treaties of 1853 and 1860. It would not be difficult to show that the opinions attributed to the Marquis of Hastings, and the Marquis of Dalhousie, and the Earl Canning are not really deducible from the expressions which are quoted out of their correspondence. But it is comparatively of little importance to ascertain what is the significance of their language; and the discussion might attach to it an exaggerated value. It is essential to insist that their meaning is irrelevant to the question of obligation. The pledges of Her Majesty in respect to Berar are to be found only in the formal engagements which have been contracted on her behalf.

7. The only formal engagements which are directly material to this controversy, are to be found in the Treaties of 1853 and 1860. In order to elucidate the meanings of these documents, the Ministers dwell upon the conversations which took place during the negotiations between the Nizam and the British Residents, Colonel Low and Colonel Davidson, and they seek apparently to establish that the Nizam had fully resolved not to cede the district in perpetuity, and that the arrangement to which he did agree was accepted by him rather in deference to the superior material force of the British Government, than of his own genuine inclination. Upon these latter circumstances it is hardly necessary to enlarge. The Nizam appears to have been guided by a fear of losing the Contingent, a body of whose utility to his Government, in spite of its costliness, he was well convinced. But the obligations of the treaty can hardly be thought to turn upon this point. The doctrine that the validity of a treaty is affected by the fact that one of the two parties signing it was actuated in doing so by a consciousness of the material superiority of the other, would, as I have already observed to you, be fatal to the mass of treaty law over the whole of the civilized world. Nor is it necessary to inquire into the exact nature and application of the conversations which passed between the negotiators of the Treaty of 1853. Its language requires no elucidation, but sets forth with perfect distinctness the nature of the relation which it was intended to establish. It is manifest that the treaty does not convey any absolute cession of Berar. Lord Dalhousie appears to have desired such an arrangement, but the Nizam entertained insuperable objections to it, and no attempt was made to force it on him. If the cession had been absolute, the entire sovereignty would have passed to the British Crown. No transfer of sovereignty in fact took place, but the territory remained among the dominions of the Nizam, as it had been before the treaty was signed. The Nizam retained unimpaired all the personal dignity which this sovereignty had previously conferred upon him, and the net revenue of the province, after all charges of administration have been defrayed, has ever since been paid into his treasury. All that he parted with was the actual conduct of the administration. So far the limited nature of the assignment is clearly borne out by the language of the treaties, and has always been scrupulously recognized in practice by Her Majesty's Government.

8. But when the Ministers attempt to extend this important limitation in the scope of the assignment, by adding to it a limitation in time as well, they are inserting into the treaty a stipulation of which its actual text does not bear the slightest trace. There is no word in it indicating any term after the expiration of which the assignment is to cease, or vesting in one of the signatories the power of terminating it at will. If any intention had been entertained of fixing a limit to the duration of the British administration, or of making its continuance to depend on the will of the Nizam, words to that effect would have been inserted. The entire absence of any such words is, in the judgment of Her Majesty's Government, decisive of this controversy.

9. The Regent Ministers, on this, as on previous occasions, do not rely exclusively upon their claim to the re-assignment of territory as of right, but enforce it by an appeal to the favour of Her Majesty, and the friendly relations which have long continued between the British Government and the Nizam. While fully recognising the satisfactory nature of these relations as they at present exist, and the advantage which their continuance confers upon both Governments, I am unable to admit that a question of this character can be disposed of as a matter of favour, or that the policy of the British Government in respect to it can be looked upon as a test of the amicable nature of the sentiments they entertain towards the Government of the Nizam. The matter in controversy here is not dignity, or revenue, or any matter of personal enjoyment, it is the control over the lives and properties of two millions of men. In dealing with interests of this magnitude, Her Majesty's Government must necessarily be guided by considerations of a more imperative character than the sentiments, however friendly, which they entertain towards another Government. A very strong presumption exists in such a case against disturbing a state of things which was not only sanctioned by treaty, but is now established

by usage. It would be invidious in this despatch to compare the relative merits of the British system of Government with that which has prevailed in the dominions of the Nizam during the period covered by the review of the Ministers. But it may be at least confidently said that the two Governments differ widely in their methods, and that a thickly peopled territory could not be transferred from one system to the other without a disturbance in the most important circumstances of life being felt by every class of the population. No doubt, the interests of the empire at large, and especially of the adjoining populations, and the character of the administrative system which ultimately takes root in the Nizam's dominions, are considerations germane to such an issue as the Ministers desire to raise. But it would be necessary to make good a very strong case of advantage on the whole to those who would be affected, in order to overbear the weighty presumption which treaties and the actual well-being of the Assigned Districts have established against a change.

10 Your Excellency, in replying to this appeal on the part of the Ministers to the favour of the Crown, has noticed the inconvenience of discussing questions of this kind, while the Nizam, on whose behalf they are professedly raised, is himself a minor. In this opinion I entirely concur. You go on to say, that if on His Highness undertaking the government, he should desire to bring the whole of the treaty arrangements between the two Governments under general revision, the British Government will take His Highness's request into consideration. I confirm this intimation on your part on the understanding that in making it you do not in the slightest degree prejudice, by any present engagement, the discretion of the Government of the day to deal as it shall think expedient with any question submitted by the Nizam.

No. 57-Political, dated India Office, London, the 11th May 1899.

From—The RIGHT HON'BLE LORD GEORGE FRANCIS HAMILTON, Her Majesty's Secretary of State for India,

To—His Excellency the Right Honourable the Governor-General of India in Council

Having considered in Council the Report on the Administration of the Hyderabad Assigned Districts Administration Hyderabad Assigned Districts for the year 1897-98, my attention has been drawn to the fact that in the year under review no surplus revenue was available for payment to His Highness the Nizam.

2. This result may, no doubt, in a large measure be attributable to the influence exercised by the prevailing scarcity both on the Civil Expenditure in respect of famine relief, and on the Military Commissariat Expenditure, owing to dearthness of grain. I observe, however, that the average payments made to the Nizam during the period from 1892-93 to 1896-97, had fallen to Rs. 78,192, as compared with an average of Rs. 186,811 in the previous twenty years.

3. I cannot regard this state of things as satisfactory, and I commend the matter to the serious consideration of Your Excellency's Government, with a view to the adoption of such measures of economy as may be found practicable, in order to establish the financial position of Bazar on a basis which should provide an adequate surplus of revenue over expenditure for payment to the Nizam.

No. 53-C, dated Viceroy's Camp, the 25th April 1902

From—H. S. BARRA, Esq., C.S.I., Secretary to the Government of India in the Foreign Department,

To—The HON'BLE LAWYER-GENERAL COLONEL D. W. K. BARR, C.S.I., Resident at Hyderabad.

In the course of his recent visit to Hyderabad, His Excellency the Viceroy arrived at a settlement of the Berar question with His Highness the Nizam. This settlement was the result of informal and private communications that had

for some time been proceeding between His Excellency and His Highness. As there is no official record of these communications, which had been largely conducted by word of mouth, I am now to address you officially on the matter, and to instruct you to place before His Highness the following statement concerning the proposals that were made, with a view to securing His Highness's formal confirmation of his acceptance.

2 There has been no discussion of the Berar question between the British Government and His Highness, since the correspondence that ended with the

\* Copy forwarded with the letter from the Government of India in the Foreign Department, No 1008 P, dated the 18th May 1878

despatch\* of Lord Salisbury (at that time Secretary of State for India), dated 26th March 1878. On that occasion Lord Salisbury, in replying to a memorial from the Regent Ministers of Hyderabad, praying for the restoration to them of the administration of the Assigned Districts of Berar, stated at length the reasons which prevented Her late Majesty's Government from acceding to any such request. He pointed out that the engagements of Her late Majesty in respect of Berar were to be found only in the two Treaties of 1853 and 1860, that no limitation of time whatever was assigned to the British administration of Berar by either of those Treaties, that a very strong presumption existed against the disturbance of a state of things which was not only sanctioned by Treaty, but was now established by usage, and that this presumption was fortified by a consideration of the actual well-being of the population in the Assigned Districts.

3 At the same time, in thus refusing the request of the Regents, Lord Salisbury went on to say that, should His Highness the Nizam, who was at that time a minor, desire at a later date, after undertaking the government of his State, to bring the whole of the Treaty arrangements between Great Britain and Hyderabad under general revision, the British Government would take the request into consideration, but must reserve to the Government of the day a full discretion to deal with the matter as they might find expedient.

4 This was the starting point of the recent communications, which were conducted with the knowledge and authority of His Majesty's Government, between His Excellency the Viceroy and His Highness the Nizam. Understanding that the latter was willing once again to bring the matter under discussion, His Excellency suggested to His Highness the proposals which have since been accepted. It was not sought on either side to revive the controversies of the past. They were regarded as having been determined by the reply of the British Government contained in the aforesaid despatch of Lord Salisbury. The considerations that were already strong in 1878 had manifestly gained, instead of losing, in force during an additional quarter of a century of British administration. They precluded the revival of a request that had even then been rejected without qualification. But this did not render the British Government less willing in 1902 than they had been in 1878 to consider any solution that might conduce to the interests of the Hyderabad administration, to the satisfaction of its Ruler, and to the permanent maintenance of the happy relations that have so long prevailed between the Paramount Power and the Hyderabad State.

5. Although, as had been pointed out by Lord Salisbury, no limit of time was fixed in either of the Treaties of 1853 or 1860 to British administration in the Assigned Districts, and although, in the interests of Berar itself, there was no manifest reason for any change in the existing system, yet there were circumstances in the situation created by the Treaties that seemed to be susceptible of positive improvement in the interests both of the British Government and still more of His Highness the Nizam. It was a consideration of these circumstances, which I am now to recapitulate, that suggested to His Excellency the Viceroy the proposals recently put forward by him, and that also commended them to the acceptance of the Nizam.

Firstly, it cannot be doubted that the system under which the Assigned Districts of Berar have been administered, according to the terms of the Treaties, as a separate Province under the British Resident at Hyderabad has not been as economical as could be desired. The result of a recent enquiry, ordered by the Government of India, into the civil administration of Berar has shown that,



while it may be possible to introduce certain economies in the existing scale of expenditure in Berar, these economies can only be insignificant, unless accompanied by such a redistribution of administrative authority as will enable the Government of India to incorporate the administration of Berar with that of the neighbouring British Provinces. Such an amalgamation would render possible a reduction of local staffs and establishments, and would finally assimilate the administrative standards of Berar and of the adjacent districts of British India. Hitherto this has been rendered impossible by the Treaties. The desirability of their revision, so as to admit of a change in this respect, is greatly enhanced by the effect that has been produced by the same causes in curtailing the balances paid over from year to year to the Nizam. Thus on both sides there would appear to be the strongest grounds for reviving an arrangement that has been shown to be so wasteful of the resources of each.

*Secondly*, there is similar scope for reorganisation and retrenchment, though hitherto prevented by the same reasons, in the case of the military force known as the Hyderabad Contingent. Under the Treaties it has been necessary to maintain this force as a separate unit at a recognised strength in certain stations in His Highness's dominions. The advantages that might accrue from any redistribution of strength, or reduction of numbers, still more from the incorporation of the Contingent with the neighbouring forces of the Indian Army, have been prevented by the Treaties. An arrangement has thus been stereotyped for nearly half a century, which, as time has passed and communications have improved, has scarcely been demanded for the adequate protection of His Highness's dominions, whilst it has imposed upon the Government of India a system compatible neither with economy nor with efficiency of administration. It must be to the interest of both parties that some change should be introduced into this situation. Nor will such a change, in all probability, be less welcome to the Nizam, if it is no longer considered necessary to maintain the separate existence or title of a force whose associations are believed to be somewhat invidious to the feelings of the Hyderabad State and its Ruler.

*Thirdly*, while it has been shown to be desirable, in the interests of both parties, that a complete revision should take place of the conditions under which Berar is at present administered and the Hyderabad Contingent maintained, it is even more desirable, in the interests of the Nizam, and is certainly the wish of the British Government, that His Highness should receive from these portions of his territory which have hitherto been assigned a more regular and assured income than that which, under the Treaties, it has hitherto been found possible to pay over to him. The terms of the Treaties in this respect have in no way been departed from, nor has any complaint been received from His Highness as to the nature or amount of the surpluses which from time to time he has received. The Treaties themselves, for the reasons already named, have, however, been fatal to real economy of administration, and, as a consequence, to the payment of large surpluses. The largest surplus that has ever been paid over to His Highness the Nizam in any single year since 1860 was Rs. 19,75,000 in 1887-88. In several years, owing to famine or other causes, there has been no surplus at all. The average of the surpluses transferred to Hyderabad during the forty years between 1860 and 1900 amounted only to a fraction under nine lakhs per annum. More recently all chance of a surplus payment to the Nizam for many years to come has been seriously affected, if not altogether destroyed, by the contraction of certain loans, for the repayment of which (capital and interest) the Berar surplus, when there is a surplus, has been made the chief security, *viz.*, (1) the loan of two crores from the Government of India to the Hyderabad State in 1900, and (2) the famine loans amounting to 141 lakhs which have been made by the Government of India to Berar. The interest upon the former, or Hyderabad loan, is fixed at 4 per cent, and it is to be repaid partly by annual payments of 2 lakhs by the Nizam, but in the main by annual instalments of 15 lakhs, towards principal and interest, from the Berar surplus. The interest upon the second, or Berar loans, is 3½ per cent; and they are to be repaid by an annual instalment of 5 lakhs a year from the Berar surplus spread over 25 years. Should there be no surplus in any year or

years, the repayment of these loans will be proportionately postponed. In any case, it is clear that while Berar has for forty years been a source only of fluctuating and precarious revenue to the Hyderabad State, there is no chance, under existing conditions, of any change being effected in this condition of affairs for many years to come and that, even if such economies are introduced by the Government of India as have been shown by the recent enquiry to be possible, it will not be the Nizam, but the Government of India, who will profit by the saving, in the greater rapidity with which their loans will be repaid.

6. These conditions suggested to His Excellency the Viceroy the arrangement which he recently communicated to His Highness the Nizam, and which has been accepted by the latter. The present arrangement by which the Berar Districts are assigned to the British Government will be terminated. The sovereignty of the Nizam over Berar is re-affirmed. But His Highness undertakes to grant a lease in perpetuity to the British Government of the districts hitherto assigned, in return for a permanent annual rent of 25 lakhs. The annual rent will not be payable to His Highness in full for several years to come, since a part of it must be devoted to effecting, under an arrangement which will presently be discussed, the liquidation of the loans for which the Berar Revenues have already been made the security. As soon as these loans have been discharged, the annual rent will be payable in full to His Highness the Nizam. For their part the Government of India will in future be at liberty to administer Berar in such manner as they may deem desirable, by amalgamation with adjoining British territory or otherwise. The Hyderabad Contingent will also cease to exist as an independent auxiliary force, its strength in Hyderabad territory will probably be found capable of reduction, and it will be finally incorporated in the Indian Army.

7. It has been the desire of the Government of India in making this proposal to vindicate in the fullest manner, compatible with convenience and reason, the sovereignty of His Highness the Nizam. Indeed, his sovereignty over Berar will be not less, but if anything more clearly acknowledged by the grant of a lease than by the cession of an assignment. Although the territories leased from His Highness may hereafter be administered as part of a British Province, the laws of British India will only continue to apply through the exercise of the foreign jurisdiction of the Governor-General in Council. Further, His Excellency the Viceroy has signified his willingness, should the Nizam attach value to such a suggestion, to undertake that the flag of His Highness the Nizam shall be flown at the head-quarters of the local administration in Berar upon the anniversary of the birth of His Highness, and that a salute should be fired in his honour on the same occasion. This is a compliment that is not paid to the Ruler of the Hyderabad State under the existing form of administration.

8. There is one point in connection with the suggested reduction in the Hyderabad Contingent, that was mentioned by His Excellency to the Nizam and which I am instructed to request you to bring again more particularly before the attention of His Highness to whom it was submitted by you as far back as January last, in the first outline of the Viceroy's scheme. It has been proposed that the strength of the Hyderabad Contingent, that is of the Indian troops who will in future be stationed in His Highness's territories, shall be reduced. This is a concession which the Government of India are willing to make if His Highness can *pari passu* see his way to initiate a corresponding reduction in the number of irregular troops at present maintained by the Hyderabad State. These troops consist of 19,500 men, and they cost the Hyderabad Treasury 45 lakhs a year. Their numbers appear to be fraught with some peril rather than with any material advantage to the State, while the annual charge entailed is an expensive and unnecessary burden. The Government of India are animated solely by a regard for the best interests of the Nizam himself and of his State, in suggesting that a substantial reduction should be made in the strength of this irregular force. The proposal of the Viceroy was that the number of troops in Hyderabad territory, who are at present comprised in the Hyderabad Contingent, *i.e.*, 6,800 men, should be reduced to 4,500—5,000 men, to be maintained in future at a reduced number of stations, and that the Nizam's irregular forces should be simultaneously reduced to 12,000, or, if His Highness is agreeable, to 10,000 men.

9. Different alternatives have been placed before His Highness for making to him an annual payment of rent pending the liquidation of the Hyderabad and Berar loans. The arrangement that appeared to be most satisfactory would be the payment to him of an immediate cash benefit of 8½ lakhs a year for 20 years, and of 16½ lakhs a year in the 21st and following years, culminating in the full 25 lakhs after both the loans had been fully repaid, which would be in about 30 years. These payments would be made concurrently with the continuous liquidation of the loans, and His Highness would continue to pay to the Government of India the 8 lakhs a year which he has undertaken to contribute towards the Hyderabad loan until it is fully repaid. Under this arrangement the annual rent of 25 lakhs would be thus distributed —

- (a) To the Nizam, 8½ lakhs for 20 years · 16½ lakhs from the 21st year till the loans had been fully repaid thereafter 25 lakhs.
- (b) Towards the Berar loans, 10 lakhs for about 20 years.
- (c) Towards the Hyderabad loan, 8½ lakhs

The 10 lakhs a year would discharge the Berar loans, principal and interest in a fraction under 20 years, and the 8½ lakhs, with His Highness the Nizam's 8 lakhs a year, making 11½ lakhs in all, would discharge the Hyderabad loan in a fraction over 20 years. By these means His Highness would receive in the next 30 years a total sum of 395 lakhs, loans amounting to 341 lakhs being in the meantime discharged. The Government of India in fact in return for the lease of Berar will undertake to provide from its revenues and from their own resources a total sum of 638 lakhs in 30 years, and will promise to His Highness an assured income of 25 lakhs a year afterwards. If the surpluses in the future were not to exceed the average of the last 40 years, namely, 9 lakhs a year, that sum, even with the 8 lakhs payable towards the Hyderabad loan by His Highness, would not suffice to pay the interest on the two loans, and there would be nothing available either for the repayment of the principal or for payment to the Nizam. These calculations are, it is hoped, sufficient to show that the arrangement which has been proposed is conceived in a spirit of no small generosity to the Nizam. Should His Highness, in order to secure a larger immediate annual benefit, desire to spread the suggested payment to himself more evenly over the next 30 years, the Government of India would be willing to consider any proposal to that effect. Their desire is to place the contemplated pecuniary advantage in the possession of His Highness in such form as may be most agreeable to him.

10 I am to instruct you to place the contents of this letter before His Highness the Nizam, and, in requesting from him an official confirmation of the proposals to which he has already signified his assent, to invite from him an expression of opinion on the points mentioned in the letter upon which his final opinion still remains to be sought. When His Highness's reply has been received, I will then forward to you a formal agreement containing the terms of the settlement as finally agreed upon, for the joint signature of His Highness and of the Viceroy, or of their several representatives.

11 In conclusion, I am to convey the grateful recognition of the Governor-General in Council of the extreme friendliness and courtesy which have been displayed by His Highness the Nizam in the negotiations that have thus happily terminated, and to express a hope that the settlement arrived at, which is equally honourable to both parties, and which has been framed in the best interests of each, will not merely remove the only shadow that has ever appeared to fall upon the relations of the Government of India and the Hyderabad State in the past, but will tend to place them for all time upon a footing of undisturbed confidence and amity.

No 53-C, dated Hyderabad, the 17th July 1902.

From—The Hon'ble Lieutenant-Colonel Sir David Barr, K.C.S.I., Resident at Hyderabad,

To—The Secretary to the Government of India in the Foreign Department

I have the honour to acknowledge the receipt of your letter No 53-C, dated the 25th April 1902, instructing me to place before His Highness the

Nizam a statement concerning the proposals that were made by His Excellency the Viceroy in the course of his visit to Hyderabad, with a view to securing His Highness's formal confirmation of his acceptance of the settlement verbally made as the result of informal and private communications between His Excellency and His Highness

2 On the receipt of your instructions, I addressed the Minister to His Highness the Nizam in a letter No 4-P, dated the 7th May 1902, of which a copy is attached. Considerable delay occurred before I received the reply to this letter—due probably to the fact that His Highness the Nizam was anxious to collect the views of his Minister and principal nobles and officials before committing himself to an opinion on the points referred to in paragraphs 8 and 9 of your letter, on which an expression of His Highness's views was sought.

3 I have now the honour to submit (in original) a letter No 3-C, dated the 14th July 1902, from His Highness's Minister to my address, replying to my letter No 4-P, dated the 7th May 1902. This letter, written by command of His Highness the Nizam, states that His Highness formally accepts and officially confirms the agreement made between His Excellency the Viceroy and himself, with regard to the lease in perpetuity of Berar for a permanent annual rent of Rs 25 lakhs. Having thus formally confirmed His Highness's acceptance of the agreement made with His Excellency the Viceroy—the Minister's letter proceeds to discuss the points mentioned in paragraphs 8 and 9 of my letter No 4-P, dated the 7th May 1902, and to communicate, as invited, an expression of His Highness's opinion on those points, and concludes with the formulation of certain requests which are left to the final decision of the Government of India—while His Highness's assent to the now agreement is not conditional on that decision.

4 I will await the further orders of the Government of India before offering any remarks on the requests made, as I believe they are of a nature which the Government of India are prepared to deal with separately from the actual terms of the new agreement which are in no way involved by their consideration. I would, however, observe that I have ascertained that the allusion in paragraph 5 of the Minister's letter to "clauses 2 and 3 of the Treaty of the 21st May 1853, in so far as they apply to the Hyderabad Contingent", is merely intended to apply to that portion of Article 3 of the Treaty, wherein it is agreed that, "whenever the services of the said Contingent may be required they shall be afforded at all times to His Highness the Nizam fully and promptly throughout his whole Dominions, etc."

It is clearly understood by His Highness's Minister that the new agreement does not abrogate any of the treaties now in force between the Government of India and His Highness the Nizam.

No 4-P, dated Ootacamund, the 7th May 1902

From—The HONOURABLE LIEUTENANT-COLONEL D W K BARR, C.S.I., Resident at Hyderabad,

To—The MAHARAJA PESHKAR KISHEN PERSHAD BAHADUR, Minister to His Highness the Nizam.

In the course of his recent visit to Hyderabad, His Excellency the Viceroy arrived at a settlement of the Berar question with His Highness the Nizam. This settlement was the result of informal and private communications that had for some time been proceeding between His Excellency and His Highness. As there is no official record of these communications, which had been largely conducted by word of mouth, I have now the honour to address you on the matter, and to request you to place before His Highness the following statement concerning the proposals that were made, with a view to securing His Highness's formal confirmation of his acceptance.

2 There has been no discussion of the Berar question between the British Government and His Highness, since the correspondence that ended with the despatch of Lord Salisbury (at that time Secretary of State for India), dated

28th March 1878. On that occasion Lord Salisbury, in replying to a memorial from the Regent Ministers of Hyderabad, praying for the restoration to them of the administration of the Assigned Districts of Berar, stated at length the reasons which prevented Her late Majesty's Government from acceding to any such request. He pointed out that the engagements of Her late Majesty in respect of Berar were to be found only in the two Treaties of 1853 and 1860, that no limitation of time whatever was assigned to the British administration of Berar by either of those Treaties, that a very strong presumption existed against the disturbance of a state of things which was not only sanctioned by Treaty, but was now established by usage, and that this presumption was fortified by a consideration of the actual well-being of the population in the Assigned Districts.

8 At the same time in thus refusing the request of the Regents, Lord Salisbury went on to say that, should His Highness the Nizam, who was at that time a minor, desire at a later date, after undertaking the government of his State, to bring the whole of the Treaty arrangements between Great Britain and Hyderabad under general revision, the British Government would take the request into consideration, but must reserve to the Government of the day a full discretion to deal with the matter as they might find expedient.

4 This was the starting point of the recent communications, which were conducted with the knowledge and authority of His Majesty's Government, between His Excellency the Viceroy and His Highness the Nizam. Understanding that the latter was willing once again to bring the matter under discussion, His Excellency suggested to His Highness the proposals which have since been accepted. It was not sought on either side to revive the controversies of the past. They were regarded as having been determined by the reply of the British Government contained in the aforesaid despatch of Lord Salisbury. The considerations that were already strong in 1878 had manifestly gained, instead of losing, in force during an additional quarter of a century of British administration. They precluded the revival of a request that had even then been rejected without qualification. But this did not render the British Government less willing in 1902 than they had been in 1878 to consider any solution that might conduce to the interests of the Hyderabad administration, to the satisfaction of its Ruler, and to the permanent maintenance of the happy relations that have so long prevailed between the Paramount Power and the Hyderabad State.

5 Although, as had been pointed out by Lord Salisbury, no limit of time was fixed in either of the Treaties of 1853 or 1860 to British administration in the Assigned Districts, and although, in the interests of Berar itself, there was no manifest reason for any change in the existing system, yet there were circumstances in the situation created by the Treaties that seemed to be susceptible of positive improvement in the interests both of the British Government and still more of His Highness the Nizam. It was a consideration of these circumstances, which I am now to recapitulate, that suggested to His Excellency the Viceroy the proposals recently put forward by him, and that also commended them to the acceptance of the Nizam.

*Firstly*,—it cannot be doubted that the system under which the Assigned Districts of Berar have been administered according to the terms of the Treaties, as a separate Province under the British Resident at Hyderabad has not been as economical as could be desired. The result of a recent enquiry, ordered by the Government of India into the civil administration of Berar has shown that, while it may be possible to introduce certain economies in the existing scale of expenditure in Berar, these economies can only be insignificant, unless accompanied by such a redistribution of administrative authority as will enable the Government of India to incorporate the administration of Berar with that of the neighbouring British Provinces. Such an amalgamation would render possible a reduction of local staffs and establishments, and would finally assimilate the administrative standards of Berar and of the adjacent districts of British India. Hitherto this has been rendered impossible by the Treaties. The desirability of their revision, so as to admit of a change in this respect is greatly enhanced by the effect that has been produced by the same causes in curtailing the balances paid over from

year to year to the Nizam. Thus on both sides there would appear to be the strongest grounds for revising an arrangement that has been shown to be so wasteful of the resources of each.

*Secondly*,—there is similar scope for reorganisation and retrenchment, though hitherto prevented by the same reasons, in the case of the Military force known as the Hyderabad Contingent. Under the Treaties it has been necessary to maintain this force as a separate unit of a recognised strength in certain stations in His Highness's Dominions. The advantages that might accrue from any redistribution of strength, or reduction of numbers, still more from the incorporation of the Contingent with the neighbouring forces of the Indian Army, have been prevented by the Treaties. An arrangement has thus been stereotyped for nearly half a century, which, as time has passed and communications have improved, has scarcely been demanded for the adequate protection of His Highness's Dominions, whilst it has imposed upon the Government of India a system compatible neither with economy nor with efficiency of administration. It must be to the interest of both parties that some change should be introduced into this situation. Nor will such a change, in all probability, be less welcome to His Highness the Nizam, if it is no longer considered necessary to maintain the separate existence or title of a force whose associations are believed to be somewhat injurious to the feelings of the Hyderabad State and its Ruler.

*Thirdly*,—while it has been shown to be desirable, in the interests of both parties, that a complete revision should take place of the conditions under which Berar is at present administered and the Hyderabad Contingent maintained, it is even more desirable, in the interests of the Nizam, and is certainly the wish of the British Government, that His Highness should receive from those portions of his territory which have hitherto been assigned, a more regular and assured income than that which, under the Treaties, it has hitherto been found possible to pay over to him. The terms of the Treaties in this respect have in no way been departed from, nor has any complaint been received from His Highness as to the nature or amount of the surpluses which from time to time he has received. The Treaties themselves, for the reasons already named, have, however, been fatal to real economy of administration, and, as a consequence, to the payment of large surpluses. The largest surplus that has ever been paid over to His Highness the Nizam in any single year since 1860 was Rs. 10,73,000 in 1887-88. In several years owing to famine or other causes there has been no surplus at all. The average of the surpluses transferred to Hyderabad during the forty years between 1860 and 1900 amounted only to a fraction under nine lakhs per annum. More recently all chance of a surplus payment to the Nizam for many years to come has been seriously affected, if not altogether destroyed by the contraction of certain loans, for the repayment of which (capital and interest) the Berar surplus, when there is a surplus, has been made the chief security, viz.—(1) the loan of two crores from the Government of India to the Hyderabad State in 1900, and (2) the famine loans amounting to 141 lakhs which have been made by the Government of India to Berar. The interest upon the former, or Hyderabad loan, is fixed at 4 per cent, and it is to be repaid partly by annual payments of 8 lakhs by the Nizam, but in the main by annual instalments of 15 lakhs, towards principal and interest from the Berar surplus. The interest upon the second, or Berar loans, is  $3\frac{1}{2}$  per cent, and they are to be repaid by an annual instalment of 5 lakhs a year from the Berar surplus spread over 28 years. Should there be no surplus in any year or years, the repayment of these loans will be proportionately postponed. In any case, it is clear that while Berar has for forty years been a source only of fluctuating and precarious revenue to the Hyderabad State, there is no chance, under existing conditions, of any change being effected in this condition of affairs for many years to come, and that, even if such economies are introduced by the Government of India as have been shown by the recent enquiry to be possible, it will not be His Highness the Nizam but the Government of India who will profit by the saving, in the greater rapidity with which their loans will be repaid.

6 These conditions suggested to His Excellency the arrangement which he recently communicated to His Highness the Nizam, and which has been

accepted by the latter. The present arrangement by which the Berar Districts are assigned to the British Government will be terminated. The sovereignty of the Nizam over Berar is re-affirmed. But His Highness undertakes to grant a lease in perpetuity to the British Government of the districts hitherto assigned, in return for a permanent annual rent of 25 lakhs. The annual rent will not be payable to His Highness in full for several years to come, since a part of it must be devoted to effecting, under an arrangement which will presently be discussed, the liquidation of the loans for which the Berar Revenues have already been made the security. As soon as these loans have been discharged the annual rent will be payable in full to His Highness the Nizam. For their part the Government of India will in future be at liberty to administer Berar in such manner as they may deem desirable, by amalgamation with adjoining British territory or otherwise. The Hyderabad Contingent will also cease to exist as an independent auxiliary force, its strength in Hyderabad territory will probably be found capable of reduction, and it will be finally incorporated in the Indian Army.

7 It has been the desire of the Government of India in making this proposal to vindicate in the fullest manner, compatible with convenience and reason, the sovereignty of His Highness the Nizam. Indeed, his sovereignty over Berar will be not less, but it is anything more clearly acknowledged by the grant of a lease than by the cession of an assignment. Although the territories leased from His Highness may hereafter be administered as part of a British Province, the laws of British India will only continue to apply through the exercise of the foreign jurisdiction of the Governor General in Council. Further, His Excellency the Viceroy has signified his willingness, should the Nizam attach value to such a suggestion, to undertake that the flag of His Highness the Nizam shall be flown at the head-quarters of the local administration in Berar upon the anniversary of the birth of His Highness, and that a salute should be fired in his honour on the same occasion. This is a compliment that is not paid to the Ruler of the Hyderabad State under the existing form of administration.

8 There is one point in connection with the suggested reduction in the Hyderabad Contingent, that was mentioned by His Excellency to the Nizam, and which I am to request you to bring again more particularly before the attention of His Highness to whom it was submitted by me as far back as January last, in the first outline of the Viceroy's scheme. It has been proposed that the strength of the Hyderabad Contingent, that is of the Indian troops who will in future be stationed in His Highness's territories, shall be reduced. This is a concession which the Government of India are willing to make if His Highness can *persuade* his way to initiate a corresponding reduction in the number of irregular troops at present maintained by the Hyderabad State. These troops consist of 10,500 men, and they cost the Hyderabad Treasury 45 lakhs a year. Their numbers appear to be fraught with some peril rather than with any material advantage to the State, while the annual charge entailed is an expensive and unnecessary burden. The Government of India are animated solely by a regard for the best interests of the Nizam himself and of his State, in suggesting that a substantial reduction should be made in the strength of this irregular force. The proposal of the Viceroy was that the number of troops in Hyderabad territory, who are at present comprised in the Hyderabad Contingent, *i.e.*, 6,800 men, should be reduced to 4,500—5,000 men, to be maintained in future at a reduced number of stations, and that the Nizam's irregular forces should be simultaneously reduced to 12,000 or, if His Highness is agreeable, to 10,000 men.

9 Different alternatives have been placed before His Highness for making to him an annual payment of rent pending the liquidation of the Hyderabad and Berar loans. The arrangement that appeared to be most satisfactory would be the payment to him of an immediate cash benefit of 6½ lakhs a year for 20 years and of 16½ lakhs a year in the 21st and following years, culminating in the full 25 lakhs after both the loans had been fully repaid, which would be in about 30 years. These payments would be made concurrently with the continuous liquidation of the loans, and His Highness would continue to pay to the Government of India the 8 lakhs a year which he has undertaken to contribute towards

the Hyderabad loan until it is fully repaid Under this arrangement the annual rent of 25 lakhs would be thus distributed

- (a) To the Nizam, 6½ lakhs for 20 years 16½ lakhs from the 21st year till the loans had been fully repaid thereafter 25 lakhs,
- (b) Towards the Berar loans, 10 lakhs for about 20 years,
- (c) Towards the Hyderabad loan, 8½ lakhs.

The 10 lakhs a year would discharge the Berar loans, principal and interest, in a fraction under 20 years and the 8½ lakhs, with His Highness the Nizam's 9 lakhs a year, making 11½ lakhs in all, would discharge the Hyderabad loan in a fraction over 30 years By these means His Highness would receive in the next 30 years a total sum of 295 lakhs, loans amounting to 341 lakhs being in the meantime discharged The Government of India in fact in return for the lease of Berar will undertake to provide from its revenues and from their own resources a total sum of 636 lakhs in 30 years, and will promise to His Highness an assured income of 25 lakhs a year afterwards If the surpluses in the future were not to exceed the average of the last 40 years, *namely* 9 lakhs a year, that sum, even with the 8 lakhs payable towards the Hyderabad loan by His Highness, would not suffice to pay the interest on the two loans, and there would be nothing available either for the repayment of the principal or for payment to the Nizam These calculations are, it is hoped, sufficient to show that the arrangement which has been proposed is conceived in a spirit of no small generosity to the Nizam Should His Highness, in order to secure a large immediate benefit, desire to spread the suggested payment to himself more evenly over the next 30 years, the Government of India would be willing to consider any proposal to that effect Their desire is to place the contemplated pecuniary advantage in the possession of His Highness in such form as may be most agreeable to him

10 I am directed by His Excellency the Viceroy to lay the contents of this letter before His Highness the Nizam and, in requesting from him an official confirmation of the proposals to which he has already signified his assent, to invite from His Highness an expression of opinion on the points upon which his final opinion still remains to be sought I would, therefore, beg you to submit this letter to His Highness and to explain that the points on which His Excellency the Viceroy invites an expression of opinion are contained in paragraphs 8 and 9 When His Highness's reply is received I shall have the honour to submit it for the information of His Excellency the Viceroy, and, in due course, a formal agreement containing the terms of the settlement as finally agreed upon will be forwarded for the joint signature of His Highness and of the Viceroy, or of their several representatives

11 In conclusion, I am to convey the grateful recognition of the Governor-General in Council of the extreme friendliness and courtesy which have been displayed by His Highness the Nizam in the negotiations that have thus happily terminated, and to express a hope that the settlement arrived at which is equally honourable to both parties, and which has been framed in the best interests of each, will not merely remove the only shadow that has ever appeared to fall upon the relations of the Government of India and Hyderabad State in the past, but will tend to place them for all time upon a footing of undisturbed confidence and amity

No 3-C, dated Hyderabad, the 14th July 1902

From—MAHARAJA KISHEN PERSHAD, Minister to His Highness the Nizam of Hyderabad,

To—The HON'BLE LIEUTENANT-COLONEL SIR DAVID BARR, K C S I, Resident at Hyderabad

I duly submitted to His Highness your confidential letter No 4 P, dated Ootacamund, 7th May 1902, regarding the settlement of the Berar question arrived at between His Excellency the Viceroy and His Highness

2. I am now commanded by His Highness to reply to your letter above cited.



3 His Highness formally accepts and officially confirms the agreement verbally made between His Excellency the Viceroy and himself with regard to the lease in perpetuity of Berar for a permanent annual rent of Rs 25 lakhs

4 I now proceed to answer paragraphs 8 and 9 of your letter under acknowledgment, and these paragraphs may be summarised as follows —

- (a) The reduction in numbers of the Hyderabad Contingent troops, and their maintenance in future at a reduced number of stations, as also the final incorporation of these troops in the Indian Army
- (b) A corresponding reduction in the number of irregular troops at present maintained by the Hyderabad State
- (c) The manner in which the annual rent of 25 lakhs is to be paid, pending the liquidation of the Hyderabad loan and the Berar Famine loan

5 I am commanded by His Highness to say that he understands that, whatever change may be made in the number and designation of the troops maintained hereafter by the Government of India in Hyderabad territory, the terms contained in clauses 2 and 3 of the Treaty of the 21st May 1854, in so far as they apply to the Hyderabad Contingent, will be strictly observed and maintained in respect of the troops of the Indian Army stationed in His Highness's Dominions, and paid from the Revenues of Berar

6 His Highness highly appreciates the kind advice given by the Government of India in connection with the reduction in the number of irregular troops. This is a matter which, as you are aware, has been engaging His Highness's attention for some time past, and the reductions already effected have been officially intimated to the Hon'ble the Resident from time to time—vide correspondence ending with my letter No 1341, dated the 12th September 1900. His Highness, while accepting the advice of the Government of India, and agreeing with them as to the necessity of reducing the existing strength of the Hyderabad irregular troops, desires to point out that the reduction of these troops involves many delicate and difficult questions. His Highness, however, agrees that, after carefully considering the requirements of the city and the districts, he will, if possible, reduce the number to 12,000 men, when the reduction can be carried out with due regard to the claims of those who are employed, and without causing dissatisfaction and discontent

7 The point dealt with in paragraph 9 is connected to a certain extent with the views expressed in sub-paragraph 3 of paragraph 5, as also in paragraph 6 of your letter. His Highness has no hesitation in accepting the proposed arrangement as regards the annual payment of the rent, and His Highness's Government will continue to pay to the Government of India the three lakhs a year which they have undertaken to contribute towards the Hyderabad loan, until it is fully repaid. With reference to the concluding portion of paragraph 9 of your letter, His Highness would wish to secure a larger immediate benefit resulting from the proposal of spreading the suggested payment to himself more evenly over the next thirty years. If this can be done, His Highness will feel greatly obliged. But at the same time His Highness desires to reserve the right of making larger payments than the instalments that may be fixed upon, or of paying off the whole balance of the loan, should he, at any time, be in a position to do so

8 I am, however, to request that the actual amount of instalments to be paid in liquidation of the two loans, may be left undetermined until a decision is arrived at as to the exact amount of the Famine loan now due by the Berar Province to the Government of India. In this connection I am desired by His Highness to point out that a large reserve balance of something like thirty lakhs is always kept in the Berar Treasuries to meet current expenses. This reserve balance pertains to the surplus payable to His Highness's Government according to the terms of the Treaty of 1853, and I am to enquire whether the amount of this reserve balance has been deducted from the loan received by Berar from the Government of India. Further, as some proportion of the famine expenditure in Berar is represented by public works which will remain

as an asset, I am to enquire whether the value of these works has been deducted from the famine debt of the Province. His Highness earnestly hopes that, in view of the fact that he has been made liable for the Berar Famine loan, the point he has now urged will receive the most favourable consideration of the Government of India.

9 There are a few other points which require settlement, and these I mention below —

- (1) In good seasons or in bad seasons the amount of rent now fixed, *viz.*, Rs 25 lakhs per annum, should be regularly paid to His Highness's Government.
- (2) His Highness's Government should be absolved from all future responsibility, financial or otherwise, should unhappily any famines occur in the Berar Province.
- (3) His Highness's Government should also be absolved, as heretofore, from responsibility for payment of certain *chauth* allowances and pensions mentioned in Article 6 of the Treaty, dated 31st December 1860.
- (4) When the number of stations of the Hyderabad Contingent troops are reduced, the lands, etc., of such stations should revert to His Highness's Government.
- (5) Should the Hyderabad Contingent troops be incorporated in the Indian Army, all free Rumnahs hitherto granted to these troops should revert to His Highness's Government.

10 I have kept paragraph 7 of your letter to answer at the last. His Highness is extremely obliged to His Excellency the Viceroy for his proposal to vindicate in the fullest manner, compatible with convenience and reason, the sovereignty of His Highness the Nizam over Berar. His Highness accepts with pleasure the suggestion made that his flag should be flown at the headquarters of the local administration in Berar on the anniversary of the birth of His Highness, and that a salute should be fired in his honour on the same occasion. His Highness, however, should be further obliged if these ceremonies were also observed on the occasions of the *Eed-ul Fitr* (Ramzan) and *Eed-uz-Zoha* (Bakur Eed), and if on all these occasions *Khutbas* were read in the mosques.

11 I am to state that the requests made in this letter are left to the final decision of the Government of India, and that His Highness's assent to the new agreement is not conditional on that decision. I am also to express the fullest reliance of His Highness's Government on receiving the most friendly and liberal treatment at the hands of the Government of India.

12 In conclusion His Highness desires to tender to His Excellency the Viceroy and to yourself his most cordial thanks for the great friendliness and courtesy that have been shown to him in bringing to an amicable settlement this most important matter, and to express His Highness's earnest hope that this settlement will tend to promote and strengthen the happy relations which have always existed between the Government of India and the Hyderabad State.

No 4293 I-B, dated Simla, the 30th September 1902

From—H S BARNES, Esq., C.S.I., Secretary to the Government of India in the Foreign Department.

To—The HONOURABLE LIEUTENANT-COLONEL SIR D W K BARR, K.C.S.I., Resident at Hyderabad.

I am directed to acknowledge the receipt of your letter No 33 C, dated the 17th July 1902, forwarding a copy of the Minister's letter (No 8 C, dated the 14th July) formally accepting, on behalf of His Highness the Nizam, the proposals contained in paragraph 6 of my letter No 53 C, dated the 25th April last, for the lease of the Assigned Districts of Berar in perpetuity to the British Government for an annual rent of 25 lakhs of rupees.

2 I am now to forward in duplicate, for execution by yourself and the Minister, a formal\* Agreement containing the terms of the settlement as finally decided upon. After the execution of the Agreement, both copies of it should be returned to this office for ratification by His Excellency the Viceroy, and one of the copies will then be forwarded to you for delivery to the Durbar

3 You will notice that the Agreement contains a reference to Article 3 of the Treaty of the 21st May 1853, which meets the wishes of His Highness the Nizam as stated in the 5th paragraph of the Minister's letter of the 14th July, and as explained in the 4th paragraph of your letter under reply. Article 2 of the Treaty of 1853 is not affected by the new Agreement, and as regards Article 3, while it is an essential part of the settlement now made that the troops maintained in lieu of the Hyderabad Contingent shall be no longer controlled through the Resident, the Government of India readily agree that the services of these troops, if required, shall be fully and promptly afforded at all times to His Highness the Nizam throughout his dominions

4 The Government of India have learnt with pleasure that His Highness the Nizam accepts their advice as to the need of a reduction in the number of his irregular troops, and they note with much satisfaction that he agrees to diminish them, if possible, to 12,000 men. It is recognised that the promise of so considerable a reduction will require time for its complete fulfilment. But you should point out to His Highness the importance of taking some immediate steps to carry out the measure to which he has now signified his assent, since upon this reduction depends the corresponding reduction that the Government of India desire to effect in the number of their troops stationed in His Highness's dominions. The Government of India confidently hope that His Highness's Government will approach the matter without delay in a business-like spirit, and will lose no time in devising the means for effecting a reform of so much financial benefit to the State

5 I am now to communicate to you the decision of the Government of India upon the other requests that are contained in the Minister's letter. The Government of India readily agree to the proposal in paragraph 7 of the Minister's letter that a larger immediate annual benefit should be secured to His Highness by spreading the payments to himself more evenly over the next 30 years, and in view of the reduction in the Berar famine loans which will be referred to later on, they propose that the distribution of the rent of 25 lakhs should be as follows until these loans and the Hyderabad loan are repaid —

10 lakhs to His Highness the Nizam  
7 „ towards the Berar loans  
8 „ towards the Hyderabad loan

The last-named payment is, of course, in addition to the 3 lakhs per annum which His Highness has agreed to pay from Hyderabad revenues. The effect of these payments in extinguishing the loans will be explained later. I am to add that there will be no objection to His Highness making larger repayments of the principal of these loans when he is in a position to do so, provided this is not done by incurring fresh loans, but the Government of India will require six months' previous notice of the amount of such excess repayment, and of the date upon which it will be made

6 In paragraph 8 of his letter the Minister asks that the reserve or working balance in the Berar treasuries, and also the value of the public works constructed out of the famine expenditure, may be deducted from the Berar famine loans. As regards the first part of his request, I am to explain that, while it is true that a part of the cash balance in Berar has been built up out of the surplus revenue, to which the Nizam's Government was entitled, the actual cash balance consists not only of the unpaid portion of the surplus, but of the balances of Local funds, of Judicial and Revenue deposits, and of other sums held on behalf of persons other than Government. Even, therefore, on the assumption that the Nizam has a claim to a portion of the balance, it is reasonable to hold that only so much of the cash balance as represents the

unpaid portion of past surpluses can rightly be credited in deduction of the famine loans. There is, however, equal force in the argument that the Nizam is not ceding Berar, but is merely consenting to certain improvements in the existing arrangements, and that since a working balance was necessary and would have been retained under the old arrangement, it is equally necessary and should, therefore, be retained for the working of the new lease. Nevertheless the Government of India, in their anxiety to deal in this matter with the Nizam's Government in a spirit of the utmost liberality and in a way which shall admit of no criticism or dispute, have decided to make to His Highness a full and ample payment in satisfaction of all actual or possible claims. The sum that they are prepared to hand over is the whole of the actual cash balance on the date upon which the new settlement will come into force. It is proposed that this should be the 1st October next. The amount of the actual cash balance of Berar on that date, which, as will be shown presently, may not improbably amount to 40 lakhs, will be communicated to you for His Highness's information, and the whole amount will be taken in reduction of the Berar famine loans.

7 The above remarks will have made clear that the second request of His Highness, namely, that the value of the famine works that have been constructed from the famine expenditure should also be taken as a set-off against the famine loans, is one with which the Government of India have not found it possible to comply. It is open to them to contend that the normal cost of these works is for the most part a mere forestalment of expenditure which would probably have been undertaken later if the need for famine expenditure had not hurried it on. But, on the other hand, in any well regulated administration the cost of famines should ordinarily be met from the surplus of past years, and in the case of Berar the whole of the surplus (including, under the present orders, the working balance) having been made over to the Nizam, the latter cannot fairly expect to receive credit also for the value of works the cost of which forms a proper charge against that surplus. It must be recollected that the true value of famine works is always difficult to ascertain, and it is estimated by the Public Works Department of the Government of India that in Berar their value will not exceed about 11½ lakhs, since many of the works begun will never be completed, while others, such as railway embankments, will probably be destroyed before they can be used. Moreover, the Government of India are unable to recognise any difference of principle between these works and other public works constructed in the past from the revenues of Berar, the value of which will also remain in the province. For these reasons, it is impossible to accede to this request of His Highness, apart from, or outside of, the general settlement which has been proffered in the preceding paragraph.

8 I am to enclose statements showing particulars of the transactions up to the present date connected with the principal of (1) the Berar famine loans, and (2) the Hyderabad loan. It will be seen that the former loans have already been reduced to 116 lakhs. If the cash balance on the 1st October amounts to 40 lakhs, as is not improbable, these loans will be reduced further to about 76 lakhs, and by the proposed payment of 7 lakhs a year they will be discharged with interest in about 14 years. From the 15th year therefore, on the supposition above made as to the amount of the cash balance at the beginning of October, the cash payment to the Nizam will be increased from 10 lakhs per annum, as stated in paragraph 5, to 17 lakhs per annum. This increase will occur sooner if the cash balance of October is higher than 40 lakhs, and later if the cash balance is lower. The balance of the Hyderabad loan, 185 lakhs, by the annual payment of 11 lakhs (8 lakhs from the annual Berar rent and 3 lakhs from Hyderabad revenues), will be completely discharged with interest in about 29 years, after which His Highness will receive the full rent of 25 lakhs per annum. As the new Agreement is to have effect from the 1st October 1902, the Government of India are willing to agree that the first payment and distribution of the 25 lakhs in the manner proposed should be made on the 1st April 1903, and thereafter on the 1st April in each year. It is hoped that this arrangement will prove agreeable to His Highness, and will prove to him the sincerity of the Government of India's desire to conclude this settlement with a due regard to his wishes, and on generous as well as equitable terms. It will be

understood that the periods mentioned in this paragraph for the liquidation of the loans are approximate only. The actual process of liquidation will be as follows: from the 7 lakhs to be paid on the 1st of April of each year towards the Berar famine loans, the amount of interest due and unpaid up to that date will be first discharged, and the balance will be credited to the principal of the loans, the process continuing until the annual credits to principal have discharged the whole of the loans. The annual payment of 11 lakhs towards the Hyderabad loan will be similarly distributed every year between interest and principal till the whole principal is repaid.

9. As regards the points discussed in paragraph 9 of the Minister's letter, the Government of India agree to proposals 1, 2 and 3. It was always intended that, under the new settlement, the responsibility for future famine expenditure should rest upon the Government of India, and the new Agreement does not affect the provisions of the Treaty of 1860 in regard to the payment of the Chouth allowances and pensions, which are mentioned in Article 6 of that Treaty. The Government of India also agree that, if the number of stations now occupied by the Hyderabad Contingent is reduced, the lands hitherto occupied by the troops in the abandoned stations will revert to His Highness, subject to the reservation of all private rights in such lands. Similarly, all free runnals at the stations that may be given up will also revert to His Highness's Government, but in any stations that may be retained, it is considered that the free runnals hitherto attached to them should continue to be available as heretofore for the use of the troops. The above-named reversion will, of course, not apply to the station of Ellahpur in Berar, which, in common with the whole of that province, will remain exclusively under British administration.

10. As His Highness the Nizam accepts the concession which had been proposed by His Excellency the Viceroy, the Government of India will issue orders that his flag shall be flown at the head-quarters of the Berar Administration on the anniversary of His Highness's birthday, and that a salute shall be fired in his honour on the same occasion. But they are of opinion that it is not desirable that these ceremonies should also be observed on the occasions of the Id-ul-Fitr and the Id-us-Zoha, or that Khutbas should be read in the mosques. The concession that was suggested by His Excellency the Viceroy is an innovation in Berar itself, and is without precedent in any other territories similarly administered by the British Government. Moreover, His Excellency's desire in making the proposal was specially to associate the compliment with His Highness the present Nizam, an object that will not be attained by the wider proposals now submitted, which the Government of India are accordingly reluctant to sanction.

11. In conclusion, I am to ask you to convey to His Highness the Nizam the Governor-General in Council's cordial acknowledgments of the friendly spirit in which His Highness has participated in these negotiations and his hearty congratulations upon their successful termination.

#### BERAR FAMINE LOANS

<i>Advances—</i>		<i>Rs.</i>
First instalment, 1899-00		55,38,788
Second instalment, 1900-01		86,58,810
Total of loan on 1st April 1901		1,40,95,608
<i>Repayments of principal—</i>		
In April 1901		5,00,000
In April 1902	" "	5,00,000
In June 1902	" "	15,00,000
Total		25,00,000
Balance of principal outstanding		1,15,95,608

#### HYDERABAD LOAN

Total advances of which the last was made in July 1901	2,00,00,000
Repayment of principal from Berar surplus in April 1902	15,00,000
Balance of principal outstanding	1,85,00,000

No 57-C, dated Hyderabad, the 5th November 1902

From—The Hon'ble Lieutenant-Colonel Sir D W K BARR, K C S I, Resident at Hyderabad,

To—The Secretary to the Government of India in the Foreign Department

I have the honour to acknowledge the receipt of your letter No 4293 I-B, dated the 30th September 1902, forwarding, in duplicate, for execution by myself and the Minister a formal Agreement containing the terms of the settlement as finally decided upon for the lease of the Assigned Districts of Berar in perpetuity to the British Government for an annual rent of 25 lakhs of rupees

2 I have now the honour to return the Agreement, in duplicate, executed by myself and the Minister to His Highness the Nizam

3 The Agreement was signed by us, this day, in the presence of Major Wolseley Haig, my First Assistant, and Mr Fardoonji Jamshedji, Private Secretary to the Minister

4 I enclose a copy of my letter to the Minister, No 54-C, dated the 11th October 1902, with which, as authorised by you, I forwarded confidentially, for the information of His Highness the Nizam, a printed copy of your letter No 4293 I-B, dated the 30th September 1902

No 54-C, dated the 11th October 1902

From—The Hon'ble Lieutenant-Colonel Sir D W K BARR, K C S I, Resident at Hyderabad,

To—MAHARAJA PRBHAKAR KISHEN PRBHAD BHADUR, Minister to His Highness the Nizam

1 I had the honour of submitting, for the consideration of the Government of India, a copy of your letter No 3-C, dated the 14th July 1902, formally accepting, on behalf of His Highness the Nizam, the proposals contained in paragraph 6 of my letter No 4-P, dated the 6th May 1902, for the lease of the Assigned Districts of Berar in perpetuity to the British Government, for an annual rent of 25 lakhs of rupees, and I now enclose *confidentially*, for the information of His Highness, a copy of a letter No 4293 I-B, dated the 30th September 1902, from the Secretary to the Government of India in the Foreign Department, to my address, together with enclosures, *viz*, a copy of the Agreement, referred to in that letter, and a statement of the Berar Famine loan

2 I would beg you to lay these papers before His Highness, and after obtaining his orders, to inform me on what date it will be convenient to you to execute with me the formal Agreement containing the terms of the settlement as finally decided upon

Memorandum of Agreement between the British Government on the one part and the Hyderabad State on the other part, concluded by Lieutenant-Colonel Sir David William Keith Barr, K C S I, I S C, duly authorised by the Viceroy and Governor-General of India in Council for that purpose, and by the Maharaja Prbhakar Kishen Prbhad Bhadur Minister to His Highness the Nizam, on behalf of the Hyderabad State

Whereas by the treaties concluded between the British Government and the Hyderabad State on the 21st May 1853 and the 26th December 1860, the Berar districts were assigned to the British Government for the maintenance of the Hyderabad Contingent, the surplus, if any, from the Assigned Districts being paid to His Highness the Nizam

And whereas the British Government and His Highness the Nizam desire to improve this arrangement

And whereas it is inexpedient in the interests of economy that the Assigned Districts should continue to be managed as a separate administration or the Hyderabad Contingent as a separate force

And whereas it is also desirable that His Highness the Nizam should receive a fixed instead of a fluctuating and uncertain income from the Assigned Districts,

The following terms are hereby agreed upon between the Viceroy and Governor-General of India in Council and the Nawab Mir Sir Mahbub Ali Khan Bahadar Fatah Jung, Nizam of Hyderabad —

- (i) His Highness the Nizam, whose sovereignty over the Assigned Districts is re-affirmed, leases them to the British Government in perpetuity in consideration of the payment to him by the British Government of a fixed and perpetual rent of 25 lakhs of rupees per annum,
- (ii) The British Government, while retaining the full and exclusive jurisdiction and authority in the Assigned Districts which they enjoy under the Treaties of 1853 and 1860, shall be at liberty, notwithstanding anything to the contrary in those Treaties, to administer the Assigned Districts in such manner as they may deem desirable, and also to redistribute, reduce, reorganise and control the forces now composing the Hyderabad Contingent, as they may think fit, due provision being made as stipulated by Article 3 of the Treaty of 1853 for the protection of His Highness's Dominions

D W K BARR.

KISHEN PERSHAD

Hyderabad Residency, the fifth day of November in the year of Our Lord one thousand, nine hundred and two, corresponding to the third day of Shaban in the year of the Hiyra one thousand, three hundred and twenty

Approved and confirmed by the Government of India.

By order,

(Sd) LOUIS W DANE,

*Offy Secy to the Govt of India  
in the Foreign Department*

FORT WILLIAM,  
The 16th December 1902

Letter from the Government of India in the Foreign Department, to the RIGHT HON'BLE LORD GEORGE FRANCIS HAMILTON, His Majesty's Secretary of State for India, No 1-C, dated Viceroy's Camp, the 13th November 1902

We have the honour to forward to Your Lordship a complete copy of the correspondence that has passed between the Government of India and the Minister of His Highness the Nizam, concerning the future administration of Berar, and also of the Agreement that has been concluded on the subject between Sir D Barr, our Resident at Hyderabad, on behalf of the Viceroy and Governor-General of India on the one hand, and the Maharaja Peshkar Kishen Pershad Bahadur, Minister to His Highness the Nizam, on behalf of the Hyderabad State on the other

2 The negotiations that have thus reached a happy termination were inaugurated, with the full knowledge and sanction of Your Lordship, towards the end of the year 1901. An interchange of friendly and confidential opinions ensued between the representatives of the Government of India and of the Nizam and His Excellency the Viceroy, who had some time previously accepted an invitation from His Highness to visit Hyderabad in the spring of the present year, was able, while there in the month of April, to complete the negotiations in personal conference with His Highness. The succeeding interval has been occupied in working out the details of the new arrangement, and in considering and replying to certain requests that were received from the Nizam. Finally, the Agreement, recording the settlement arrived at, was signed at Hyderabad on the 5th November 1902, and the discussions between the Government of India and the Hyderabad State were thereby brought to a successful close

8. The papers which we forward with this despatch will in themselves provide a full and ample explanation, both of the objects which the Government of India have throughout had in view, and of the nature of the Agreement that has been signed. But they may briefly be summarised as follows. The system that has prevailed up to the present date in Berar, dates from the Treaties of 1858 and 1860, under which certain districts, known as the Assigned Districts of Berar, were made over without limit of time to the British Government for the maintenance of the Hyderabad Contingent, the surplus, if any, from their administration being paid to His Highness the Nizam. In the passage of time these arrangements have become both inconvenient and obsolete, while they have on occasions given rise to controversies, which have never permanently affected the friendly relations between the British Government and the Hyderabad State, but the recurrence or revival of which it was nevertheless most desirable in the interests of both parties to preclude. Upon the side of the Government of India the flaws in the existing system were mainly associated with the civil and military administration of the province, which, under the arrangements stereotyped by the Treaties, was imperfect and wasteful. Upon the side of His Highness the Nizam, the desirability of a change arose in the main from the precarious and fluctuating character of the surpluses which, also under the stipulations of the Treaties, were payable to him, and the irregular nature of which introduced a regrettable element of uncertainty into the finances of the State. It was realised on both sides that the events of the past half century, during which the Assigned Districts of Berar have remained continuously under British administration, constituted a prescription, from which it was neither possible nor desirable to depart and the efforts of both parties in the recent negotiations were accordingly directed to the discovery of a solution that should possess the combined merits of removing the administrative anomalies of which we have spoken, of securing to His Highness the Nizam an assured income from this portion of his territories, and of guaranteeing to the population of Berar, which now amounts to over 2½ million persons, a continuance of the conditions and standards under which they have attained to a high measure of prosperity.

Consistently with these objects, it has been our desire to recognise and to re-affirm, rather than in any way to dispute or to derogate from, the sovereignty of the Nizam, and the Agreement arrived at, while leaving the administration of Berar as at present in British hands, though under conditions that will ensure a far more economical system of management, provides for the recognition of the prerogatives of His Highness, both by the terms of the Agreement, according to which the future tenure of the Assigned Districts by the British Government will be a lease in perpetuity, and also by the annual compliments to His Highness in the leased territories which the Government of India have consented henceforward to bestow.

4. The financial terms which we offered to the Nizam and which have been accepted by him are an annual rent of 25 lakhs, or nearly £167,000. When this sum is contrasted with the average annual amount of the surpluses that have been paid to the Nizam during the 40 years between 1860 and 1900—namely, a fraction under 9 lakhs, or a sum varying according to the rate of exchange from £90,000 to £50,000, it will, we think, be recognised, both that the Hyderabad State will be a substantial gainer by the transaction, and also that our proposals have been conceived in no grudging or illiberal spirit. It is true that, in consequence of the financial embarrassments in which the State has lately been plunged, owing in the main to famine both in Hyderabad and Berar, and which have compelled recourse to be made in both cases to the Government of India for loans, the full annual rent will not for some time be realised by His Highness. But the arrangements that have been agreed upon for the discharge of these liabilities are such as will relieve the Hyderabad State at the earliest possible date from its burdens, while we have further accelerated this consummation by handing over to the Nizam, for the still more rapid liquidation of the loans, a sum equivalent to the entire working balance of 41 lakhs, which stood to the credit of the Berar administration on October 31st of the present year. We did not regard the request of the Nizam for a concession



of this point as one with which we were at all bound, either in logic or equity, to comply. But in our anxiety to meet the courteous and conciliatory attitude of His Highness in a similar spirit, and to effect a liberal settlement of all possible claims, we were glad to give a favourable answer to his representation.

5. It only remains for us to notice the effect that will be produced by the new Agreement upon the military forces of both signatories. The Government of India acquire the liberty, hitherto denied to them by the Treaties, to effect such a redistribution and reorganisation of the Hyderabad Contingent (without of course in any way reducing the numerical strength of the Indian army) as may be found desirable, consistently with the uninterrupted discharge of the obligation, assumed by them in the Treaty of 1858, to employ these troops, when required, in assisting the Nizam to maintain order within his dominions. Simultaneously the Nizam has undertaken to reduce by gradual degrees the irregular forces of his State, which, as at present constituted, are far from being required for purposes of internal order, and which, moreover, impose an onerous annual charge upon the revenues of the State. It is, therefore, a further and not less beneficial result of the new Agreement that both parties will thereby be enabled to undertake long needed projects of military economy and reform.

6. We do not delay the present despatch to acquaint Your Lordship with the proposals which we have in view for the future administration of Berar. Under the terms of the new Agreement the British Government are at liberty to deal with this matter in such manner as they may deem desirable. The extinction of a separate and costly administration will be the first condition of the projected reforms. But upon this matter we shall again address Your Lordship at a later date when our plans have been more fully worked out.

7. In our correspondence with our Resident at Hyderabad, we have already expressed our cordial acknowledgments of the friendly manner in which His Highness the Nizam has throughout participated in the recent negotiations. The language that has been used by his Minister in reply assures us that these sentiments are entirely reciprocated by His Highness, and leaves no doubt that the settlement of this most important matter which we have here recorded has been as heartily and spontaneously accepted by the Nizam, as it was frankly and sincerely put forward by ourselves. We now look forward with confidence to a future in which no cloud need again arise to obscure the historical and unbroken friendship that has for so long existed between the British Government and the Hyderabad State.

We have, etc.

(Signed)	CURZON
"	A. P. PALMER.
"	T. RALEIGH
"	E. F. G. LAW
"	E. R. ELLES
"	A. T. ARUNDEL.
"	DENZIL IBBETSON

L. W. DANE,

*Officiating Secretary to the Government of India*





