

Thursday, 3rd April, 1930

**THE  
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*(17th February to 3rd April, 1930.)*

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**EIGHTH SESSION**

**OF THE**

**SECOND COUNCIL OF STATE, 1930**



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# COUNCIL OF STATE.

*Thursday, 3rd April, 1930.*

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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## QUESTION AND ANSWER.

CONVERSION OF THE 71 UP EXPRESS INTO A FAST MAIL RUNNING VIA THE MAIN LINE OF THE EAST INDIAN RAILWAY.

129. THE HONOURABLE RAJA BHOJOY SING DUDHORIA : (a) Are there two trains, namely, the 71 Up Express and the Punjab Mail, running *via* the main line of the East Indian Railway ?

(b) If so, do Government propose to change the 71 Up Express into a fast mail running *via* the main line ?

THE HONOURABLE MR. J. A. WOODHEAD : (a) No.

(b) Does not arise.

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## COTTON TEXTILE INDUSTRY (PROTECTION) BILL.

THE HONOURABLE MR. J. A. WOODHEAD (Commerce Secretary) : Sir, I beg to move that the Bill further to amend the Indian Tariff Act, 1894, as passed by the Legislative Assembly, be taken into consideration.

The objects of this Bill, Sir, are two-fold : first, the protection of the cotton textile industry in British India in respect of the manufacture of cotton piece-goods, and, secondly, the continuance for a further period of the protection already given to that industry against competition in cotton yarn produced under industrial conditions which enable such yarn to be produced at a cost below that at which it can be produced in British India. Honourable Members have, I feel sure, followed closely the debates in another place and are doubtless well acquainted with the main aspects of the problem of the protection of the cotton mill industry and it is perhaps unnecessary for me to—indeed it may be the desire of Honourable Members that I should not—cover the whole ground once more. I would, however, crave their indulgence while I recapitulate the main features of the problem and try to explain as briefly as I can the grounds on which it is proposed to take the emergency measures embodied in the Bill.

For several years past, the cotton mill industry, although one of the oldest organised industries in India, has been passing through a period of considerable difficulty. The position of the industry is not, however, the same or identical throughout India. At most of the centres of the industry other than the Bombay Island, the position is less grave than in Bombay, and while the average profits, taking into account the magnitude of the capital invested in the industry, are nowhere high, it must be remembered that throughout the world

[Mr. J. A. Woodhead.]

the cotton textile industry is passing through a period of depression. In the Bombay Island, however, where in two successive years the mills have passed through prolonged and exhausting labour disputes and where foreign competition has been most severely felt, the position has become acute and all the information received by Government is to the effect that, unless emergency measures are taken, the very existence of the industry in the Bombay Island is in danger. In a normal year, the Bombay mills produce half the cotton piece-goods manufactured in India. The whole of the commercial and economic life of the City of Bombay is bound up with the fortunes of the mill industry and any collapse in the Bombay mills would inflict a very serious blow on the economic life of the City of Bombay and the Presidency. It is this critical condition of the industry in the Bombay Island and the grave consequences which will follow any collapse in the industry which form the grounds for the emergency action embodied in the provisions of this Bill.

In considering the question of assistance to the cotton mill industry, Government naturally approached the matter from the point of view of their accepted policy—a policy which has been approved by the Legislature—of discriminating protection. That policy requires that, when protection is given, it should be given with due regard to the interests of the consumer. Or in other words, the measures taken to protect the industry should not be such that the burden on the consumer is out of proportion to the benefit to the industry. The policy also requires that the protection given should be adequate for its purpose and given at the point where it is needed. And so long as the policy of discriminating protection is the policy which commends itself to the Government and the Legislature the protection which may be granted should not go beyond the limits prescribed by that policy. Sir, the scheme as embodied in the Bill has been framed in the light of these principles. It seeks to give effective protection at the point where it is needed without throwing an unnecessary burden on the consumer.

Another point to which Government gave their careful consideration was whether the grant of assistance to the industry should be preceded by an investigation by the Tariff Board. Quite apart from the urgency of the need for action in view of the critical condition in Bombay, Government came to the conclusion that further investigation at the present juncture was not advisable. It is the special duty of the Tariff Board to investigate facts and figures and arrive at findings on these facts and figures. But owing to the labour disputes of 1928 and 1929, it is more than doubtful whether any material for investigation beyond that available to the Tariff Board in 1926 exists at the present day. Again, conditions in Bombay have since 1926 been examined by several committees and bodies of inquiry,—first of all by the Tariff Board, then by the Fawcett Committee, and lastly by the Pearson Court of Inquiry, while trade conditions were investigated during the latter half of last year by Mr. Hardy. In these circumstances, Sir, the Government of India felt that the proper time for a further inquiry by the Tariff Board would come when some progress in reorganisation and rationalisation had been made by the industry in Bombay and when the prospects of the ultimate success or failure of that industry could be more definitely assessed.

The general conclusion which the Government of India reached was that in addition to the increase of the revenue duty from 11 to 15 per cent. special protective measures were justifiable provided that such measures were limited in time and also limited to the purpose necessary to meet the immediate needs of Bombay. The question was not so much the protection of an industry during

its early stages until it can find its feet and establish itself permanently, but rather the case, which is referred to in paragraph 100 of the Report of the Fiscal Commission, of an industry which stands in need of protection as a result of temporary deterioration and needs a temporary tariff shelter in order to give it time to recover itself. In fact, the Government of India felt that it would not be justifiable at this juncture to attempt to do more than erect a temporary shelter behind which the Bombay industry can reorganise itself. Further, they came to the opinion that after a reasonable period had elapsed for this purpose it would be necessary to have a Tariff Board enquiry to consider in general future policy and in particular to inquire how the Bombay mill industry had reacted to the assistance given. The scheme, therefore, as embodied in the Bill, is a scheme with the limited objective for a limited period, its immediate object being the preservation of an important section of the cotton textile industry and not its ultimate development. That latter, that is, the ultimate development, is reserved for consideration during the enquiry by the Tariff Board to which I have just referred.

There is one other point on which I should like to touch before I turn to the actual provisions of the Bill. The Government of India recognise that the ultimate failure or success of the mill industry in Bombay must depend entirely upon the extent to which the millowners utilise the opportunity given, if this Bill becomes law, to improve their efficiency and labour conditions and that if full use is not made of this opportunity, the position of the industry may be no better at the end of the period of three years than it is to-day. Government have already impressed upon the Millowners' Association the urgent necessity of working out schemes which may establish the industry on a sound basis and it is their intention in consultation with the Government of Bombay to pursue their efforts in this direction. And while, Sir, it is the desire of the Government of India to give the Bombay millowners all the assistance in their power to ensure that the examination of the various problems may be thorough and adequate, it must be recognised that the responsibility for working out schemes which will establish the industry on a firm basis rests on the millowners and cannot be transferred to other shoulders.

Now, turning, Sir, to the actual provisions of the Bill, it is proposed to impose a duty of 20 per cent. *ad valorem* on piece-goods not of British manufacture, and a minimum specific duty of  $3\frac{1}{2}$  annas a pound on plain grey goods whether of British or non-British manufacture. The ground for the duty of 20 per cent. *ad valorem* on goods not of British manufacture is that unless the duty on piece-goods imported from certain countries is raised to this figure, the protection will not be fully effective, that is, it will not give the protection required to the industry in Bombay. The grounds for not applying the higher rate of *ad valorem* duty to goods of British manufacture have been explained at length in a note which was circulated to Honourable Members yesterday or the day before. I refer to the note prepared by the Honourable the Commerce Member. The grounds, however, may be shortly stated as follows : First, both the returns of imports and production in India show that with the advantage under the operation of the customs and excise duties varying from about 4 to 11 per cent., large quantities of goods imported from the United Kingdom have been replaced by Indian goods and with the 15 per cent. revenue duty there appears to be no doubt that this process of replacement, that is, replacement of British goods by Indian goods, will continue at even a greater rate. Secondly, the burden imposed on the consumer would be out of all proportion to the benefit to the manufacturer, very largely because the 20 per cent. duty if imposed all-round would raise the cost to the consumer of large quantities of goods which are not in effective competition with Indian-made goods, and the

[Mr. J. A. Woodhead.]

benefit which the Indian manufacturer would derive from this duty within the period of three years for which it is proposed it should be enforced would be very small indeed. The reason for this is that the great bulk of British goods imported into India are woven from the finer counts, and it is unlikely that the Indian manufacturer will be able to produce any substantial quantity of these goods within the period of the next three years.

I now turn to the reasons for singling out the class of plain grey goods for exceptional treatment by the imposition of a minimum specific duty of  $3\frac{1}{2}$  annas a pound. In the first place, these goods form the staple production of the Indian mills and especially of the Bombay mills representing as they do half the total production of the mills of the Bombay Island and about two-fifths of the total production of the rest of India. Again, it is in this particular class of goods that external competition is most keenly felt, and it is in this class of goods that the increase of foreign imports has been the greatest. Finally, the Indian mills are capable of producing, as they stand at present equipped, apart from certain goods which are spun from finer counts, that is, *jacconets* and *mulls*, very nearly the whole of the country's requirements of this class of goods. We are therefore very near the time when internal competition will suffice to prevent an excessive rise in prices. For these reasons, Government felt that a  $3\frac{1}{2}$  annas duty would lay no unnecessary burden on the consumer and yet would give protection at the point where it is most needed.

As regards the definition of plain grey goods, Honourable Members will notice that, as it stands in the Bill, it covers goods other than those which are ordinarily classed as "plain grey". This course was adopted because, unless the definition was somewhat extended, the protection proposed to be given would be to some extent ineffective. In the first place, a new class of goods especially from Japan has developed during the last year or two, namely, dhoties with printed headings, and owing to the low price at which these goods come on the market, there is evidence that the competition of these goods has been felt very keenly by the Indian mills. The definition therefore includes plain grey dhoties with printed headings, but excludes those with woven headings. In the second place, we have to guard against the danger of substitution; for instance, it would be a comparatively simple matter to substitute for a plain grey shirting a similar shirting with a coloured woven stripe and the protection would then become ineffective.

I now turn to the question of *fents*. Honourable Members will have noticed that the Bill excludes fents of not more than 9 yards in length from the protective duties. Cotton fents are of two classes, full length damaged pieces of cloth and remnants. The first class consists of piece-goods proper and it is not proposed to differentiate them from other goods at this juncture. The second class, that is remnants, cannot strictly speaking be described as piece-goods and it is not proposed to subject this class, that is the remnants, to a protective duty, because they are consumed only by the poorest classes and are not in direct competition with the products of the Indian mills.

I now, Sir, turn to clause 3, which deals with cotton yarn. This clause seeks to extend for a further period the specific duty of  $1\frac{1}{2}$  annas a pound which was imposed by the Indian Tariff (Cotton Yarn Amendment) Act of 1927. That Act was passed to meet competition in yarn produced in Japan under industrial conditions which were unfair by reason of the absence of any restriction on the night work of women and young persons. The Act of 1927 expired on the 31st March. It is now proposed that the minimum duty imposed by



that Act should be reimposed for a further period till the 31st March 1933. The grounds on which this is proposed, however, are not the same as those advanced in 1927. Conditions in Japan have changed since that year. In 1927 in Japan there was no restriction on night work by women and young persons, but under the law as now in force night work is prohibited between the hours of 11 p.m. and 5 a.m. for these classes of workers. In India the prohibition is somewhat stricter as night work by women and young persons is not permitted between the hours of 7 p.m. and 5-30 a.m. On the other hand, in Japan when two shifts are worked, and two shifts are I believe usually worked in Japanese mills, the hours are 8½ hours a day for each shift as compared with 10 hours in India. On the whole, Sir, the information we possess points to the conclusion that in Japanese mills women work for rather shorter hours, are paid somewhat higher wages and are on the whole better looked after by their employers than in Indian mills. In view of these circumstances the Government of India came to the conclusion that it was impossible to say that conditions in Japan were still inferior to those in India and the grounds on which the minimum duty was imposed in 1927 have therefore disappeared. When the Cotton Yarn Amendment Act of 1927 was under discussion in the Legislature Honourable Members will probably remember that attention was at that time drawn to a new development in the cotton yarn trade between India and China. The exports of yarn from India to China had been on the decline for several years, but in that year, instead of exports from India to China, the trade was reversed, and for the first time yarn was exported from China to India, and it was pointed out that the import of this yarn from China would be a matter which the Government of India would have to take into consideration when the time came to decide whether the duty should be abandoned or continued. In 1927 the imports of twist and yarn from China were 945,000 pounds, but by 1928-29, in spite of being subject to the minimum specific duty, they had increased very considerably and had reached the figure of 11½ million pounds; that is, from under one million pounds in 1926-27 they had reached the figure of 11½ million pounds in 1928-29. When the Government of India were considering in December and January last the question of these imports from China their information was that no limit was imposed on the hours of work either of men or women in Chinese mills, and in fact a number of mills were said to be working two 12-hour shifts. In these circumstances it seemed to the Government of India that there was a clear case for the continuance of the minimum specific duty. Towards the end of February however, we received information that a law had been promulgated in China on the 16th of January. This law prohibited child labour and night work of women and limited the hours of work generally. In fact it appears to be much stricter in character than either the factory legislation in Japan or India. The Government of India have endeavoured to obtain information as to whether this law has been enforced. The information received is to the effect that so far no attempt has been made to enforce the provisions of the Act and in actual practice the conditions are the same as they were before the Act was promulgated in January of this year. In these circumstances, Sir, the Government of India came to the conclusion that although a law had been promulgated, they had no alternative but to proceed with the Bill providing for the continuance of the duty. Of course the matter will have to be reconsidered if labour conditions in China should substantially improve, and the Government of India must hold themselves perfectly free, should conditions have changed to such an extent as to warrant such a course, to place a measure before the Legislature proposing the discontinuance of the duty. As things are, however, at present, the Government of India have no hesitation in asking the House to approve this particular provision of the Bill.

[Mr. J. A. Woodhead.]

One word more, Sir, and I have finished. The thorny question of Imperial preference occupied a very prominent part in the debates on the Bill in another place, and I gather this question of Imperial preference may be raised in the debate in this House to-day. As has been fully explained during the course of those debates, Government are not asking the Legislature by passing this Bill to accept the principle of Imperial preference, although admittedly they are asking the House to approve in this particular case of the imposition of duties which will give a preference to British goods. I have tried to explain the reasons, the grounds, for not applying the higher rate of *ad valorem* duty to goods of British manufacture, but in conclusion I should, Sir, like to add this. After very careful consideration the Government of India came to the conclusion that unless the 15 per cent. revenue duty could be reinforced by something more than the 3½ annas duty on plain grey goods, the protection given would be incomplete and in all probability ineffective. At the same time Government felt very strongly that an all-round increase of the duty to 20 per cent. *ad valorem* would impose a burden on the consumer altogether incommensurate with the benefit to the producer. They were therefore driven to the conclusion that there was only one way by which justice could be done to the consumer as well as to the producer, and that was by discriminating between the imports from the United Kingdom and the imports from other countries. In the opinion of the Government of India the proposals as embodied in the Bill go nearer to meet the needs of the situation than any other proposal that has been suggested or could be devised. These proposals give the protection required at the point at which it is needed without throwing an unnecessary burden on the consumer, and I trust, Sir, that the House will agree that the incidental benefit to the British manufacturer affords no justification for rejecting a scheme which possesses these two fundamental advantages. The protection to the Indian industry is a fundamental part of the Bill, whereas the benefit to the British manufacturer is entirely incidental.

Sir, I move.

**THE HONOURABLE MR. SURPUT SING** (Bihar and Orissa : Non-Muham-madan) : Sir, I rise to oppose the Indian Tariff Bill of 1930 as passed by the Legislative Assembly. Sir, if what the Honourable Finance Member has declared in his Budget speech that our fiscal autonomy is a reality and that it has become an integral part of the present Constitution has any meaning, also if what Mr. Wedgwood Benn, the Secretary of State for India, has said in the House of Commons about India enjoying the same liberty in the matter of her tariffs as Great Britain has any significance, then clause 2 of the Bill can have no meaning. As to our fiscal autonomy, the Joint Select Committee after remarking that :

"Nothing is more likely to endanger the good relations between India and Great Britain than a belief that India's fiscal policy is directed from Whitehall in the interests of the trade of Great Britain",

has distinctly laid down that :

"Whatever be the right fiscal policy for India, for the needs of her consumers as well as for her manufacturers, it is quite clear that she should have the same liberty to consider her interests as Great Britain, Australia, New Zealand, Canada and South Africa."

"In the opinion of the Committee, therefore",

says the Report,

"the Secretary of State should as far as possible avoid interference on this subject when the Government of India and its Legislature are in agreement."

The report of the Joint Select Committee was made a part of the Constitution of India, and the Fiscal Convention is thus a part of the Constitution. But the amendment brought up in the present Bill proposes an advantage of 5 per cent. to British textiles in glaring unjustifiable discrimination against all non-British productions. We doubt if any agreement with the Indian Legislature as contemplated by the Statute was ensured beforehand for this Bill. Our duty is therefore to consider seriously whether we can be a party to such proposition. I doubt not that the Bombay cotton industry needs some protection badly, although it has been brought to this present miserable plight by the Government's anti-Indian and pro-British policy of a countervailing duty in years gone by. But I shall not have the approbation of my conscience if I should signify my approval to this preferential duty. Preference for British textiles means exploiting the Indian tax-payer and the Indian consumer for the purpose of benefiting the English producer. It has conveniently been forgotten in putting up this measure that besides the Indian millowner and the British manufacturer there is a much more interested party in the matter—the Indian consumer—whose interests have also to be kept in the forefront. The burden of protective tariffs always falls on the consumer ; and while he may be willing to bear a certain burden to help an indigenous industry there can be no earthly reason for taxing him indirectly for the benefit of the foreign producer. Thus, if the proposal is carried in the form presented to us, the Indian consumer will be asked to pay both for the protection of the Indian textile industry as well as for the protection of Lancashire. The Indian consumer will be thus hit in both ways.

I then say that the protection the present measure proposes to the Indian textile industry will be only temporary. It will not serve the problem of the Bombay industry which should seek its salvation first in the manufacture of higher counts and next in setting its house in order. But the provision of a protection to Lancashire is calculated to place the British manufacturer on a firmer footing on the one hand and on the other permanently to debar the Bombay millowner from specialising in finer cloths, although I must admit that the people who are interested in that industry may for the moment in their great distress think it otherwise.

It must not be considered for a moment that the Bill was designed to prevent the expansion of Japan at the expense of India or any other country constituting the British Empire. I feel the more correct interpretation is that the Bill was intended to check the expansion of Japan in such a way that the countries of the British Empire might have a free hand in exploiting the Indian consumer.

My reading between the lines of the Bill leads me to the conclusion that the real design underlying the preference proposal was a deep-seated and far-sighted one. The growing *khadi* propaganda throughout the country and the rapidly increasing boycott of British goods throughout the country have been causing considerable prejudice to the British-India trade. The Britishers here and in England are gradually coming to realise this situation. It is just to make up the deficiency of their gains which the cloth trade and British imports have so long brought to the British people that the clever financial advisers of the Government of India have thought of this plan to recoup somewhat the loss caused by the growing nationalist movement, and that either at the direct instance of or simply to befriend Lancashire.

It will perhaps be argued in some quarters that India should agree to this Bill to entitle herself to the goodwill of the English people for strengthening her claims to Dominion Status. But how can we agree to a vicious

[Mr. Surput Sing.]

measure which is on its face designed to become an effective weapon for the continuance of the present policy of exploitation and financial ruination of the country ? India wants Dominion Status no doubt, but that is only to put a stop to the long-established process of exploitation of her people and for the preservation of her self-respect. But if continued exploitation is to be the price for getting the goodwill of the British people, India should fain do without that precious goodwill. India when she becomes the mistress of her own home may be willing to allow certain concessions to the nations of the Empire in return for equally important concessions to her from them.

Statements like—"India must be vitally interested in maintaining a spirit of co-operation with Great Britain " and " It is obvious that any gesture of friendship which India can spontaneously and without compulsion make to the British Government in their own present grave industrial troubles is bound to strike a responsive note " are but political stunts of the Britishers to get out of India as much as possible by appealing to her fine sensibilities. What benefit really has the Imperial connection afforded to India ? What advantages has that connection brought to Indians in general ? How is that reciprocated on the other side ? The recent fiat of the British Medical Council against Indian medical degrees is a fitting recompense of the much-vaunted Imperial connection. Again such is the effectiveness of the Imperial connection that Indians are treated as pariahs in every free country of the world. In South Africa Indians are relegated to the position of helots. In Australia Indians are not allowed to have habitations. To New Zealand they are denied the right to go. In Canada they are not allowed to settle down. Indian law graduates have no status in the Colonies and Dependencies. Indian medical graduates are hardly afforded any recognition in any place in the Empire. To the League of Nations Indian Delegations are invariably led by Britishers. In the League Secretariat, notwithstanding our heavy contributions on the score of the Imperial connection, no Indian finds any employment. Everywhere outside India an Indian is an alien in the Empire. No matter how high his position may be in the country, he is no better than a hewer of wood and a drawer of water in any place in the Empire outside his own country. So I say that the Imperial connection is no blessing to us. Notwithstanding our Imperial connection our Government have always thrown us overboard whenever our self-respect has been jeopardised. Our Government have only looked on in a helpless way in such situations. I say we should forbear such Imperial connection as brings us nothing but dishonour wherever we go. India should therefore fight shy of the shibboleth of Imperial connection and assert her own self-respect by initiating a vigorous policy of retaliation against all and sundry that direct only indignity and disability towards her for her being a component part of the British Empire.

Lastly, we must not forget that if Japan which is primarily sought to be hit by this Bill adopts a retaliatory policy towards our raw products, for our Government adopting this unreasonable and unwarranted discrimination against her, we shall not only incur the displeasure of an hitherto friendly Asiatic country, but will also bring disaster to our export trade, especially in rice and cotton, to the great misery and prejudice of our agriculturists. If such a state of things really happens our trade depression will augment fourfold and our financial difficulties will be heightened beyond measure. England herself dare not discriminate against Japan. So I do not understand why England is taking advantage of our dependence upon her and inflicting this wrong upon our people.

The Bill is thus a mischievous measure and I oppose it.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS** (Punjab : Non-Muhammadan) : I made it clear, Sir, on the day that the discussion of the General Budget was going on that I was not opposed to Imperial preference. At that time, Sir, I was under the impression that the fiscal autonomy convention which was given to India was a reality. Since then, the Honourable Sir George Rainy the other day in the Assembly gave an interpretation of this autonomy which meant nothing short of a negation of the spirit underlying this famous convention. The Joint Select Committee and the Crewe Committee both laid down and made it clear that India was free as far as her fiscal autonomy was concerned. I will just read out an extract from their Report :

"Whatever be the right fiscal policy for India for the need of her consumers as well as for her manufactures, it is quite clear that she should have the same liberty to consider her interests as Great Britain, Australia, New Zealand, Canada and South Africa."

It goes on further to say :

"The Secretary of State should as far as possible avoid interference when the Government of India and its Legislature are in agreement."

The Report of the Joint Select Committee was made a part of the Government of India Act and therefore the fiscal convention is a part of the Statute. From the passages I have quoted it is obvious that in fiscal matters the Joint Select Committee wanted the Indian Legislature to exercise the same powers as the Parliaments of the self-governing Dominions. The Honourable the Commerce Member in another place declared that the Government was not prepared to accept any substantial changes even if they were passed by a majority of the Members of the Assembly. This declaration, Sir, has pained us a great deal and, although it is my view that, as far as the various countries under the British flag are concerned and in case India does not suffer from the policy of giving preference to another country, the preference may be given, but that preference should be at the absolute discretion of the Indian Legislature. The Honourable the Commerce Secretary has observed that it was first the intention of the Government to impose an all-round 20 per cent. duty, but in the interests of the consumer it was not considered equitable and just to do that. In that connection, Sir, I must say that the increase of 4 per cent. which the Honourable the Commerce Member has now considered to be a detrimental increase in the interests of the masses, I must say that those poor masses—I mean the consumers—were by one act of legislation of forcing the exchange from 1s. 4d. to 1s. 6d., forced to forego an additional 12½ per cent. in exports. Then the interests of the poor consumers and the agriculturists were not properly given attention to. I cannot understand, Sir, that when a 12½ per cent. hit did not make the Government feel sympathetic, how the increase of 5 per cent. is now making them consider the present situation. As far as the Bombay millowners are concerned, Sir, my impression is that they wanted an increase of 20 per cent. all round as the duty on piece-goods. But now, Sir, as the real fiscal autonomy is not being given us we have no other alternative but to oppose this Bill because we do not want that a privilege which has been given to us once should be withdrawn in this indirect manner.

**THE HONOURABLE SARDAR BAHADUR SHIVDEV SINGH UBEROI** (Punjab : Sikh) : Sir, as far as I understand, three points have been made in the debate about this Bill. One is that the convention of fiscal autonomy has

[Sardar Bahadur Shivdev Singh Uberoi.]

ceased to exist. The other is that by an increase, as proposed in the Bill, there would be hardship on the masses who are the consumers of goods, and the third point is of Imperial preference. As regards the first point, Sir, my view is this, that the Bill has been passed in the other House by a majority of votes which included non-official votes also in favour of the passing of the Bill. This clearly shows that the Government who initiated this Bill is in agreement with the majority of the votes of that House. Of course, what struck me first when I read that a threat had been given in that House that if any substantial amendment is made in the Bill as proposed by the Government, Government will not press it but will withdraw it—my personal opinion is this—that this ought not to have been said. Whatever may have been in the minds of the representatives of the Government, this ought not to have been said and the opportunity ought not to have been given to the Opposition to say that the measure has not been passed by the free vote of the House. As it is passed now by the vote of the House, which included many non-official votes, I do not think that it would affect the convention of fiscal autonomy as it has been urged by my Honourable friends this morning here.

As regards the other point that this increase of revenue duty and preferential duty would be a hardship to the consumer in India, there is a great deal of truth in it, but I wish to say that the dearer the imported cloth becomes in the Indian market, the better it would be for the consumer to stick to Indian-made cloth and also change his modes of dress to be more economical and more reasonable according to his purse. The higher the price of imported goods which are imported into the Indian market is the more impetus it would give for the people to use their own country-made things which are cheaper and therefore economical for the consumer to use. Let those who preach and say that this measure would be a great hardship to the consumer preach amongst the people to use home-spun cloth or Indian made cloth which is decidedly cheaper than cloth made in Lancashire or Japan in many respects.

As regards the other point, Sir, that it involves the principle of Imperial preference, it has been said plainly on behalf of the Government that this is a temporary measure which would have effect for only three years at present. But it has also been said by the Opposition that a tax once imposed is very hard to be abandoned, and the fear exists that after three years perhaps this may not be modified and this may continue. I personally am not in favour of preference to any country at the sacrifice of India, but I say that if the destiny of India is to remain with the destiny of the British nation and if both the nations in the world have to prosper in harmony with each other, in response to each other's interests, I would not say that this is a very great fatal blow to the Indian industry. If the condition of trade in England is such that it requires protection at the hands of Indians and if at the same time that measure gives protection to the indigenous industry—the cloth industry of India—on this ground I would not object very strongly to this temporary measure of protection. On this principle I will not think that this is very objectionable. The circumstances and the times through which we are passing now are such that I think it is of very great vital importance that the goodwill between Indian politicians and the Indians and the British politicians who consist of very many trades people should not only exist but should be promoted, and if this measure is to develop the goodwill of the British Government for India, I would not object to it but welcome it.

THE HONOURABLE SIR JAHANGIR COOVERJEE COYAJEE (Bengal : Nominated Official) : Sir, I submit that the main issues in the controversy relating to the present scheme of protection for the Indian textile industry are reducible to three. First, have we by the proposed arrangement accepted the principle of Imperial preference and inaugurated a policy based upon that principle ? Secondly, how far does the United Kingdom stand to gain by the proposed policy of differential duties ? Thirdly, how far is there a possibility of any loss to India as the result of the employment of such duties ? I am quite aware, Sir, that other issues have been raised, but they are mere corollaries and results of the notion of Imperial preference. The question of fiscal autonomy, for instance, would not have been so keenly debated but for the suspicion of Imperial preference. If any proof was required of this fact, there are the speeches of the Honourable Mr. Surput Sing and the Honourable Rai Bahadur Lala Ram Saran Das.

I submit, however, that we have not accepted by the present measure the principle or policy of Imperial preference. Many countries employ differential duties entirely in their own interests and without a thought of preference to any other country. It so happens however that in India we have not had much occasion to make use of differential duties, while there has been a prolonged controversy about Imperial preference. Consequently, whenever differential duties are proposed, suspicions regarding Imperial preference are aroused at once.

I shall now bring forward some considerations to show that in their essence the proposals before us are of the nature of differential duties. I am quite aware, Sir, that in some other places such a proposition has been greeted with laughter. But then it is only, "the loud laugh that speaks the vacant mind". My first contention is that the scheme of differential duties in the Budget is the necessary and logical result of the arguments urged by (as distinguished from the conclusions of) the Millowners' Association before the Textile Tariff Board and those of the Tariff Board itself. That Board emphasised in paragraph 18 that

"The Bombay Millowners' Association have dwelt almost entirely on competition from Japan. Competition from other countries has been mentioned incidentally" added the Board,

"but it is clear from the trend of evidence that it is not regarded as serious".

Such an argument on the part of the millowners was nothing less than a virtual demand for differential duties. Then again so far as the arguments of that Board went they also pointed to the desirability of the employment of differential duties. Thus in paragraph 91 the Board argues that

"a moderate measure of protection can be justified for such period as the labour conditions of Japan continue inferior to those of India".

In fact the demands of the Millowners' Association and the reasoning of that Board as well as of the Hardy Report lead inevitably and unanimously to the employment of differential duties such as are now proposed. Shall we then shrink from employing such duties as have been virtually suggested by ourselves and our best experts merely because they can be taken or mistaken for Imperial preference ? Shall we miss the solid gain for fear of the obsession ?

My second contention is that the scheme of differential duties is not based on the idea of Imperial preference but is founded upon the basic and scientific conception of discriminating protection. It is in fact the very negation of a judicious and discriminating protection to levy the same duties on the products.

[Sir Jahangir Cooverjee Coyajee.]

of countries which enjoy unfair as well as overwhelming advantages and upon those of a country of which the competition has been dwindling away for many a year. Nor is it wise to tax the local consumers needlessly or to

12 Noon. extend to the local industry the dubious—nay harmful—boon of over-protection only in order to gratify a prejudice against the policy of differential duties. The employment of protection can be likened to that of defensive armour in combats. Each portion of the body should be guarded by just that weight of armour which is necessary for it, otherwise an indiscriminate heaping of heavy armour all over the body will heavily and needlessly oppress the wearer.

One more consideration can be urged to show that the Bill does not embody Imperial preference as a policy or serve as a precedent in that line. For it is perfectly consistent with the principle of the Bill that if ever in future the competition from Lancashire assumed the character and the intensity of that from Japan we would put higher duties on the imports from the former. The only precedent that the Bill creates is that of employing differential duties against a country from which competition becomes unfair and overwhelming. If even Lancashire could get back to its former dominating position in the textile industry, if its competition became (like that of Japan at present) “nearer, clearer, deadlier than before”, then Lancashire would certainly not relish any reference to the present tariff precedent. That is the acid test which shows that the project under consideration is not so much that of Imperial preference as that of a discriminating employment of differential duties and of adapting the relative level of protection to the comparative intensity of competition from abroad.

But then it is contended that great benefits will accrue to Lancashire as the result of the proposed duties. Sir, it is easy to exaggerate the benefit that might accrue to Lancashire from the system of differential duties. I have sufficient confidence in the enterprise and initiative of the Indian mill-owners to trust that most of the gap left by the reduction of Japanese imports will be filled by the increased production of this country caused by the much larger measure of protection. I am confirmed, Sir, in this belief by the undoubted fact that even with the duties at 11 per cent. the output of upcountry mills rose by 60 per cent. in the five years from 1923-24 to 1928-29. Moreover, it is not likely that with the mere prospect of a temporary advantage of less than 5 per cent. for three years only, Lancashire will or can do much to reverse the course of development of the British textile industry towards the finer textures.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Are you certain of those three years not being extended ?

THE HONOURABLE SIR JAHANGIR COOVERJEE COYAJEE : I must go by the scheme which is before us. It is to be noted also that if at all Lancashire took to the spinning of coarser cloth, her demand for Indian cotton is bound to increase *pro tanto* and this must benefit our agriculturist. The most probable result is that, if with an 11 per cent. duty the exports of Lancashire to this country stagnated for years, she cannot reasonably hope to make progress with a four per cent. increase in her handicap. If we have beaten Lancashire and gained ground so largely at its expense with import duties of 11 per cent. and less, she is not likely to turn the table on us with much higher duties.



Coming to discuss the third issue in the controversy, we find it asserted that our scheme of duties amounts to a taxation of the Indian masses in the interests of Lancashire. Indeed, amateur statistics have been brought to bear upon the matter, and the supposed loss to India has been computed at over 2 crores. However, it can be shown that such reasoning is based upon not a few fallacious assumptions. In the first place, Lancashire cannot raise the prices of her imports by 5 per cent. without materially lowering the Indian demand for her goods. Since, as we have already noted, even at the present low prices of Lancashire goods the demand for them has been on the decline, we cannot conceive that it would choose to follow a policy of high prices which would lower the demand still further. The whole export policy of our day is based not on the suicidal conception of raising prices but on the true principle of lowering prices, increasing exports and making mass production possible.

Sir, it is a deplorable thing that, instead of preparing to make the utmost use of the protection placed at our disposal and to gain a march on our Japanese rivals, we are employing our energies in discussing subtle and sentimental distinctions about the nature of the differential duties. It can be inferred from this mental attitude that we are underestimating the difficulties of our task of reorganisation as well as the new menace to our cotton industry. The advantage of Japan is not all due to unfair competition, though some of us in India would fain believe so. I am afraid, Sir, in the absence of a great and decisive effort for reorganisation, even a 20 per cent. duty might fail to achieve equality between the most go-ahead and the most conservative producers of textiles. And if the task to be achieved is a difficult one for the rest of India it is doubly difficult for Bombay. For she has to re-establish her former position of comparative advantage not only with respect to Japan but *vis-a-vis* the upcountry mills. We are all aware, Sir, that the name of Bombay has been synonymous in the past with skill, enterprise and initiative. But in order to succeed in her difficult task she will have to draw on every ounce of her strength and resources. It is to be expected that instead of wasting time on preliminary issues of a sentimental character she will put her shoulder to the wheel and begin her great task of the rehabilitation of the foremost industry of India.

THE HONOURABLE SIR GEORGE RAINY (Commerce Member): Mr. President, the first speaker, Mr. Surput Sing, opened out a very wide field for debate, for he touched, lightly it is true, on a large number of important topics not directly relevant to this Bill. The only one of these points to which I should like to refer is this, that it was with some surprise that in this House of all places I heard the statement that Delegations to the League of Nations had invariably been headed by Englishmen. I should have thought that there could not be a Member of this House who did not know that it was the Leader of this House, Sir Muhammad Habibullah, who headed the last Delegation at Geneva. (Applause.) Now, Sir, had not the point been admirably dealt with by my friend Sir Jahangir Coyajee I should have wished to have said something about the charge that this Bill is designed in the interests of Lancashire, in order to put large sums of money into the pockets of the Lancashire millowners, and not in the interests of India. But I do not think I need dwell upon that point, because, as I say, Sir Jahangir Coyajee has dealt with it effectively. The plain fact of the matter is that in the opinion of Lancashire—and as Lancashire is very closely interested its opinion is probably of some value—this Bill far from being beneficial to its interests inflicts on them a very serious blow. There can be no question at all about that, and it is only true that the Bill benefits Lancashire in this sense.

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that, with the additional 5 per cent. upon non-British goods, Lancashire will be better off than if that 5 per cent. were not imposed, but it is a great deal worse off than if the duties had been left unchanged at 11 per cent.

Now, Sir, something has been said to-day about the fiscal autonomy convention. I dealt with that matter at length in another place and I do not wish to cover the same ground again. But I should like to refer briefly to what fell from my Honourable friend Lala Ram Saran Das. He referred to the Report of the Crewe Committee. A great deal of use was made in the discussions in another place of the report of that Committee, and I think it is worth while to make it clear to the House what exactly the question was with which that Committee were dealing. The point they considered was this. If a Bill has been passed by the Indian Legislature and it has received the assent of the Governor General, in what circumstances, if any, ought the Secretary of State to advise His Majesty to exercise his power of disallowance? It will be obvious, Sir, that in the case contemplated Government and the Legislature have already reached agreement, for otherwise the assent of the Governor General would presumably not have been given; and what the Crewe Committee said was that if such a Bill had received the support of a majority of non-official votes in the Assembly, it would not be right for the Secretary of State to advise His Majesty to disallow it. But obviously this is a totally different proposition to what comes up in connection with this Bill. The circumstances supposed are that Government and the Legislature are in full agreement, and that a majority of the non-official Members of the Assembly have supported the measure. I cannot see that this passage in the Crewe Committee's Report has any relevance whatever to the interpretation of the fiscal convention.

The interpretation which, I think, my Honourable friend Lala Ram Saran Das favours and which certainly found a great deal of favour in the other House was this. Since the convention lays down that the Secretary of State will not exercise his powers of interference when the Government of India and the Legislature are in agreement, it is the duty of the Government of India to ascertain the opinion of the non-official or of the elected Members of the Legislature and thereafter to agree with that opinion. If that theory were accepted, Government and the Legislature no doubt would always be in agreement, but the agreement would not be a real agreement, because it would mean that Government had surrendered its own judgment altogether. What I tried to make plain in another place was this, that this was an interpretation of the convention which Government could not accept, because in their view the agreement must be a real agreement and not on the part of Government an abandonment of an important duty.

Before passing on to another point, I should like to refer in passing to one remark which fell from my Honourable friend Lala Ram Saran Das. He said that the fixing of the exchange at 1s. 6d. meant an increased burden of 12½ per cent. on the consumer. What I have always heard previously is that it means a lower price to the extent of 12½ per cent. to the producer. But if it is going to operate both ways, if the consumer pays 12½ per cent. more and the manufacturer gets 12½ per cent. less, I want to know where that extra 25 per cent. has gone, because it has not gone to the pockets of the Government of India. I can assure my friend, and the Finance Member would repudiate that. I think he would be wise if he were to reconsider that particular point, because I do not think that it can plausibly be argued that the 1s. 6d. ratio imposes an extra burden on the consumer.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : On a point of explanation, Sir. I meant by observing that that the decrease in the price of the rupee brought in  $12\frac{1}{2}$  per cent. less to the Indian exporter and to the Indian agriculturist, as most of the consumers are agriculturists, who form more than 80 per cent. of the population.

THE HONOURABLE SIR GEORGE RAINY : Then may I put it this way : My Honourable friend wishes to say that in his capacity as a producer the consumer has had an additional burden of  $12\frac{1}{2}$  per cent. imposed on him. I do not want to enter into that field of argument, but the actual wording of his statement led to a rather different impression, which I thought deserved a moment's notice.

Now, Sir, I should like to turn to what Mr. Shivdev Singh Uberoi said when he remarked that he did not think that the attitude taken by Government in another place was right. I am glad to have an opportunity of saying something about that, because owing to circumstances entirely beyond the control of Government a convenient opportunity did not present itself of dealing with that matter in another place. The charge brought against Government is this, that it is treating the Legislature unfairly to present them with the alternative of accepting the Government scheme as it stands or of getting nothing at all. The first point I want to make is this, that it is quite an unfair description of what actually happened. In the first place, an integral part of the Government plan was the increase of the revenue duty from 11 per cent. to 15 per cent. and that has been accepted by both Houses of the Legislature and has been passed into law. There is no use therefore saying that the industry would get nothing, for it has actually got the 15 per cent. duty which was included in a separate Bill and could therefore be dealt with entirely separately. Again it is not correct to suggest that Government maintained an absolutely obdurate attitude and was unwilling to make any change in its original proposals. A very substantial change was made in the original scheme in order to meet non-official opinion. The application of the specific minimum duty to plain grey goods of British origin was not a small charge but a large one. It is in that class of goods that the inroads of the Japanese mills into the sphere where British goods formerly possessed a very large share of the trade, have been most serious. Now, what Government found was this, that on the one hand there was a great deal of apprehension in non-official circles that if the specific minimum duty were not made applicable to this class of goods produced in the United Kingdom, the result would be that Great Britain would recapture a large part of the trade which had been lost to Japan, while on the other hand it was pretty clear that the manufacturers in Lancashire did entertain hopes that with reorganisation and mass production they might in fact be able to recover at least part of that trade. Government's own view was that both the hopes and the apprehensions expressed were likely to be falsified, because they did not believe that with the handicap of a 15 per cent. duty it was at all likely that in the class of plain grey goods the British manufacturer would be able to re-establish his position. Nevertheless, they accepted an amendment moved in another place which had the effect of making it absolutely impossible in this class of goods for Lancashire to recapture any part of the trade which it had lost. Now, that, Sir, was a definite concession to non-official opinion. It was an important concession because the imports from Japan and China in this class of goods amount to about 220 million yards, and in the other classes the imports from these countries are only about 150 million yards. I think that is a pretty convincing reply to the charge that this Bill is conceived in the interests of Lancashire. What then did Government do ? There were

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two important amendments of which notice had been given in another place. One was for the application of the 20 per cent. duty to British as well as to non-British goods. As my Honourable friend, Mr. Woodhead, has explained, the view of the Government has been made clear and unmistakable from the start. They could not accept that scheme because the benefit to the industry was altogether incommensurate with the burden on the consumer. The other amendment is the same as one of which notice has been given in this House, namely, that on goods from all countries the duty should be 15 per cent. with a specific minimum duty of  $3\frac{1}{2}$  annas a pound. Government examined that proposal very carefully. They found that for practical reasons it was unworkable and would lead to intolerable congestion and delay to trade in the Customs Houses. They also found that the scheme tended to give protection where it was not needed and to give inadequate protection where it was needed. They came clearly to the conclusion that they could not accept that amendment either. In these circumstances, was it unreasonable, was it unfair that Government should make their position clear so that Members of the Legislature should not be misled as to the consequences of the votes they might give? In every constitution framed on the British model, occasions are apt to occur when Members of the Legislature are faced with very similar dilemmas. When the Government of the United Kingdom or of a self-governing Dominion makes a particular measure a question of confidence, then Members of the Legislature have to choose whether they will take what Government offers or risk the defeat of the Government and the consequent danger to the whole policy which the Government represents. As I pointed out in another place, the only difference is that in a Dominion or in the United Kingdom the Government can be removed by the Legislature and at present in India this result cannot follow. But in a Dominion Legislature or, if you will, in the United Kingdom, the final decision rests with the Legislature, not in the sense that it can shape all the details of the plan and compel the Government of the day to accept them, but in the sense that when Government has gone as far as it can to meet divergent views, to choose whether it will accept the Government scheme or not. I might remind the Honourable Member who spoke first that, if he were a Member of the British House of Commons and a similar Bill came before it, it would be impossible for him to move the amendment, because the Parliamentary practice is that an amendment for an increase in taxation can be moved only by a Minister of the Crown. Government, Sir, cannot admit that, by taking up the attitude which they did take, they were in effect preventing the Legislature from deciding by its own free vote. If that were so, it would mean that in no constitution framed on the British model can the Legislature decide major issues by a free vote, for they must always take into account the fact that an adverse vote may bring down the Government with the consequent risk—or it may be the certainty—that the policy for which the Government stands will be endangered.

In conclusion, Sir, I will only add one word with reference to what fell from Mr. Surput Sing. He spoke of a plan adopted at the direct instigation of the Government in England. I have contradicted that statement and my Honourable friend, the Finance Member, has contradicted that statement in another place. I should like to do so once again to-day and to make it quite clear to this House that the scheme in the Bill originated with the Government of India entirely, and that no suggestion, direct or indirect, that it should take this form came from anywhere else.

THE HONOURABLE THE PRESIDENT : The question is :

"That the Bill further to amend the Indian Tariff Act, 1894, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

THE HONOURABLE MR. SURPUT SING : Sir, the first amendment that I propose to move with regard to the Indian Tariff Bill, 1930, is to the following effect :

"That in sub-clause (1) of clause 2 of the Bill, for the proposed Item No. 156A the following be substituted, namely :

'156A. Cotton piece-goods. *Ad valorem* . . . 15 per cent. or 3½ annas per pound, whichever is higher.'

My object in this amendment is that there should be a revenue duty of 15 per cent. on all imported cotton piece-goods with a minimum of 3½ annas per pound irrespective of the country of origin. This proposition, if accepted, will satisfy the Indian requirements. (1) It will protect Indian production ; (2) it will not involve any discrimination and therefore does not endanger India's export trade with non-British countries ; (3) it will not injure Lancashire, which possesses the natural advantage over India of specialising in fine counts.

The Indian cotton industry which has been so hard hit of late by a combination of causes near and remote needs undoubtedly some immediate relief. Such a protective duty as is proposed will go to ameliorate the situation. But the industry must not forget that every protective duty eventually hits the consumer. So for safeguarding their position the preferential duty in favour of British goods should not be accepted, as that will mean ultimate hardship to the Indian consumer inasmuch as about 2 crores will be mulcted from Indian consumers for the interests of British producers and that for the next three years. Again, this policy of Imperial preference brings in a question of invidious distinction against non-British countries. Japan being the next of the supplying countries of textiles to India will be vitally affected by the discrimination. If she feels aggrieved by the policy she may introduce a policy of retaliatory tariff against her Indian imports and then will follow an era of dismal trade depression in our exports to Japan. We should, therefore, seriously ponder over such a step as we are asked to take in the Bill before us.

Lancashire which is perhaps the oldest place for cotton weaving and which enjoys the speciality of turning out the finest counts of cloth may easily spare us the discriminatory policy in the present state of our political and financial troubles and thus earn our goodwill.

The Secretary of State for India has openly denied that it was at his instigation that the policy of preference had been adopted. He has also added that so far as India is concerned, she has a free choice in the matter as she enjoys full fiscal autonomy in such things. The Government of India have been unable to substantiate what they have so long asserted that the British Cabinet wanted some such preference to be adopted for them.

In view of all these facts, I should think that an all-round 15 per cent. duty, irrespective of the country of origin, will fully and satisfactorily meet the situation. With these words, Sir, I beg to move the amendment for the acceptance of the House.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, I rise to support this amendment as I do not like to buy protection for the Indian cotton industry at the sacrifice of fiscal autonomy. In this connection, Sir, I might say that although I am for Imperial preference, I am only for Imperial preference in case India is given in reality autonomy in fiscal matters. On this occasion, I might also explain, Sir, how Lancashire enjoys an indirect protection in the way of 1s. 6d. exchange ratio. I think I have not been quite clear in my explanation of this point before, so I want to explain it now. The Lancashire manufacturers were unable to sell their goods at the exchange ratio of 1s. 4d., but the Government by forcing the ratio to 1s. 6d. made their goods sell, because in rupees it meant a lower price although in the sterling price it meant no change. As far as the difference to the masses between imports and exports in India was concerned, I calculated it to be only about  $3\frac{1}{2}$  per cent. for the rural population and in view of this difference, an indirect bounty of about  $8\frac{1}{2}$  per cent. was given to Lancashire. Sir, if real fiscal autonomy does not exist severe resentment ought to be shown by this House so that the violation of the fiscal autonomy convention should be set right like the later interpretation of declared Dominion status was included in responsible government, so that it may not add to the discontent in the country.

**THE HONOURABLE SIR JAHANGIR COOVERJEE COYAJEE :** Sir, I did not intend to speak again on this occasion, but I should like to add a word about the views propounded relating to the exchange ratio and its bearing upon the scheme of protection. While asserting the advisability of extending protection to our textile industry, I deny as emphatically that either the 1s. 6d. ratio or the currency policy of the country were factors which contributed in any measure to the condition of things which made that protection necessary. Those who hold the view that the new rates harmed the textile industry might be invited to explain why for full four years after the inauguration of the new rates, the production of piece-goods in India as well as their exports went on making new records. If the ratio was hindering our exports and helping imports from abroad, how is the long stagnation of Lancashire imports and their fall since the year 1924-25 to be accounted for ?

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** What were the profits during this four-year period accruing in India to the Indian mills ?

**THE HONOURABLE SIR JAHANGIR COOVERJEE COYAJEE :** We are dealing, Sir, with the period of depression, in which very few mills in any country were making any profits. The great expansion of the textile industry in India shows however that even after the new ratio was introduced, the prospects of profits seemed quite good.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Can you say how many new mills were started during this period of depression ?

**THE HONOURABLE SIR JAHANGIR COOVERJEE COYAJEE :** I could not say that, I am sorry ; but from Mr. Hardy's report you will find that after the introduction of the ratio, in about four years, the increase of

production of the Bombay mills was over 60 per cent. Even within the last two years, about 10 new mills have been set up in Ahmedabad and several in Madras.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** What was the corresponding decrease in production in the Bombay mills ?

**THE HONOURABLE SIR JAHANGIR COOVERJEE COYAJEE :** The Bombay mills had special difficulties of their own in the matter of labour and in the matter of taxation. I would refer the Honourable Member to the report of the Textile Tariff Board. But, Sir, was it the fault of the ratio that between the years 1923-24 and 1928-29 the output of the upcountry mills increased by 60 per cent. ? It is obvious also that Japan does not owe its present dominance in the Indian market to the ratio. For the growth of Japanese exports of textiles to other countries than India is at least equally striking. Obviously the remarkable increase of Japanese exports to so many countries simultaneously cannot be accounted for by a local factor like the ratio which can apply only to India. But it is the reward of her superiority in organization, technique and labour.

**THE HONOURABLE SIR GEORGE RAINY :** Sir, I would only say a very few words in replying to this amendment, and I do not think the House will expect me to speak at length, because I notice that both the mover of the amendment and his supporter, though they had several things to say about the Bill, said nothing whatever about the probable effects of their own amendment. Government, Sir, are unable to accept this amendment for two reasons. In the first place, the administrative difficulties in applying the 3½ annas minimum specific duty to all classes of goods would, as I have already said, lead to intolerable congestion and delay in the Customs Houses. That matter was very fully explained in another place by Mr. Hardy who of course speaks with first hand knowledge in such matters. In the second place, Government are definitely of opinion, and I may say incidentally that all the millowners are also of the same opinion, that the protection given, if this amendment were adopted, would be inadequate and would be much inferior to the scheme of the Bill. Finally, there is this objection that the effect of the amendment would be to subject to higher taxation with no advantage to anybody a considerable volume of non-competing goods, the import of which does not in any way affect the Indian industry. For these reasons, Sir, Government cannot accept the amendment.

**THE HONOURABLE THE PRESIDENT :** The original question was :

“ That clause 2 do stand part of the Bill ”.

Since which an amendment has been moved :

“ That in sub-clause (1), for the proposed Item No. 156A the following be substituted, namely :

‘ 156A. Cotton piece-goods. *Ad valorem* . 15 per cent. or 3½ annas per pound, whichever is higher ’.”

The question I have to put is that that amendment be made.

**THE HONOURABLE MR. SURPUT SING :** I call for a division, Sir,

(The Honourable the President then ordered a division.)