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CONTENTS.

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COUNCIL OF STATE.

Saturday, 17th December, 1932.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the Chairman (the Honourable Nawab Malik Mohammad Hayat Khan Noon) in the Chair.

INDIAN TARIFF (OTTAWA TRADE AGREEMENT) AMENDMENT BILL.

THE HONOURABLE MR. J. C. B. DRAKE (Commerce Secretary): Sir, I move:

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

Sir, the Bill which I am asking the Council to take into consideration today, while it seeks merely to make certain changes in our customs tariff, represents only one side of a much larger picture. The complete picture is presented in the Trade Agreement which was made at Ottawa between the Government of India and His Majesty's Government in the United Kingdom under which India will receive certain preferences in the United Kingdom and in the non-self-governing Colonies and Protectorates in the British Empire, if on her part she gives certain tariff preferences to those countries. That Agreement is explained in the Report of the Indian Delegation to the Imperial Economic Conference at Ottawa. The Report has now been in the hands of Honourable Members for some time—about two months—and since it was published it has been subjected to further intensive examination by a Special Committee of the other House, and the Reports of that Committee have also been made available to Honourable Members. Before I go any further I should like to add to the many tributes that have been made my own humble tribute to the work of the Indian Delegation to the Ottawa Conference, including in that the Report which they have presented to us. The completeness of that Report, its mastery of detail, its conspicuous fairness, and not the least, the clarity with which it has stated every problem and explained the reasons for its conclusions render my task very much easier than it would otherwise have been. I feel, Sir, that it is quite unnecessary for me to attempt to go over the same ground, but I propose before coming to the Bill itself to place before Honourable Members what appear to me to be the most important considerations in regard to the advantages offered to India by the Agreement, considerations which I submit will fully justify the actual tariff proposals which are before the Council. In doing so I shall endeavour to be as brief as possible.

At the beginning, it may be as well to say a word about the genesis of the Ottawa Agreement. I do not propose to go further than the present year, when a change of the most far-reaching importance took place in the tariff policy of the United Kingdom. The outward and visible sign of that break from her free trade traditions was the United Kingdom Import Duties Act, which became effective on the 1st of March this year. That Act imposed an all-round duty of 10 per cent. *ad valorem* upon all articles

[Mr. J. C. B. Drake.]

excepting only a few which had already been made subject to duty several years before for special reasons, and excepting also a special list of duty-free articles. That Act further empowered the Executive Government to impose additional duties on the advice of an Import Advisory Committee, a body which functions very much in the same way as our Tariff Board. Those additional duties are intended to be imposed mainly in the interests of British manufacturers—British industries. Now, from this general 10 per cent. duty, and any additional duty that may be imposed, imports from the non-self-governing Colonies and Protectorates were exempted entirely and permanently, but goods from the Dominions and India were to be free of duty until the 15th November, 1932—the month that has just passed—and it was explained in the British Parliament that the object of this provision was to allow sufficient time for India and the Dominions to consider whether they were prepared severally to enter into preferential tariff agreements with the United Kingdom on the understanding that, if they did so, these exemptions from duty which I have described would be made permanent. It was in these circumstances that the Government of India were invited to send representatives to the projected Imperial Economic Conference at Ottawa in order to discuss with representatives of His Majesty's Government in the United Kingdom the question whether they were prepared to enter into a tariff agreement of the kind I have described. As Honourable Members are aware, that invitation was accepted by the Government of India, and Sir George Rainy, speaking in the Legislative Assembly on the 4th April last, made an announcement on behalf of the Government of India which ended with the following words:

"If the conclusion of a trade agreement is recommended as the result of the Conference, any changes in the tariff which it may involve will be duly placed before the Legislature for its approval. The Government of India have no wish to put any such changes into effect unless the Legislature is satisfied that they are in the interests of India".

That, Sir, is all I think I need say in explanation of the origin of this Bill. But, before I go further, I should like to invite the particular attention of Honourable Members to three matters to which I should not have considered it necessary to allude had not a good deal of misunderstanding and irrelevant argument found expression during the last month or so in regard to them. My first point is this. Criticism of the Ottawa Agreement has in certain quarters taken the somewhat curious form of a complaint that the circumstances which I have briefly described constituted, in fact, a threat by which the Government of India were coerced into the grant of preferential treatment to British goods. Surely, Sir, that view of the position is a strangely distorted one. The United Kingdom, for reasons of her own,—correction of her trade balance, her revenue position, the needs of her manufacturers—decided to impose for the first time a general customs tariff. She exempted entirely from those duties the imports of her own non-self-governing dependencies, and in addition she gave freedom from those duties, and from any additional duties that might be imposed, to India and the Dominions for a period of about eight months, and she said in effect,

"We cannot continue to give this complete freedom from our ordinary duties to your goods unless you are prepared to give us something in return. Therefore, take a reasonable time; think it over and consider whether it is worth your while to retain these preferences which we are now giving you. If you do wish to retain them, consider what tariff preferences you will be prepared to give us in return".

Surely, Sir, that was a perfectly reasonable and a perfectly fair offer to make.

My second point relates to a simple question of fact in regard to which it has been evident that a considerable amount of misapprehension has existed even until quite a recent date. The Trade Agreement concluded by the Government of India at Ottawa is an Agreement with the United Kingdom only, and in that Agreement are included certain tariff preferential arrangements with the British non-self-governing Colonies, Protectorates and Mandated Territories. No Agreement has been made by the Government of India with any one of the Dominions. Canada, Australia, New Zealand, the Union of South Africa, Newfoundland, the Irish Free State, are in no way concerned with this Agreement. Certain discussions took place between the Indian Delegation and representatives of the Dominions, but the matter in their case did not proceed beyond the stage of preliminary discussion and was left over for further consideration by the Governments concerned.

My third point is this. We have heard and read a great deal lately about what the Government of India said under Lord Curzon in 1903 about Imperial preference. We have also had quoted to us the words of the Indian Fiscal Commission of 1922. Now, Sir, ten years after the Report of the Indian Fiscal Commission, and nearly 30 years after the famous despatch of Lord Curzon's Government, Imperial preference may or may not be a good thing for India. But we are not called upon to decide that question. Circumstances have completely changed, and the question now is whether in those altered circumstances we are going to accept an offer of certain definite advantages made to us by the United Kingdom for which we are expected to give in return certain definite advantages to that country; and at the risk of appearing to labour the point unduly I should like to add this. The question to be considered is not merely whether the United Kingdom and India should enter into a mutually preferential trade agreement. The question is whether, knowing as we do that the United Kingdom has already entered into preferential tariff arrangements with the Colonies and with the Dominions, can we possibly afford to stand outside that circle and allow our goods to be subjected to duties, which in some cases may be very heavy duties, in the great United Kingdom market and in the lesser, though still important, markets of the non-self-governing Colonies and Protectorates, while the goods of our competitor countries in the Empire are admitted free of duty?

Now, Sir, I propose to deal shortly with the advantages which India's export trade will enjoy in the United Kingdom and in the non-self-governing Colonies and Protectorates, that is to say, with those tariff concessions which we are to receive in return for the concessions proposed to be given in the Bill which is before the Council. It will perhaps serve to make the position rather clearer if I explain shortly what these preferences are. The preferences enjoyed and to be enjoyed by India might be placed in five categories. There are first certain preferences which have been in existence for some time before the Ottawa Conference. They were given after 1919 and there are four articles covered by them in which India is interested. These are silk, tobacco, coffee and fruit, and I place with that group the preference which India is now enjoying upon tea of 2*d*. a pound, because that preference was given in the Finance Act of this year and not in the Import Duties Act nor at Ottawa. In the second class comes the general preference of 10 per cent. which is given by means of the Import Duties Act through the admission duty-free of goods from

[Mr. J. C. B. Drake.]

India while all goods have to pay a 10 per cent. duty if they come from non-Empire countries. As a few instances of commodities from India which enjoy that preference I might mention undressed hides and skins, coir yarn, oilseed cake and meal, castor seed and groundnuts. Then there is a third class which consists of the additional duties imposed in circumstances which I have described under the provisions of the Import Duties Act. The most important of these preferences from the Indian point of view are a preference of 33⅓ per cent. upon pig iron, a preference of 33⅓ per cent. on steel bars, a preference of 20 per cent. on jute manufactures, on carpets and rugs, on coir mats and matting and on cotton manufactures. In the fourth class come a number of preferences given by the United Kingdom at Ottawa but not given specifically to India, although India shares in them by virtue of her position in the Empire. The most important in that class is a preference on coffee increased from the old rate, that is to say a preference of 2*s*. 4*d*. increased to a preference of 9*s*. 4*d*. per cwt., while a preference which may be of considerable importance in the future is that of 2*s*. a quarter on wheat. Lastly, comes a class of preference which was given specially to India at Ottawa. This last class includes the preferences contained in Schedule A of the Agreement, namely, those on rice, linseed, castor oil, linseed oil, coconut oil, groundnut oil, rape oil and sesamum oil and magnesium chloride. Now, as regards the preferences in the first four of those classes, the position is that India is at present actually in enjoyment of them and will continue to enjoy them if she carries out her part of the Agreement. In regard to the last lot, the special preferences given to India, they will not begin to operate unless and until India passes the legislation which is now before this Council. One more point of great importance is that the maintenance unimpaired of all the preference given in the United Kingdom Import Duties Act and by the Ottawa Agreement is secured by the articles of the Agreement itself and by the very recently passed Ottawa Agreements Act of the United Kingdom.

Then, as regards the preferences which our exports are to enjoy in the British Colonies and Protectorates, Article 9 of the Agreement gives to India the benefit of any preferences which any of those countries may accord at any time to any other part of the British Empire, and, in addition, the special preferences which are to be found in Schedule E to the Agreement. The most important to India of these preferences, judged by the value of the trade today, are cotton piece-goods, fresh fruits and vegetables, jute manufactures, groundnut oil and pig lead. Now, as Honourable Members will have seen, the preferences given to India cover both primary produce and manufactured goods, and in regard to both kinds Honourable Members of this Council with their experience of agriculture and of manufacturing industry are in a much better position than I am to assess at their true value the preferences which are contained in the Agreement, the principal instances of which I have mentioned. I propose, however, to indicate some general principles which I suggest should guide our judgment in coming to a conclusion on the value of these preferences. In the first place, I want to suggest that in the circumstances which I have already described the potential value of preference on any commodity should not be judged solely by the test whether it is likely to lead to an immediate increase in our export trade. While in regard to many of the commodities on which we are to obtain preference, and of which linseed may be regarded as a notable example, there is very good reason to hope for a substantial improvement in our trade as the result of the preference, there is another and most important aspect of the question. In the case of any commodity in which India competes with another country within the Empire for the United Kingdom market or for the market in the non-self-governing Colonies and Protectorates, if she elects to remain outside the general scheme of Empire preferential duties, she must expect to lose at least a large proportion of the market she already holds. That risk, I feel sure, is one which Honourable Members will agree we cannot possibly afford to run, particularly at the present time when, in the universal scramble for markets, prices of the commodities that we produce have fallen grievously low. Apart therefore from any prospect of an immediate increase in the volume of our trade, we ought, I suggest, to place a high insurance value on these preferences. A conspicuous illustration of this point is to be found in tea. With her principal competitor in the United Kingdom market, namely, Ceylon, enjoying a preference of 2*d*. a pound on tea, India, if she did not enjoy the same preference, would inevitably suffer disastrous loss. Then, again, in regard to one preference which I mentioned, the substantial preference upon wheat, it is true that no immediate advantage is expected from it.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: Will there be any possible advantage in future?

THE HONOURABLE MR. J. C. B. DRAKE: I am coming to that, Sir. The Indian Delegation was very careful to explain that in paragraph 53 of their Report, which the Honourable Member has doubtless studied, India is not at the present moment an exporter of wheat. She is consuming the wheat that she produces and her wheat producers are in consequence enjoying a higher price for wheat than producers in other countries of the world. But the time is approaching when India is likely to require a foreign market for her wheat, particularly in view of the very large areas which will probably shortly be brought under wheat cultivation. Then, Sir, a preference of 2*s*. a quarter in the United Kingdom market as against non-Empire wheat may be a matter of very great importance. Lastly, there is a consideration which I feel sure will appeal to a good many Honourable Members. The feeling is constantly voiced that India should not be allowed to remain an exporter merely of raw produce and an importer of manufactured goods. In that connection it is most important to note that the effect of several of the preferences given to India by the Agreement will be definitely to encourage manufacture in India. I will give some instances. The six principal vegetable oils get a preference of 15 per cent. *ad valorem* in the United Kingdom, whereas the seeds from which those oils are obtained are some on the free list and some enjoy a preference of 10 per cent. Coir mats, again, get a preference of 20 per cent. and coir yarn 10 per cent., cotton manufactures 20 per cent., cotton yarn 10 per cent. That, Sir, may be regarded as constituting a definite encouragement for the conversion in India of her own raw materials into manufactured goods. That, Mr. Chairman, is all I think I need say on the subject of the preferences given to India.

Before I turn to the preferences which India gives under the Agreement, I should like to say a word about the special Agreement relating to iron and steel, which is, in effect, an Agreement in regard to galvanized sheets.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Why has no preference been given by the United Kingdom to medium staple Indian cotton?

THE HONOURABLE MR. J. C. B. DRAKE: My Honourable friend, the Leader of the Progressive Party, asks me why no preference has been given to Indian cotton. That subject, Sir, was discussed very fully in the Report of the Delegation which I expect my Honourable friend has read and I shall be interested to hear if he has any remarks to make himself in his speech on the subject. The position in regard to Indian cotton is that there is no preference. The reason why there is no preference was fully explained in the Report and the measures which it is proposed to take, and which are now actively being pursued, with a view to increase the purchase and consumption in Great Britain of Indian raw cotton were mentioned, and these have since then been further developed.

Now, Sir, I was referring to the special Agreement about galvanized sheets. The meaning of that Agreement is briefly this. The great need of the Indian steel industry today is to find an output for its semi-manufactured steel, mainly in the form of sheet bar. It is able to produce that in large quantities and it is unable to find a market for it. I need not go into the reasons for that state of affairs, but as regards the making of sheets from sheet bar the position is that the Tata Iron and Steel Company have not got the necessary equipment for rolling and finishing sheets from sheet bar. Now, this Agreement is of a purely temporary character. It is in force until the 31st March, 1934, and, as Honourable Members probably know, after March, 1934, a statutory enquiry is due to take place into the continuance of protection for the iron and steel industry as a result of the protection which that industry already enjoys. Now, for the short period up to March, 1934, the effect of this Agreement is that British sheet makers will take sheet bar from the Tata Iron and Steel Company provided that the sheets made from that bar can be assured an entry into India in preference to other sheets. Meanwhile, the Tata Iron and Steel Company's own manufactured galvanized sheets remain completely protected. Now, so far as the galvanized sheets made in India and the sheets made in the United Kingdom from Indian sheet bar are insufficient to supply the total Indian demand for galvanized sheet, in regard to the balance of the demand, a preference is given to British sheet made from other than Indian bar as against other sheets, which are mainly Continental sheets.

Well, now, Sir, I turn to the preferences which are given by India under the Agreement. The duties themselves are set out in the Bill, and I propose merely to call attention to the main principles by which we have been guided in deciding upon which commodities we could and upon which we could not give preference. These principles are so important and so many erroneous ideas have been expressed about them, that I would ask Honourable Members to make a special note of them. The general rate of preference given by India is 10 per cent. *ad valorem*—not 10 per cent. of the duty but 10 per cent. of the value of the goods. No preference is larger than 10 per cent. and in some cases it is only 7½ per cent. Secondly, the preference promised in the Agreement is only in respect of the margin—the difference between the lower preferential rate and the higher, or standard, rate. No actual rates of duty were fixed by the Agreement itself, leaving aside the small galvanised sheets agreement, so that the Agreement left us completely free to fix the actual rates of duty according to our own requirements. Thirdly, protection given by the Indian Legislature to any Indian industry is left entirely unaffected by the Agreement by the express exclusion from the list of preferences of all articles which are now subject to a protective duty. Fourthly, certain other classes of articles were also excluded from the scope of the preferential arrangement. These are articles which are placed on the free list of the Indian tariff or are made subject to special rates of duty lower than the general revenue rate because they are essential to agriculture, education, transport, health or the development of the large manufacturing industries. Those items include, for instance, power machinery, agricultural implements, printing appliances, quinine and certain railway material. In the fifth place, the Agreement contains a provision enabling alterations to be made in the preferences given by it after due notice and thereby saves power to the Government of India to accord protection to new industries which have not hitherto enjoyed it. I draw particular attention to these essential features of this preferential scheme because they give a positive assurance that the terms of the Agreement do not prejudice the interests of the Indian manufacturer, the Indian consumer and the Indian tax-payer

Now, this leads me, Sir, finally to the provisions contained in this Bill. The substance of the Bill is contained in paragraphs 46 and 47 of the Schedule which contain the new rates of duty proposed in order to embody in the Tariff Act the margins of preference given in the Agreement. Paragraph 46 merely inserts the new duties on galvanised sheets to which I have already referred. Paragraph 47 contains all the other preferential rates of duty in two parts, which it is proposed to add as Parts VIII and IX to Schedule II of the Indian Tariff Act. In regard to these duties it is only necessary for me to say a word in regard to the principle which has been followed in fixing them. Part VIII contains all those articles which are at present charged with duty under Part V of the Second Schedule of the Indian Tariff Act, that is to say, all articles which are liable to the general revenue rate of duty, normally 15 per cent. but now 25 per cent. by reason of the surcharges which were added last year of two Finance Acts. Now this class of articles comprises the main revenue-making part of our customs tariff, and therefore the first consideration in fixing the preferential rates of duty on this class of articles was the necessity to safeguard our revenue. At the same time, the desirability of keeping the duty as low as possible in the interests of trade and the consumer was very carefully weighed against the revenue consideration. The final result was a decision in favour of two rates of duty on all articles of this class, namely. a lower preferential rate of 20 per cent. and a higher, or standard, rate of 30 per cent.,—the 10 per cent. margin of preference being thus obtained by partially lowering the duty and partially raising it. On the most careful calculation that can be made, Government are satisfied that their revenue will not be injuriously affected by this arrangement. but at the same time it has to be borne in mind that the general level of these duties was fixed in view of the financial emergency which rendered it necessary to raise that level last year, and which has not yet passed. It is not the intention that the duties should always remain at that level. Finally, apart from other considerations. if we had attempted to divide up that very large class of articles and to impose different rates of duty on individual items the result would clearly have been a tariff of great complication, inordinately diverse, which would have been highly inconvenient both to the

[Mr. J. C. B. Drake.]

trading public and also to the Customs administration. Part IX contains all articles on the preferential list which are now dutiable at special rates. They are either lower or higher than the general rate. These articles, necessarily, have received separate consideration although the paramount concern in their case also was the need to safeguard revenues. In certain cases the existing duty was considered to represent the maximum limit which the article could reasonably be expected to bear and on such articles the preference has been given wholly by a reduction of the duty. Honourable Members may observe—and I call attention to the point—that no *ad valorem* rate of duty which previously stood at 50 per cent. or above has been raised. In a few instances where the trade figures and general considerations appeared amply to justify such a course the preference has been given solely by raising the duty on goods from countries not included in the preferential scheme. In others, again, that method which I have already explained of partly raising and partly lowering the duty has been adopted. It only remains for me to say that after the proposed rates of duty had been published certain representations were received from manufacturers and other interests in regard to these rates of duty. All those representations have been given very careful and very full consideration. And I would mention as instances of changes that have been made as a result of such representations the fact that preference on raw films, which is an essential material for the Indian cinematograph industry, has been now given completely by a reduction of the duty, so that the preferential, or lower, rate is now 15 per cent., leaving the existing rate of duty as the standard rate. Again, the opposite procedure has been followed in the case of toilet soap and woollen manufactures in the interests of the Indian industries concerned. Other articles on which the duty has been lowered are motor omnibuses, lubricating oil and asphalt. Apart from the Schedule, clause 2 of the Bill provides a rule-making power which enables the Governor General in Council to lay down the conditions which must be satisfied by goods claiming to be assessed at the lower, or preferential, rate of duty, on the ground that they are the products of the countries to which preference is being given. Those rules are now practically ready and they will be published if and when this Bill becomes law. They are based, with slight modifications, on rules which have already passed the test of long experience in the trade of countries such as Canada, Australia, New Zealand and so forth which have for some time had arrangements of this kind on account of the Imperial preference scheme which they have been enjoying. I might mention that in the same clause 2 provision is made for the rules which will be made to include certain provisions which relate to customs administration and the convenience of the trade. As Honourable Members will see, the rules may in some cases allow refunds to be made and the taking of a bond to pay at the higher rate in cases where importers are at first unable to satisfy the Collector of Customs that their goods comply with the conditions of United Kingdom or Colonial origin.

The only other clause that I need mention is clause 4, which is important in that it exempts from the operation of any surcharge the duties contained in the Bill. That means to say that the duties contained in the Bill will be the duties actually leviable.

That, Sir, is I think all I need say on this Bill and I move my motion. (Applause.)

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces: Nominated Non-Official): Sir, it is a matter of considerable satisfaction to me that my last speech as a Member of this Council should be in consonance with my feelings and predelictions and in connection with a Bill which I feel certain is destined to lead India on a path of industrial and agricultural prosperity. The Bill has been fully explained with considerable lucidity and choice of language by my friend the Honourable Mr. Drake. He has explained the circumstances which led to the appointment of the Ottawa Conference which subsequently has formed the subject-matter of this Bill. Our Delegates at Ottawa were entrusted with the task of examining to what extent India could accept the doctrine of reciprocal preferences which would give India a suitable trade position in the Empire without losing any substantial part of her export or import business. This Delegation entered into a close confabulation with His Majesty's British Delegates and executed a Trade Agreement which Honourable Members have already read, and which I feel absolutely certain they have very carefully examined. I am perfectly aware of the fact that when the Delegation was sent out to Ottawa, there was a feeling of misgiving and distrust in this country. There was a feeling of suspicion that the United Kingdom had invoked this Conference at Ottawa with a view of securing the trade of the Empire and concentrating all trade within the borders of the Empire to the disadvantage of India and other foreign countries. This suspicion has been repeated not only by responsible persons but by Chambers of Commerce, by Trade Associations and other bodies. It has often been said that our Delegates went to Ottawa with a mandate to sign anything that was dictated to them. We have also been told that the Delegates were not free agents, nor was the Government of India a free agent but was acting in Ottawa in conspiracy with His Majesty's Government to defraud India of her just rights. Happily, most of these misgivings have now been dissipated, first, by the Committee which was appointed in the Assembly to examine the Trade Agreement from all points of view, and secondly, by the way in which the Assembly finally received this Bill and the manner in which it passed the Bill with a tremendous majority. These justify the feeling that our colleagues in the other House have come to the right conclusion that this Bill is in the interests of this country. Great fear and doubt have often been expressed to me that this Bill, if passed, is going to transform the fiscal policy of India altogether and put her in a disadvantageous position in the matter of her exports particularly, and that the policy, enunciated in this Bill, is likely, if adopted, to aggravate distress and poverty in this country. These arguments are based on a misapprehension of the tariff policy of India. My Honourable friend Mr. Drake has already partly stressed the history of the circumstances under which Lord Curzon's Government was invited to express its opinion on this very important question of entering into preferential agreements in respect of some commodities with the United Kingdom, and I do not propose to repeat those arguments. But I may tell this Council confidently that this Bill, if passed, is not likely in any way to interfere with the tariff policy which has been laid down by the Fiscal Commission of which I had the honour to be a member. I may say also that I have personally very carefully examined and scanned all the proposals put forward in this Bill, and particularly in respect of preferences relating to the agricultural commodities of this country, and I assure this Council that there is nothing in this Bill which opposes the principles laid down by the Fiscal

[Sir Maneckji Dadabhoy.]

Commission and the principles underlying the general financial tariff policy of this country.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What will be the gain in money to India?

THE HONOURABLE SIR MANECKJI DADABHOY: If my Honourable friend will have patience—I am afraid I am likely to take a pretty long time—I will fully explain India's position to him in regard to all the most important matters connected with agriculture, trade and industry and also with the industrial position in this country.

Sir, in order that we may see that in this Bill there is nothing against our tariff policy—and I am alluding particularly to our policy of protecting industries—it is necessary to tell you briefly that our fiscal policy has not been affected materially. Primarily our tariff, as Honourable Members are aware, is a revenue one and our scales of duties generally are fixed at a moderate uniform rate on all commodities. We may practically divide our tariff policy under four heads. We levy a scale of much higher duties on particular articles, such as wines and articles of luxury. Secondly, we have exempted certain commodities from duty and have placed them on a free list. Thirdly, we have imposed low rates of duties where national interests required such concessions, such as the duties on agricultural implements, medicine, printing machinery, appliances, etc. And lastly, we have, since 1923, recognized the imposition of discriminating protective duties when they are necessary to encourage nascent industries or our national industries. Now, I may assure the Honourable Members of this Council that the present policy as embodied in the system of tariffs which I have indicated this morning does not make any departure from the Indian tariff policy, and this Bill particularly makes no departure from that policy, because the Agreement which was signed at Ottawa and this Bill which has emanated from it are based on the assumption that the preferences given do not involve a departure from the established principles of Indian tariff policy. Secondly, the two principal protected industries which are cotton and iron and steel are not interfered with and maintained intact. In both these cases it will rest with the Government of India to finally decide after the findings of the Tariff Board have been obtained. Our Indian Delegation was very cautious in making this as a condition precedent regarding our protected industries. They made it abundantly clear to all the Delegates that so far as the cotton industry and iron and steel industry were concerned they reserved judgment till the Reports of the Tariff Board in both these cases were available and were published. You are aware that in one case, that is in the matter of cotton protection, the Tariff Board has already met and I believe they have submitted their Report to the Government of India. In the case of the iron and steel industry the Tariff Board will be sitting in 1934 and until then the question is kept absolutely open. The ultimate decision of the Government of India and the Indian Legislature will depend on the degree of protection required by the Indian industry in each case, and the Agreement, I am glad to state, makes no stipulation on that subject. You will see therefore how cautiously and guardedly our Delegates have acted, and I join with my friend the Honourable Mr. Drake in paying a tribute of appreciation to the Delegates and particularly to our old and esteemed friends Sir George Rainy and Sir Atul Chatterjee.

Sir, now what is feared in this country is that an increase of India's purchases in the United Kingdom would mean a diminution in purchases of Indian produce in foreign countries. That is one of the gravest objections alleged against this policy. Now, I must point out, and the matter was very clearly and intelligibly dealt with by my friend Sir Joseph Bhore, the Commerce Member, who I am glad to say has honoured us with a visit here this morning, that this apprehension proceeds on the assumption that the trade of India or the trade of any country of the world is a fixed quantity, a fixed factor, a definite factor, and there is no elasticity about it. There is in fact a very great elasticity in the world's trade, and that elasticity depends on very many different circumstances. There is therefore no fear that an increase of our exports to the United Kingdom will mean a substantial decrease in our exports to foreign countries with whom I know India has been for the last many years continuing a very lucrative trade and a big traffic. In my opinion on the contrary on account of increased selling in the United Kingdom market India's purchasing power would substantially increase and with every increase I have not the slightest doubt that there will be set in motion most important world forces and factors which will induce and bring to India a much bigger and a wider market. I also contend that the economic limit of agricultural production in India has not yet reached its final stage. With the opening of the Sukkur Barrage, with the advent of more prosperous times, with the disappearance of trade depression, with the agricultural resources at our disposal and with the gigantic irrigation works in the Punjab and elsewhere, I say that production in India is bound to substantially increase no sooner the economic depression disappears.

Then, so far as the industrial position is concerned, I have been told and it is argued also with some reason that preference would operate to weaken the protection granted to Indian industries.

12 NOON.

Again, in my humble opinion, this apprehension is based on wrong data. The apprehension in any case can be avoided by definitely stipulating and asking for the establishment of a principle that under no circumstance preference would be allowed to diminish the volume of protection, and I believe that is the intention of the Government of India as well as of His Majesty's Government. It is also argued that the grant of protection is somewhat equivalent to the grant of a bounty to the British manufacturer at the cost of the Indian consumer. There, I admit, may be some truth in it; I am not prepared altogether to deny that proposition; but the Ottawa Trade Agreement is not one-sided; it is not a unilateral Agreement, but it imposes a system of reciprocal grant of preferences and I say that is a great safety valve in this matter and that the interests of the consumer will be fully safeguarded. In fact, to my mind the opposition, the hostility, to the grant of preference is simply due to political causes and considerations. People in these matters do not look at the question seriously from an economic point of view only. They allow their minds to be influenced and their conclusions warped and deflected by political considerations and by other irrelevant considerations. Some of them at least think that it would interfere with the grant of full political autonomy to this country. Personally I have no apprehension on the subject, for the simple reason, as most Honourable Members are aware, of the recommendation which was made by the Select Committee on the Government of India Bill in their Report on clause 33. I will recall a

[Sir Maneckji Dadabhoy.]

small passage in order to enable you to dissipate such apprehension. It runs:

"In the opinion of the Committee, therefore, the Secretary of State should as far as possible avoid interference on this subject",

that is, on the subject of the joint decision—

"when the Government of India and its Legislature are in agreement, and they think that his intervention, when it does take place, should be limited to safeguarding the international obligations of the Empire or any fiscal arrangements within the Empire to which His Majesty's Government is a party".

The Secretary of State also in his Despatch, dated the 30th June, 1921, said he had accepted the principle recommended by the Joint Committee in the above passage and therefore the fear that the principle of Imperial preference may be utilised against India to interfere with her fiscal autonomy is simply a myth.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: The Secretary of State can interfere if there is any agreement between the Government of India and His Majesty's Government acccording to the Convention.

THE HONOURABLE SIR MANECKJI DADABHOY: I am afraid the Honourable Member has not followed the passage which I have read.

" . . . and they think that the Secretary of State's intervention, when it does take place, should be limited to safeguarding the international obligations of the Empire or any fiscal arrangements within the Empire to which His Majesty's Government is a party".

The Secretary of State is precluded from interfering in the fiscal arrangement arrived at between the Government of India and the Legislature.

Sir, I know that this Council is composed of many big zemindars and agricultural magnates who naturally are very anxious to thoroughly grasp the situation or the possibilities involved in this Bill and to see that the agricultural and zemindari interests in no way suffer. My two friends, the Honourable Lala Ram Saran Das and the Honourable Mr. Hussain Imam, interjected when the Honourable Mr. Drake was speaking in connection with these two questions. The Honourable Lala Ram Saran Das inquired why protection was not given to cotton and I understand certain remarks were made by Mr. Hussain Imam regarding preference on wheat. I fully sympathise with my Honourable friends but I strongly urge and emphasise that it would be simply disastrous for India in the interests of her vast agricultural population to stand out of a system of Imperial preference.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: How?

THE HONOURABLE SIR MANECKJI DADABHOY: I will explain. I trust this Council by ratifying the Agreement entered into by our representatives at Ottawa and in passing this Bill we would be safeguarding the livelihood and the economic security of this country. As regards cotton, our representatives at the Delegation at Ottawa did, as a matter of fact, raise the question as to why the United Kingdom should not impose a duty on imported foreign cotton but this was not agreed to in the circumstances which I shall presently bring to the notice of my friend, Lala Ram Saran Das. Our Indian cotton is not a staple cotton. A very small percentage of our Indian cotton is staple, which also can not spin over a certain count.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Do we not produce enough in quantity of medium staple cotton now?

THE HONOURABLE SIR MANECKJI DADABHOY: That is another point which I am going to deal with presently. I am first answering the Honourable Member's first question, Sir. Now, in the United Kingdom they require a large quantity of staple cotton because they weave finer counts of cloths and it is essentially necessary that they should obtain their cotton from some place or other, and you must also remember—probably some figures will convince my Honourable friend that the position which I have now taken up is perfectly correct. I will give these figures to my Honourable friend. From 1926 to 1930 India exported on an average 628,000 tons of cotton a year, out of which only a very insignificant quantity, namely, 6 per cent. was consigned to the United Kingdom. Would you expect the United Kingdom, when only 6 per cent. of your total exports of cotton goes to them, to give you preference? Would it be right for this country under such circumstances even to think of asking for preference? All the same our Delegates did their duty and pressed His Majesty's Government to put a duty against the importation of foreign cotton. The total import of the United Kingdom during these years—1926 to 1930—was 529,000 tons a year, but only 7½ per cent. of this quantity was Indian cotton. Of course, His Majesty's Government was in full sympathy with India in this matter and an improvement in Indian cotton growing during recent years has made it practicable for English spinners to use large quantities of Indian cotton year after year. My friend put me a second question, whether it is not possible to increase the volume of staple cotton. With whom does that rest? Not with Government. It rests with you Honourable gentlemen. Why do you not take steps to grow staple cotton? Why do you mix up your bad quality cotton seeds with good quality cotton seeds to make money? It is our fault. We cannot lay the fault on the shoulders of Government. We cannot lay the responsibility in this matter on the shoulders of Government. It is our duty to see to it. But, however, if you have read the Report of the Delegation, an undertaking is given by His Majesty's Government that they will co-operate in any practical scheme for the greater use of Indian cotton in the United Kingdom.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I inform the Honourable Member that, as far as the Punjab is concerned, the Punjab American cotton, which is considered a good staple cotton, that the quantity, during the past few years, has increased from a negligible quantity to 270,000 bales?

THE HONOURABLE SIR MANECKJI DADABHOY: It may have increased substantially and I hope it will increase still more. But let me tell my Honourable friend that I am not satisfied with the Punjab American cotton. I have to my cost used it and found I had made a mistake.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: That is a question of opinion.

THE HONOURABLE THE CHAIRMAN: Order, please. The Honourable gentleman should be allowed to proceed with his speech.

THE HONOURABLE SIR MANECKJI DADABHOY: Then in England there are facilities for marketing cotton in the case of American and Egyptian cotton while there is none for Indian cotton and they do not

[Sir Maneckji Dadabhoy.]

even get the quality of cotton that they stipulate to obtain. And, in this connection, lastly, I draw the attention of my Honourable colleagues to clause 8 of the Trade Agreement in which His Majesty's Government have promised their full co-operation in any practicable scheme suggested for the use of Indian cotton in England.

I will come now to the point which my Honourable friend, Mr. Hussain Imam, raised about the wheat exports. Now, Honourable Members are fully aware that the quantity of wheat produced in this country compares most unfavourably with the quantities produced in the Dominions and it is impossible for India in the matter of wheat production to compete with the Dominions in foreign markets, whether it be America or the United Kingdom or the markets of any part of the world. It is very very difficult because our production is limited though our cost of production is certainly less than the cost of production in the Dominions. The preference of 2*s*. a quarter on wheat is given. I should have liked to have seen a bigger preference given to India but I take consolation in the fact that India has not been left out of any arrangement connected with the export of wheat into which the Dominions and the United Kingdom may enter. I trust in the near future on account of the Sukkur Barrage and other places we may be in a position to export large quantities of wheat.

Sir, I will take two or three more significant items to enable my friends here to know that this Bill in no way interferes with the agricultural industry and the agrarian prospects of this country. So far as coffee is concerned, a preference of 2*s*. 4*d*. has been given since 1919 and that preference has now been substantially raised to 9*s*. 4*d*. a cwt. There is therefore every reason to believe that there is a likelihood that the consumption of Indian coffee will be substantially increased in the United Kingdom. But the most important item affecting our country is linseed. It is very extensively cultivated in this country and it forms the most important item of our export trade. From 1926—1930 the total quantity of linseed imported by the United Kingdom was 314,000 tons a year. Indian exports averaged 215,000 tons a year, a quarter of which was taken by the United Kingdom. I feel certain that the grant of an increased preference now will give a substantial increase in India's output of this class of oilseeds.

I will make only one or two observations in connection with rice. Of all the imports into the United Kingdom, one-third comes from India and two-thirds from foreign countries. The preferential duty is now to be increased to 10 per cent. *ad valorem*, that is, 1*d*. per pound. The Indian Empire is by far the largest producer and exporter of rice in the world and the price of Indian rice is low as compared with other countries, especially American and Spanish rice which compete with India in the United Kingdom. I have no doubt that with the enhanced preference now given India will occupy the foremost position in the United Kingdom as regards the import of rice.

Before I come to the pig iron industry, which is our key industry, I want to make a reference to the tea industry, especially as I have seen so many diverse opinions expressed. So many of my colleagues here have spoken to me on the subject and debated with me various points connected with this industry. We are told, in the first instance, that His Majesty's

Government dare not withdraw the preference given to tea because most of the British capital is invested in India in the tea industry. My answer to this is simple. It is wrong to suppose that British capital is all invested in the tea industry. You take it from me as a matter of certainty that more than Rs. 5 crores of purely Indian capital is invested in the tea industry of this country.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: What is the British capital?

THE HONOURABLE SIR MANECKJI DADABHOY: I cannot give the figure just now. It also employs—pray do not forget—a million Indians and it provides a means of livelihood to a million Indians.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: And the British shipping!

THE HONOURABLE SIR MANECKJI DADABHOY: Further, any one who has knowledge of the Calcutta Stock Exchange will tell you that very extensive shares in European tea industries are now rapidly going into the hands of Indians and it has become in India one of the most important industries.

As regards the iron and steel industry I do not propose to take up much of your time. My friend, the Honourable Mr. Drake, has fully explained to you the position of India. I can only point out to you that we ultimately stand to gain in this transaction. We will be sending our sheet iron to the United Kingdom; the United Kingdom will be manufacturing the same into galvanized iron sheets and send them back to India. There is no loss to India in that connection and we are going to make a considerable profit out of it. At any rate, it will put the Tata Iron and Steel Works at Jamshedpur on a sound footing. I will not say that it will at present dispense with the necessity of granting further protection in 1934, but at any rate it will alleviate to a certain extent the measure of future taxation, and I think India ought to be pleased with this achievement of our Delegates.

Sir, I have now shown that so far as India's agricultural position is concerned, it has everything to gain by granting preferences to England and in return receiving reciprocal preferences. It will conduce to the prosperity of the country. But, Sir, I go further and say, "Let us not always think of material interests—substantial interests." I for one would, even if no advantage at all was to be gained, would remain within the Empire. I would every time, even at a sacrifice of some interests, advise India to remain within the Commonwealth of Nations of the Empire. Once you go out of it you do not realise what is in store for you.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will you tell us?

THE HONOURABLE SIR MANECKJI DADABHOY: You are aspiring for a new constitution which I hope we shall soon obtain. What is going to happen if you now take up a position of wholesale aloofness and isolation from the combined interests of the Empire. Sir, this is not a new doctrine which I am preaching. My friend, the Honourable Sir George

[Sir Maneckji Dadabhoy.]

Schuster, referred to it with great emphasis in the other House. We ourselves, members of the Fiscal Commission, laid down that principle ten years ago when there was no talk or when no Bill of this nature or discussion anticipated about the grant of preference. The whole policy of the Government of India and of the people of India was then against Imperial preference, but, at the same time, we exhorted the country, in its own interests, to take the earliest opportunity of going in for Imperial preference. I shall refer to a passage in our Report which we then made.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: What year, Sir?

THE HONOURABLE SIR MANECKJI DADABHOY: 1922.

"While however we do not ignore the material side of the policy of Imperial preference, we believe that the sentiment with which it is associated is even more important. Imperial preference is regarded throughout the Empire as a means of strengthening the ties which bind together its scattered units. Adhesion to the policy of Imperial preference is thus coming to be regarded as a test of loyalty to the Empire, as a proof that the various parts of the Empire look beyond their own immediate interests and recognise their position as parts of a greater whole. From this point of view we firmly believe that India should not turn her back on the principles which have been adopted in the greater part of the Empire and are rapidly being extended to the remainder. We would not have India standing in a position of moral isolation within the Empire. The view has been expressed that in consequence of India's special economic situation, which we have explained in detail above, and her consequent inability to grant preferences which are likely to be of serious economic value, such a gift as she might make would be regarded as valueless. We are convinced that such a view is wholly mistaken, and that on the contrary a free gift from India, however small, would be welcomed by the United Kingdom as a gesture of friendship and as a proof that India realised her position as a member of the Empire".

This doctrine we laid down emphatically ten years ago, and I appeal to my Honourable colleagues here today and I have fully explained that this Bill is not going to affect the agricultural industry, the primary industry of this country. I assure you that after a few years' working you will bless yourselves that you were present in this Council on the day when this Bill was passed which has contributed to the glory and the prosperity of this country. (Applause.)

Sir, I have now finished, but I would ask your permission to sound a personal note. This is the last speech I have made in this Council. I am sorry the President, Sir Henry Moncrieff Smith, is not present here today, because I would have liked to have conveyed to him my gratitude for the invariable courtesy and kindness which I have received from him. I am also grateful to my Honourable colleagues here for the forbearance they have always shown me and the patience and courtesy with which they have always heard me. I am extremely sorry that I shall have to leave this seat today which I have occupied in this supreme Council for the last 24 years. One can understand the wrench and regret with which I shall leave this position for another. Sir, I can only offer my gratitude to all the Members for the kindness they have always shown me. Henceforth my mouth will be closed and I shall be tongue-tied. but I shall carry with me always the happiest recollections of Honourable Members' company, and I will now only say that with these words I will conclude a somewhat important and arduous chapter of my public life in this country. (Applause.)

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, as a humble student of ecomonics I have tried my utmost to follow the course of events since the date of the signing of the Ottawa Agreement and have gone through the various literature and monographs and other matters relating to this Agreement that appeared in the Press from day to day or at intervals, and have also tried to understand the Government points of view so far expressed by their members, but I regret to say, I cannot find my way to subscribe myself to the views of the advocates of the Agreement. Further, Sir, so far as I have been able to gather from the talks I had with persons who, I know, have given this subject serious and careful consideration and studied it thoroughly, both from the economic and political points of view concerning the interest of India, I also find that I cannot be at one with the opinion of Government. Ottawa, Sir, some of my friends would say, would open a new chapter in the political history of Anglo-India as England has entered into an Agreement with a subject country and raised her in the estimation of the world by making her an equal partner in the British Commonwealth. They say, it is a distinct gain. But may I ask in all humility, will that lead us to our attaining real fiscal autonomy? Can Government give us any guarantee that the passing of the Ottawa Bill will better the economic condition of India? Can any Honourable Member on the Treasury Bench prove by facts and figures, by statistics and not by dogmatic assertions that in three years' time the economic condition of India will be such as one would be able to characterise it as a remarkable improvement? Then where and what is the tangible gain of India save and except that sentimental expression that she is henceforward to be recognised and dubbed as an equal partner in the British Commonwealth? Sir, economics is inseparably and indissolubly connected with politics. If the economic resources of our country remain at such a low ebb as they are now, then how can we say that the Ottawa Agreement is in the best interest of the country both politically and economically? Sir, India, I believe, had to sign the Agreement at the behest of the "Mandarin" of Whitehall because in her fiscal matters she has no independence. Had she enjoyed any real fiscal autonomy she would not have been a party to such an Agreement which is distinctly harmful to her interests.

However, Sir, coming to the more practical side of the Agreement I can point out the following results that will accrue from it which are not the least beneficial to India:

(1) First of all, Sir, India will perforce have to buy those things that are not manufactured in India, at a higher price from foreign countries.

(2) There will be greater difficulties for India than what they are now, for finding foreign markets for her jute, cotton, tea, etc., as a result of which the growers of these commodities will be hard hit and the price will necessarily show a downward tendency.

(3) From an economic point of view it is England that will be the gainer through Imperial preference and not India and this does not require any elaborate expatiation.

(4) India will naturally and gradually lose markets for her raw materials in friendly countries like America, Germany, Italy, etc., and they may,—why may?—they will surely, adopt retaliatory measures in respect of tariffs.

(5) India will no longer be able to resort to protection for the promotion and development of her nascent industries.

[Mr. Jagadish Chandra Banerjee.]

(6) India's economic serfdom will, henceforward, be getting more and more chronic, and along with it the political bondage too.

Further, Sir, as far as I have been able to understand the implications of the Agreement, they are that India shall guarantee a preference of 10 per cent. on specified goods imported from the United Kingdom other than motor vehicles on which the preference is to be 7½ per cent. In return for this the United Kingdom shall guarantee a similar preference to certain specified articles from India. By "preference" we understand, Sir, that the articles from a favoured country pay import duty at a lower rate than the general duty or the duty paid on goods of the unfavoured country. The object of this Agreement and as such this Imperial preference is to make non-Empire goods dearer than Empire goods with the help of customs duties and thus to create a greater demand for Empire goods. Sir, without further going into details about the essential points of the Agreement, which will take up the time of the House, I would in brief say that the articles mentioned in Schedule D of the Agreement, such as, shellac, raw jute, myrabolams, broken rice, mica slabs, etc., which will be admitted into the United Kingdom free of duty from all sources, Indian or otherwise, will bring no relief and involve no real concession to India while this free admission will greatly benefit England. Of course, I admit that India has a monopoly of the above-mentioned articles for which the United Kingdom has industrial and other uses, yet India's position will not be improved by this preference of the United Kingdom to India.

Sir, dealing with the effects of the Agreement on India's export trade, I would first of all mention tea which stands in the forefront of India's export trade with the United Kingdom. Sir, the United Kingdom agrees to give preference to Indian articles of the total value of £41·86 millions; out of this tea covers one-half, that is, the export of tea from India to the United Kingdom is nearly £20 millions. In 1929-30 the value of Indian tea was Rs. 23 crores. The other countries that export tea are Ceylon and Java. Ceylon sends tea annually to the total value of Rs. 18 crores and Java comparatively a smaller quantity. Sir, Indian tea secured preference under the Finance Act of 1932 which, I think, the Import Duties Act of 1932 cannot remove. The argument that the Indian tea trade and industry will suffer if we do not accept the Ottawa Agreement appears to me to be hollow and unsound.

Now, I come to jute which is practically a monopoly of India but the United Kingdom is not a big purchaser of our jute manufactures. In 1929-30 India exported manufactured jute worth about Rs. 52 crores, but the United Kingdom took only about Rs. 3 crores worth and not more. It is evident that we export 94 per cent. of our jute manufactures to countries other than the United Kingdom. Ten per cent. duty on India's jute manufactures will naturally increase the cost to British consumers. The jute industry, being in the hands of British capitalists in India, this 10 per cent. duty will naturally have an adverse effect on them. If our jute manufactures can be taxed, may we not by legislation impose a further export duty on our raw jute going to the United Kingdom? Thus it can be seen that the jute industry and jute trade will not suffer if we do not agree to be a party to the Ottawa Agreement; rather the acceptance of it may adversely affect the jute traders in the country.

As regards India's cotton and cotton manufactures there is very little demand in England. In 1929 out of Rs. 100 crores worth of cotton imported by the United Kingdom, she purchased only Rs. 4 crores worth of cotton from India. Japan and China are the principal buyers of India's cotton and in 1929 she exported Rs. 65 crores worth of cotton to these countries. Consequently the Ottawa Agreement is of no avail to us in respect of our export trade in raw cotton and cotton manufactures.

Sir, coming to oil-seeds I would say that India produces castor oil, coconut oil, linseed oil, rapeseed oil, ground nut oil and sesamum oil. But most of these oils are consumed by other countries than England which purchases very little and she has her supply from European countries. In 1929-30, of the Rs. 214 lakhs worth of castor seeds that were exported from India, the United Kingdom took only worth about Rs. 50 lakhs. In ground nut also the United Kingdom is not a large purchaser. Now the question comes uppermost in our minds whether this preference will help to expand our export trade in seeds with the United Kingdom or not. In linseed, Sir, India has a larger market in France and Italy than the United Kingdom. The United Kingdom purchases Rs. 110 lakhs worth of linseed and the other countries take to the value of Rs. 451 lakhs. It can be presumed that the preference to linseed may be helpful to the Indian growers because the proportion of the crop exported is larger in the case of linseed than in that of any other oil-seed.

Sir, I do not like to mention India's export of rice which is only 7 per cent., 93 per cent. being consumed by the Indian Empire. Of the 7 per cent. export of rice, 3 per cent. is purchased by the United Kingdom. The export trade of India in respect of rice may slightly profit by this preference but that too will be a mere drop in the bucket.

Sir, now I should like to make a very brief survey on the articles of import. Let us take cotton manufactures and iron and steel. The history of protection to cotton and the steel industries in India need not be repeated here. Sir, it is, I think, wrong to pretend that the preferential treatment of cotton piece-goods imports is a customs device with a view to benefiting the Indian consumer. It is merely a bounty given to the British consumer at the expense of the Indian consumer to help him in the competition with Japan. The interest of the consumer should not be overlooked and it would be better if this preferential treatment is done away with.

The Ottawa Agreement contemplated the grant of preference to the non-protected section of the iron and steel imports. Chief among this section are wire, wire nails, wire rope, hoops and strips, etc.; the entire value of the imports of this group did not come up on an average to Rs. 2 crores and the United Kingdom's share of them was less than a third. In the Supplementary Agreement effected after Ottawa, however, galvanised sheets have been covered and the entire group of iron and steel imports thus becomes liable to preferential treatment. Certain features of this Supplementary Agreement call for special notice. The galvanised sheet trade is an extremely large and important trade, the average value of its imports being nearly Rs. 6 crores. The trade was almost a preserve of the British but during the last two or three years Belgian competition has become extremely keen. Galvanised sheets are very largely in demand in the countryside all over India and an increase in their cost may be held to be a serious hardship to the poor Indian consumers. How important they are to the cultivating classes is indicated by the observed fact that a fall of raw jute prices brings about a considerable diminution in the demand for them in Bengal. Already we are paying an absurdly heavy price for the protection of an industry which does not produce even as much as one-twelfth of the total consumption of galvanised sheets in India.

[Mr. Jagadish Chandra Banerjee.]

To this is to be added preferential treatment. Belgium had been able to make headway owing to lower prices and had captured almost a third of the market in 1930-31. The Supplementary Agreement by raising still further the duty on foreign sheets and lowering that on British sheets seeks to restore to the British industry the dominant position it once held in the market. The following quotation from Mr. Ainscough's report (who is His Majesty's Senior Trade Commissioner in India and Ceylon) will make clear what is at the back of this Supplementary Agreement:

"The most satisfactory solution of many of our difficulties in India would be a mutual *rapprochement* between the steel industries of the United Kingdom and of India with the object of preventing overlapping of effort, a mutual arrangement of rolling programmes, *delimitation* of markets and combination against foreign competition. From such a form of *rationalisation* on Imperial lines, the industries of both countries would receive great advantage, foreign competition would be checked, prices would become more stabilised and the consumer would be better served".

In brief, the effect of the Supplementary Agreement on the steel and iron industry is that India is to export sheet bar to the United Kingdom to enable her to manufacture galvanised sheets (finished products) and to re-import the sheets into India at the preferential rate. Preference in this case also imposes a special burden on the Indian consumer and the burden is particularly heavy because it is granted to an *inefficient* industry. In copper, motor vehicles, aluminium, brass and similar alloys, artificial piece-goods, etc., which are generally imported from non-Empire countries, the higher duties to be paid as Imperial preference will be another burden on the Indian consumer.

Sir, in conclusion I should like to say that having examined the pros and cons of the Agreement and the provisions of the Bill in as dispassionate manner as I could, I find that the Agreement will in no way help India economically and as such the Bill and the Agreement are distinctly prejudicial to her interests.

THE HONOURABLE MAJOR NAWAB SIR MOHAMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, from the Statement of Objects and Reasons attached to the Bill before the House it appears that the desired changes in the Indian Tariff Act of 1894 are chiefly based on the Trade Agreement arrived at Ottawa on the 20th August last between the Government of India and His Majesty's Government in the United Kingdom through their respective representatives. The object underlying this Agreement is no other but the question of Imperial preference and Reciprocal preferences which is a question of as long a date as the year 1903. At that time the Government of India did not consider it expedient to enter into such an Agreement for reasons fully explained in the Report of the Indian Delegation to the Ottawa Economic Conference. There has been no change in this attitude of the Government of India until the 20th August last, although the question of Imperial preference figured prominently in each of the three Imperial Economic Conferences of 1923, 1926 and 1930. On all these occasions the representatives of India had always pleaded their inability to enter into such a scheme. Exceptions to this attitude of the Government of India can only be found on two different occasions between the years 1923 and 1931, and these are that the Indian Legislature passed two different Acts known as the Steel Industry (Protection) Act of 1927 and the Cotton Industry (Protection) Act of 1930, imposing lower duties on United Kingdom goods than on similar goods of foreign origin.

By the accession to power of the National Government in the United Kingdom a new situation was created. Before that the fiscal policy of the British Government was founded on a basis of free trade. Certain duties there were but they were levied either for purposes of revenue on certain well-selected articles or in order to protect certain industries in the United Kingdom. Early in the year 1932 an Act was passed called the Import Duties Act whereby a duty of 10 per cent. was levied on all commodities not subject to duty under previous Acts. Under a certain provision in that Act the products of the Dominions and India were exempted from such duties up to the 15th November, 1932, but afterwards had to become subject to them unless before that date an Order in Council had been made exempting them for a further period. In view of the situation thus created by the passing of the Import Duties Act there were only two alternatives open to the Government of India; either they might turn a deaf ear to the Import Duties Act and be prepared to see their goods subjected to the same rates of duty as goods from foreign countries or endeavour to secure a satisfactory mutual arrangement between themselves and His Majesty's Government in the United Kingdom. The only possible and best course to be adopted was the latter one and to my mind the Government of India have acted very wisely in availing themselves of the opportunity offered to them immediately. The adoption of this course can in no wise be said to be actuated by any other motive except the welfare of this country and to safeguard India's interest before anything else. It can be equally true of the Delegation whose loyalty and adhesion to India's interest are beyond any doubt. Every one of them has a record of service which rightfully entitles their words and actions to regard and consideration. I honestly feel that their endeavours and sagacity well deserve the gratitude of the country in bringing about an Agreement which, as far as the present circumstances are concerned, seems to be advantageous to both the sides entering into it. The bargain is a fair one and seems likely to be of advantage to both sides. I hope the adoption of the Agreement will give us British goods at fairly cheaper prices as compared with their present prices and that the Indian products will also be getting an easy market throughout the Empire. Anyhow, the Agreement must be given a fair amount of time to operate and in case it does not turn up to our expectations, then, of course, the Government of India is at full liberty to discard it at any moment.

As regards, Sir, the speeches made this morning, I am not so sanguine about the amendment of this Tariff Act as my revered friend, Sir Maneckji, has been, and as he has given a full description of the whole of the pros and cons of this question and has got greater experience than myself I do not propose to contest his statements but will hope that everything will turn out all right at the termination of this period.

As regards the point made by the Commerce Secretary, Sir, let me point out to him that India has always exported wheat, particularly to Europe and to many other countries. Rallis and other big firms have been exporting Indian wheat and Indian products to Europe. It is only within the last two or three years that exportation has been stopped because other countries have been growing wheat. I hope that the passing of this preferential treatment will bring to the agriculturists foreign markets for their products because as things are at present they are very hard hit. They produce wheat at the same cost and the price they get in the market is very low. Consequently, the result is that they cannot

[Nawab Sir Mohamed Akbar Khan.]

pay their land revenue with the same ease as they used to do when the market was in their favour.

With these words, Sir, I will support the present Agreement.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the Chairman in the Chair.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern: Non-Muhammadan): Sir, there is such a sharp difference of opinion about the utility of this measure among Indian economists and publicists that a layman like myself finds oneself considerably handicapped in making up one's mind as to whether the Ottawa Agreement will or will not prove to be in the best interests of India. On the one side I find arrayed such noble men as the Honourable the Commerce Member, Sir Joseph Bhore, who stated in the other House that if the Agreement had not been for the good of India, it would not have fallen to him to move for its ratification by the Indian Legislature, Independent public men like Mr. Shanmukham Chetty, the Indian Delegate to Ottawa, strongly defending the Agreement as being in the interests of India, not to mention several other independently-minded Members of the Legislative Assembly with whom the measure has found favour; while on the other side there is the huge mass of Indian public opinion arrayed against it whose force even Mr. Shanmukham Chetty had to admit, and such champions of India's cause as Sir Abdur Rahim whose forceful arguments advanced in the Legislative Assembly against the Agreement are too well known to need mention. Indian economists, traders and business men have generally condemned the Agreement in no mistakable terms. The Report of the British Indian Delegation on the Ottawa Agreement primarily justifies the Agreement on the ground that it promotes the economic prosperity of the Indian producer. To put it briefly, it asserts that while the non-acceptance of the Agreement will have serious adverse effects on India's export trade with the United Kingdom and the Dominions and with it on the productive enterprise of the Indian farmer, its acceptance will result in a substantial expansion of that trade and with it of India's agricultural production. The opponents of the Agreement, on the other hand, contend that the Report is but a piece of propaganda in favour of British industries under the guise of the so-called protection of the interests of the Indian farmer, and that while its non-acceptance will not have any disastrous effects on India's export trade and productive activities, its acceptance will probably entail reduced demands for her products from non-Empire countries and will at best result in the diversion of a part of that trade from those countries to the United Kingdom and not in any real expansion of it or of any consequential increase in production. What the opponents of the Agreement fear is that if we allow Imperial preference to Britain, non-Empire countries being comparatively worse off as a result are bound to retaliate against India and consequently India's trade with such countries is bound to suffer. In the face of these conflicting opinions, what is one to do who really wants to get at the truth? Analysing the effects of the Agreement, there is no doubt left in my mind that the Indian agriculturist, who forms the backbone of the country, will find himself in no better position as a result of the Agreement than what he is today, for there is every likelihood of the prices of the bulk of Indian raw produce falling under the new state of things. If we take the case of wheat, we find that India cannot compete with Australian wheat in our own market. In any event, under article 5 of the Agreement, the preference proposed under the Agreement is conditional on the sellers not charging more than the world prices in the United Kingdom market. In the case of India this is a prohibitive condition. It is more than doubtful if the Indian producer can ever compete with Australia and Canada or Russia in the United Kingdom market. The problem of railway rates and freights makes the position still more hopeless, unless Britain is prepared to fix a quota for Indian wheat at economic prices. Otherwise, the Punjab and the United Provinces farmers who have been so hard hit will continue to suffer. Now, take the case of coconut oil, groundnut oil, sesamum oil and rapeseed oil. Even the Majority Report of the Committee appointed by the Legislative Assembly admits that the trade with the United Kingdom in coconut oil has fallen and owing to a large and growing home market the possibility of expansion in the United Kingdom is almost *nil*. I am unable to see how the position would be different if we take it even in a group with other oils. The figures given in the Minority Report amply show how unimportant is the United Kingdom market to India with regard not only to coconut oil, but also groundnut, rapeseed and sesamum oil as well. These examples, Sir, go to show that the agricultural products of India will not be any the happier for the Agreement. And, as we know, it is the fall in prices which is causing the greatest suffering to the primary producers in this country. If we examine some of the statistics relating to India's exports and imports, we find that in the year 1930-31, the value of the total imports of merchandise fell by Rs. 76 crores as compared with the preceding year (a fall of 31 per cent.), while the exports, including re-exports, showed a fall of Rs. 93 crores (a fall of 29 per cent.); and it must be noted that the figures for all the three items, imports, exports and total, were below those of 1913-14. The same tale was repeated during the last year, the decline in imports and exports being 23 and 29 per cent., respectively. It will thus be seen that the principal question that affects the Indian agriculturist is how to get a better return for the crops he produces. His income has shrunk to half or even less than half as a result of the fall in prices of wheat, jute, cotton, oilseeds and the rest, while his fixed money charges have remained unaltered. So, if we try to foresee the result of the Ottawa Agreement on the well-being of our agricultural population I doubt very much if we will be justified in recording our vote in favour of this measure. But, Sir, there are articles which may be in a position of some advantage as a result of the ratification of the Agreement, as, for example, tanned hides and skins, jute manufactures, carpets and rugs and some others, in the case of which India has to face very little competition from Empire countries and therefore any withdrawal of preference will not affect our trade materially. Then there is the tea industry which will distinctly benefit under the changed conditions. Thus, if we examine the question of

[Lala Jagdish Prasad.]

India's production and trade with other countries as a whole, it is very difficult to say exactly whether the Ottawa Agreement will result in net gain or loss to India, because so far as we can forecast some of our industries are bound to suffer while certain others might gain. Under these circumstances it seems to me that it will be nothing else but a leap in the dark if we support this measure when the experts have really failed to suggest the net gain to India in terms of money resulting from this measure. In my opinion, Sir, the proper course for the Government under the circumstances would have been to wait until the new constitution for India came into operation as a result of the Third Round Table Conference now holding its sittings in London, and to invite the verdict of the future Indian Legislature on the measure, because at that time India will be in a much better position to deliver the goods to the United Kingdom as an equal partner in the British Commonwealth of Nations than as a subordinate country as she is now. For there can hardly be any agreement in the strict sense of the term between the ruler and the ruled.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Sir, I should like to add my humble quota of support to the momentous measure now before the House. In considering the expediency of the measure, we have to take into account two great factors. First, that during the past three or four years economic factors have undergone such changes that many old doctrines have lost their currency and we, in India, in common with people in other parts of the world, have to evolve a new economic science. Sir, we do not even know today if gold even has the same value that it had a few years ago. Our bases of monetary standards have, or seem to have, disappeared; our methods of trade are certainly changing, and these cataclysmic changes have upset the equilibrium of the world trade. We, as an agricultural country, primarily, find that our produce is face to face with unparalleled difficulties in finding buyers. We find great trading communities banding themselves together in what may be called offensive and defensive alliances.

In these circumstances, Sir, we, in India, have to join hands with one or other of the great commercial groups, which we see emerging in the world. Shall we, then, look for trade partnership with groups of countries almost total strangers to India or with those with whom we have been trading for some hundreds of years, and with whom moreover—I am now coming to the second of the considerations which sway me in supporting the measure—we have indissoluble not only political but also economic ties?

Sir, if we were to decide to seek trade partnerships in new directions, there would most certainly be a serious upheaval of trade in India, and this is a contingency, which I, as an elected representative of a large section of people of Bengal with memories of the sufferings of my people during the past two or three years as a result of the depreciation in prices of agricultural produce, jute and paddy, cannot contemplate with equanimity. We shall find our economic salvation in making common cause with the United Kingdom and the Colonies, because this will give us, particularly, in Bengal, some assurance of increased and settled trade without any serious disturbance of the existing channels of trade. This measure also ensures for us in India a continuity in our monetary policy.

For years, Sir, our monetary destiny has been linked with that of the United Kingdom, and a break would be disastrous to India, particularly in these times of unprecedented depression.

I find also that while the measure under discussion strengthens our economic relations with our oldest customers in the Empire and, I may also say, the safest, there is nothing in it to check the flow of trade between us and other countries. We are not fathering retaliation against countries outside the Empire. We are only regularising our trade within the Empire. India is free to trade with other countries, but by the measure before the House, India is arming itself against, let us hope, the remote contingency of being called upon to face retaliatory measures, and, in facing this contingency, we, in India, shall not stand alone. We shall have the United Kingdom and the British Colonies standing shoulder to shoulder with us. This measure will be our shield against foreign aggression.

Briefly, I may also refer, Mr. Chairman, to the advantages this measure gives us in the money market. The centre of our money market, as also of the world, has been London, and this measure will ensure for India equal consideration with other countries in the British Commonwealth in London.

It is not because this measure benefits the United Kingdom or the British Colonies that I support it but because I firmly believe that it opens a new chapter of better relations between one of the most powerful economic groups of the world, namely, the countries of the British Commonwealth, and India, and this is all to the good of my country.

Sir, I beg to support the Bill on behalf of my Party.

THE HONOURABLE MR. E. C. BENTHALL (Bengal Chamber of Commerce): Sir, as the representative of constituents who are interested in every aspect of this Bill, whether as importers or exporters, or manufacturers or consumers or tax-payers, I unreservedly support the principle of this Bill. With regard to its application and the Schedule which is attached to the Bill, I am convinced that my constituents support the Bill, as it now stands in the main. There are a few of them who are affected by the proposals, but I am certain that those interested are not prepared to let their individual interests stand in the way of what they believe to be the interests of the country.

It is often said that Chambers, such as the Chamber which I represent, the maritime Chambers, are predominently representative of the importers and therefore their opinion in this matter is not worth having. That is not correct; it is the very reverse of correct. As a rough and ready way of assessing the industrial importance of an area, I think a handy guide is the amount of labour employed and, according to the latest statistics which I have to hand, out of 1½ million labourers employed in the large industrial establishments in India no less than 1,300,000 are employed in the provinces served by the maritime Chambers and these figures exclude miners and tea garden labourers: of the total of 1½ millions very nearly two-fifths are employed in the areas served by the Bengal Chamber of Commerce. As an officer of a Chamber of Commerce which is interested in such diverse points of view, I can assure this House that I am very often accused of favouring the industrialists than I am of favouring the importer. I have given these facts to the House because I wish the House to understand that in supporting this Bill we support it with our eyes open and not only have we had to take those interests into consideration, but we have also had

[Mr. E. C. Benthall.]

representations from constituents who are interested in the importation of Continental goods which will suffer from the Schedule of this Bill. We have had to take those into consideration also. When the phenomenon of the completed Agreement was sprung on us with all its startling success, we as a Committee very early realised the difficulties which were before us in arriving at an agreement as to what line we should follow. We very early came to one conclusion that there was only one criterion which we should follow and that was the question whether it was in India's interests. We assumed from the start that the Agreement was in Great Britain's interest. Naturally we were pleased at that. After all it was the British Board of Trade in consultation with the Delegation from India which settled the list of favoured articles and we could safely assume that the country which the United States of America has recently called the greatest trading nation in the world could comfortably look after itself.

We did not hurry over this matter. We had quite a considerable time to examine the import of this Agreement. We did not rush prematurely into print partly because we were candidly very perplexed by the enormity and great complexity of the problem and, as many people have said, at the start at any rate of these discussions the information was incomplete. We arrived at our decisions by slow degrees and we were influenced throughout by the arguments which have been so very ably put forward by the Government of India at various stages and which were repeated with such extraordinary clarity and ability by the Honourable Mr. Drake this morning. The longer we perused the details of the Agreement and the more deeply we went into them the more convinced we were that this Agreement is in the interests of India.

Looking at it from a more parochial point of view, the point of view of the eastern provinces of India, we were equally satisfied that this Agreement was in their interests. I would say that this is perhaps the first time in the history of the recent economic legislation of India in which consideration, proper consideration, has been shown to the eastern provinces of India. I must say that I expected opposition from certain sections and it did not surprise me, for there are people in India who are always ready to demonstrate their callousness towards the eastern provinces of India by acting on the principle that "Bengal does not matter." But I must say that I was astonished to hear my Honourable colleague from Dacca opposing the Bill. It seemed to me that the advantages to Bengal and to Bihar and Orissa and to Assam are so very patent. I would ask the House to consider what would be the position of Assam without the tea industry. Then again as regards the tea industry in Bengal, as everybody from that part of the world knows, the tea industry has been going through a very desperate period and it is in danger of widespread collapse and I venture to say that the 2*d*. in the lb. which is accorded to it is just going to turn the scale in its favour. I would ask my colleague from Bengal to consider whether he would like to see the industry collapse and additional charges put on the tax-payer of Bengal and whether he would like to see the labourers thrown out of employment and the Indian capitalist suffer. Then as regards iron and steel industry, that means now-a-days a very great deal to Bihar and Orissa and Bengal. I can assure the House that from my intimate knowledge of the industry, the 33⅓ per cent. preference which is being afforded to pig iron is bringing new life and new heart into the pig iron industry. As regards the Supplementary Agreement on iron and steel, there is no question of the benefits which are going to accrue to the province of Bihar and Orissa. It is not only the iron and steel companies which are concerned, but all allied trades like the coal industry, the iron ore, limestone, manganese and allied industries which supply other materials like firebricks and so on to those great concerns. My only hope in regard to this Agreement is that in 1934 when that protection expires it will be subsequently continued. Then, as regards jute my Honourable colleague expressed the opinion that Rs. 3 crores was an item which was not worth considering for the jute industry. I can assure him that although Rs. 3 crores may not be very much to him, it means at the present time a very great deal to the jute industry. I was astonished also to hear a suggestion—at least I understood it to fall from him—that the export tax on jute should be doubled. I do not know whether the House is aware, whether my Honourable colleague is aware, that recently a memorandum was submitted to Government putting forward the united opinion of all the leading Associations in Bengal in which we unanimously pointed out that the jute tax was now-a-days a tax on the primary producer. My Honourable colleague is apparently prepared to put extra taxes on the primary producer. I can assure the House from my experience of the industries of that part of India that this Agreement is going to be of real and practical benefit to them.

There is, I think, general agreement throughout the world that one of the main causes of the present economic depression is the increase of tariff bars throughout the world. What is wrong with the world is not only the price level but also the volume of trade. Every country has been forced by financial stringency and by self-preservation to increase its tariffs—India and Great Britain are no exceptions. But I honestly believe that this scheme of reciprocal preferences within the British Commonwealth of Nations is a step in the right direction, a real advance in the direction of mitigating the evils of economic nationalism by extending the area of common interests and mutual progress.

2 P.M.

With regard to the application of the details of the Bill, I think that now after examination there is general approval of the principle of "5 per cent. up and 5 per cent. down." It is admitted that some industries may be hit by this but I maintain at the present time that it is not the possibility of losing 5 per cent. protection which is frightening industries but the real anxiety for Indian industries at present is the depression of the Japanese yen. Japanese imports are undoubtedly hitting India all up and down the country and I do not believe that the depression of the yen is a temporary phenomenon. Admittedly prices are rising in Japan but I do not believe that wages will rise fast enough or the prices of products produced from indigenous material in Japan will rise fast enough to counteract the preference which they are getting. I read yesterday in "The Star of India" that in the Japanese budget the income is little more than half the expenditure. Furthermore, Japan is covering her deficit by a loan of 80 crores of yen. Well, if that is the state of the budget, I consider that the depression of the yen is going to be a far greater menace than the 5 per cent. reduction against some industries in the Schedule to this Bill.

I am convinced that my constituents do not favour indiscriminate protection. Generally speaking, the industries of the maritime provinces have a robust faith in their ability to survive and compete and to meet changing conditions. They have also the philosophic feeling that the 5 per cent. off the protection which they are now getting merely anticipates the removal of the surcharge which we all hope for at the earliest possible

[Mr. E. C. Benthall.]

moment in the best interests of the country. But at least I would ask one consideration of the Government and that is this, that when the general level of the tariff is reduced to a standard 15 per cent. the Government should give due consideration to those industries where the tariff has now been lowered against them. There are many industries which will be affected and we are most anxious about some of them. They have pressed their case before the Select Committee but not all of them are satisfied. Some of them, I feel, will adapt themselves to the circumstances and others may be forced to appear before the public tribunal of the Tariff Board but I would point out that the agreement provides for this and that the principle of discriminating protection is in no way prejudiced.

It seems to me, as I have read and listened to the debates on this subject that the opposition to this Bill is almost entirely political, based on the principle of non-co-operation and of opposition to Government. There are some, I know, who genuinely feel that if they agree to this they are giving up an economic weapon to bring pressure upon the British Government at the present time. There are also people, I believe, who are prepared to oppose this Agreement even if they know in their consciences that it is in India's interests. Well, that may be good politics but I maintain it is bad business. And I believe also myself that it is bad politics because I do not believe that in the days to come India will want to follow people who give such a lead.

But of all the factors which have weighed with me, I think one of the most significant of all is the fact that whereas at the beginning of these discussions there were very many who were originally opposed to this Agreement who are now in agreement, I have hardly heard of one who agreed with it originally and now opposed it. I consider that this is a most remarkable tribute to the thoroughness with which the Delegation did their work and it is one of the most convincing points of all that numerous thinking men who prejudiced at first have gone into the details of this Bill and examined it from every point of view, have come to the conclusion that the Bill is in the best interests of India. Sir, I support the Bill.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras: Non-Muhammadan): Sir, I rise to support the motion of the Honourable Mr. Drake for the ratification of the Ottawa Agreement. It is unnecessary for me to say much after the very interesting speech started by our esteemed colleague, Sir Maneckji Dadabhoy, ably supported by other speakers on this side, especially the last speaker. We were able to get much advice and suggestions for the benefit of this Bill. As a matter of fact I think India will not be a loser: India will be a gainer by this Agreement, and our agricultural products may be easily marketed in the United Kingdom and other Colonies. Therefore, from the agricultural point of view, I think it is a beneficial measure and we ought to ratify the Agreement. Sir, some of our friends have said, at least I understand there is an amendment on the table, that on the eve of the constitutional reforms the Assembly or the Council of State ought not to take any part in ratifying the Agreement. I think, Sir, it may take some time for our constitutional reforms to come. Are we to lose the benefits we are going to get by this Agreement? If the new constitution, I mean our successors, feel that it is not in India's benefit to have the Agreement, they could under the provisions of the Agreement cancel it by giving six months' notice. Therefore, there is nothing to lose and everything to gain. Sir, it is unnecessary for me to go into the details—this has been done by previous speakers. I would simply contend that whatever we do we do it in the best interests of India. I have much pleasure in supporting the motion.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I have carefully read the final report of the Indian Delegation to Ottawa and read and re-read very carefully the speech delivered by the Commerce Member in the Assembly in moving the Ottawa Resolution. It is my honest opinion that both the Indian Delegation to Ottawa and Sir Joseph Bhore have failed to make out a case for ratification of the Ottawa Agreement. The Honourable Mr. Drake, while moving this Bill, has observed that by this Agreement we gain nothing for the present but it is an insurance for the future. I represent a Punjab constituency and I am naturally much interested in the probable effect of the Trade Agreement on exports which are of importance from the point of view of the Punjab. Our most important crop is wheat. Will the Trade Agreement revive wheat exports? The United Kingdom proposes to levy a duty of 2*s*. per quarter on imports of wheat in grain. But we share this preference with other Empire countries. In dealing with the wheat question, the members of the Delegation remarked that:

"Preference will not be of immediate value but may be of some benefit in future. We think this expectation is too remote to be taken into account as an element in favour of the Agreement. We cannot compete with Australian wheat in our own market. In any event, under Article 5 of the Agreement the preference proposed in the Agreement is conditional on the sellers not charging more than the world prices in the United Kingdom market. In the case of India this is a prohibitive condition. It is more than doubtful if the Indian producer can ever compete with Australia, Canada or Russia in the United Kingdom market. The problem of railway rates and freights makes the position still more hopeless, unless Britain is prepared to fix a quota for Indian wheat at economic prices, the Punjab farmers in particular, who have been so hard hit, will continue to suffer. The present position is that exports of wheat from India are negligible in amount at present. But in 1924-25 the total value of our wheat export amounted to no less than 17 crores of rupees".

In this connection, Sir, I might give some figures to this House. The wheat crop in India varies from 8 million tons to 10½ million tons. United Kingdom imports annually about 6 million tons of wheat. In 1925 the imports into the United Kingdom from India were 1 million tons, from Canada 1¾ million tons, from Argentine 6 lakhs of tons, from Australia 4½ lakhs of tons. The imports from India fell down in 1927 to 2½ lakhs of tons, while imports from Argentine rose from 6 lakhs tons to 1 million tons. In 1930 the Argentine exports to the United Kingdom fell down to 7½ lakhs of tons and Australian exports to the United Kingdom fell down to 6½ lakhs of tons. This fall was due to the fact that imports of wheat into the United Kingdom from Russia amounted to not less than 1 million tons. It has been said by several speakers on the floor of this House to-day that we have not got much surplus in wheat to export. My friends ignore the fact that the expected yearly yield from Sukkur Barrage Colony alone will be very soon in market for export and it will be not less than 1 million tons. The Sarda Colony in the United Provinces, new Sutlej Valley Colony in Punjab, the new colonies in Bahawalpur and Bikaner States are annually adding to the yield of wheat. So, in the very near future we shall have a big surplus for export. When we cannot compete with Australia in India, it is impossible for us to compete with her in the United Kingdom. So, as far as wheat is concerned, we

[Rai Bahadur Lala Ram Saran Das.]

get absolutely no benefit from this Agreement. Australian wheat, in case we remove the import duty into India, is likely to flood our markets and play havoc with us as it did some time back. Sir, it is now an open fact that last year the prices of wheat in Punjab in particular were the lowest on record for a very many number of years past, and if my information is not wrong, several zamindars in the Western districts of Punjab, owing to their economic distress, had to sell their daughters in order to meet Government revenue. This was the condition which was prevailing in the Punjab. What do we see in Australia? There was such economic distress among the agriculturists there, very recently; they raised a loan of £4½ million sterling to relieve the economic distress there. May I ask the Government what substantial steps it took last year to relieve the economic distress of the Indian peasantry and the Indian zemindars who fared so badly by the low prices of agricultural produce? Other Empires might benefit in wheat, but India cannot.

I will now take cotton. Enough has been said in this House by certain speakers that our cotton, being short-stapled, is not required by the United Kingdom. I say in this connection that the Agreement does not give any preference so far as cotton is concerned, for the obvious reason that the United Kingdom, by the imposition of import duties on foreign cotton, will increase the cost of production of cloth by Lancashire. Article 8 of the Agreement merely states that the United Kingdom will co-operate with India in schemes for promoting whether by research, propaganda or improved marketing the greater use of Indian cotton in the United Kingdom. At present England buys very little of Indian cotton. In 1929, out of Rs. 100 crores worth of cotton imported by the United Kingdom, she purchased only Rs. 4 crores worth of cotton from India while India exported that year Rs. 65 crores worth of cotton. India's chief purchasers of cotton are Japan and China. I shall give some further figures to show how cotton exports to various countries from India are. In 1929-30, Punjab produced 799,000 bales, out of which 248,000 bales were Punjab American cotton. I am mentioning the quantity of the Punjab American cotton because that is a comparatively long-staple cotton and is fit for the spinning of better counts and can be used in other countries as compared with low class of Americans. In 1930-31 Punjab produced 768,000 bales, out of which 27,000 were American. In 1931-32 Punjab produced 618,000 bales of which 217,000 were American. Now, Sir, as far as exports from India of all classes of cotton are concerned—the figures which I have given before were of Punjab cotton and Punjab Americans—now I am putting before you figures for all-India production. The total exports from India in 1929-30 were 4,070,000 bales, of which the United Kingdom took 270,000, Japan 1,640,000 and China 566,000 bales. In 1930-31, 3,926,000 bales—of which 1,042,000 bales were shipped from Karachi and the remainder from other ports, and of which the United Kingdom took 281,000, Japan 1,686,000 and China 606,000 bales. The total value of exports of cotton in 1926-27 were Rs. 58,60,00,000; in 1929-30 Rs. 60,64,00,000, and in 1930-31, Rs. 43,21,00,000. This heavy fall in 1930-31 is not much due to fall in quantity but is due to the heavy fall in prices of the cotton exports. Sir, the United Kingdom takes on an average yearly Indian cotton of total worth of one and a half crores of rupees. The United Kingdom does not propose to tax cotton. The British Delegation, we read in the report of the Ottawa Delegation, made it plain to us that they could not entertain this suggestion and that the interest of their own industry placed it out of court. We can understand this. The United Kingdom must safeguard her interests. But how have we safeguarded our own interests? If as a result of the proposed change in our fiscal policy we import less from Japan, our exports to Japan must suffer. It is stated that in 'the coming years Lancashire will be a better buyer of Indian cotton.' That remains to be seen. What we see clearly now is, Sir, that for the sake of encouraging British exports we are taking the grave risk of losing our trade with some of the largest consumers of our raw materials.

As regards oil-seeds, the Seed Traders Association have already condemned the Trade Agreement, and it may be presumed that they are practical business men and not agitators. My friend the Honourable Mr. Benthall has observed that some people are opposing this measure on political grounds, which I must say that I entirely disagree with. That is not the case. It is purely from the economic point of view that people are opposing this Agreement. From the point of view of the Punjab in particular there is very little to be said for the Trade Agreement. So far as India's export trade with the United Kingdom is concerned we shall have to compete with other Empire countries, while in Indian market the United Kingdom has practically no competitors within the Empire.

Let us now proceed to examine it from the more general standpoint. As far as cotton seeds are concerned, the United Kingdom imports every year over 700,000 tons of cotton seeds mainly from Egypt, the value of which I work out to be about five crores of rupees. Why is there no preference given to cotton seeds from the United Kingdom. I request the Honourable the Commerce Member to explain why they have not pressed for preference from the United Kingdom for cotton seeds and for Indian cotton and Indian hemp. It is claimed, Sir, that a new situation has arisen on account of the British Import Duties Act. Sir Joseph Bhore has told us that as a consequence of the change in the British fiscal policy 16 countries have sought to conclude trade agreements with the United Kingdom and that in our own interest it is not possible for us to stand out. It is similarly argued in the official report of the Indian Delegation to Ottawa that the proposed change in our fiscal policy cannot be described as imperial preference; it is of the nature of reciprocal preference and that it is no longer a question of what India stands to gain, but of what she stands to lose. It is also shown in the report that India has no monopoly and that as an exporter of food grains and raw materials our position is vulnerable, from which it is concluded that if we did not ratify the Trade Agreement our exports to the United Kingdom and the Colonies and Dominions must decline. This and this alone is the basis of the claim that the Government action regarding Ottawa was dictated solely by consideration of the best interests of India. Let us examine this claim. Lord Curzon's Government considered the question of preferential tariffs in 1903. Even then the United Kingdom offered something to us in return for preferences in our markets, for I find preferences in the British market for Indian tea, wheat, rice, coffee and tobacco, discussed in that famous despatch. Lord Curzon's Government reached the conclusion that if the matter was regarded exclusively from an economic standpoint, India had something, not perhaps very much, to offer to the Empire, but that she had very little to gain in return, and that she had a great deal to lose or to risk (paragraph 17 of the Despatch). The Honourable Mr. Drake while speaking on this point explained and gave reasons. He said that the conditions have now changed and that that view is not held by the Government now. Anyhow his arguments were

[Rai Bahadur Lala Ram Saran Das.]

not at all convincing to me. The change in the economic situation since 1903 may next be considered. In the first place, imports from the British Empire into India in that year were 75 per cent. of our total imports; in 1931-32 they were only about 45 per cent. It is obvious that on account of the decline in British exports, which is of a most serious character, the United Kingdom would be most eager to obtain preferential treatment for her goods in our markets. It is also obvious that, on account of the nature of her exports, which meet keen competition from foreign countries, British exports would substantially benefit from such preferential treatment. This aspect of the matter is not mentioned in the official report of our Delegation to Ottawa, and it was not once referred to in his speech by the Honourable Sir Joseph Bhore. I suppose it is of no importance, and as a matter of fact it is of no importance if the Ottawa Agreement is to be considered solely from the point of view of India. The change in the economic situation which directly interests us is the competition of natural and synthetic substitutes with our exports. In his speech Sir Joseph Bhore mentioned a few typical instances of commodities such as lac in which, though India possesses a virtual monopoly, yet she runs the risk of losing her trade through the competition of substitutes. As I have said before, even if we were invulnerable before, we have become vulnerable now. Hence the danger of a decline in our exports to the United Kingdom on account of the British Import Duties Act. But if our position is vulnerable to attacks by the United Kingdom, it is no less vulnerable to attacks by foreign countries. Lord Curzon's Government stated in 1903 that by discriminating against foreign imports India had a great deal to lose or to risk. If that was true in 1903, it is still more true today when it is contended that "India has no monopoly". I expected to find in the report of the Ottawa Delegation and in Sir Joseph Bhore's speech some material allaying our fears on this score. This material would be of the greatest value to us in the examination of the Trade Agreement·

" We cannot feel confident "

—wrote Lord Curzon's Government in 1903—

"that the conditions and requirements of foreign countries have yet been ascertained with the precision and fulness necessary to make them a sufficiently broad and stable basis on which to rest a fiscal policy of very problematic value to India, whilst the consequences of failure might result in irreparable disaster".

It was the duty of the Government of India, as also of the Ottawa Delegation, to show that the conditions and requirements of foreign countries have been ascertained with such precision and fulness as to make it certain that the proposed fiscal policy will not result in irrepairable disaster. Have they done their duty? You ask us to embark on a new fiscal policy without caring to study the probable reaction of foreign countries to it. Is it fair to the Indian exporter? Do not forget that the share of the British Empire in India's exports is less today than what it was in 1903. And if we have no monopolies now on account of the growth of natural and synthetic substitutes for our exports, the danger of reprisals is more serious today than it was thirty years ago.

The Ottawa Delegation did not examine this aspect of this question. The Government of India asks us to ratify the Trade Agreement, but they refuse to place before us any material showing that foreign countries possess no power of retaliation, while they emphasise the probable adverse effect of the British Import Duties Act on our exports, they seem to be unaware that foreign countries may want to punish us for discriminating against their imports.

I suggest that we refuse to ratify the Trade Agreement until the question of retaliation has been thoroughly examined by the Indian Tariff Board. The Tariff Board conducts searching and prolonged inquiries when it considers the claim of any industry to protection. Government now ask us to accept a change in the whole fiscal policy of the country, which might endanger our exports to foreign countries without any inquiry of any sort into the probable effects of the new policy on the greater proportion of our exports. And yet it is claimed that the proposed change in policy is dictated by Indian interests alone! Sir, in this connection I might also mention that this question is a question which affects all the provinces in India and I request the Honourable the Commerce Member to kindly state what was the reason which led them not to consult the Provincial Legislatures on this Agreement. Sir, because industry is a Transferred Subject, it was in the fitness of things that the Government of India ought to have taken the opinion of the various Provincial Legislative Councils. As many of them happened to be in session lately, it would not have caused any delay. To hurry up a matter like this, I think, is not right. I shall be the first to vote for reciprocal preference if the Tariff Board finds that the danger of retaliation by foreign countries is unreal. The only proper body to deal with it is the Tariff Board and I am sorry to observe they were never consulted in this matter and if they were we have not as yet seen their report on this subject. Indecent haste in reaching a decision on a thorny and complicated question like this would strengthen the suspicion that the change is not dictated by Indian interests but the requirements of British industry. For, as I have said before, the fact is incontestable that on account of the decline of British exports, the preferences that Britain has asked us to give her would be of material advantage to her.

I might mention by the way that there is a feeling among the public that this measure is one which is the dictation or which is inspired by the present Secretary of State, Sir Samuel Hoare. Whenever anything of importance to India is uttered by Sir Samuel Hoare in Parliament, many of us, Indians, feel that he is against any political advance in this country. The utterances of Sir Samuel Hoare and other die-hards like Mr. Winston Churchill go a great deal to alienate the sympathy of even the moderates. Such dictations began from the time when the Government of India last year issued an Ordinance to prohibit the export of gold. That Ordinance was cancelled by the present autocratic Secretary of State in a couple of days and the Government of India was forced to comply with his order. Then came the Ordinances and then came the Ordinance Bill. This is how things are going and this has shown how helpless the present Government of India is at the hands of the present Secretary of State.

THE HONOURABLE MR. E. C. BENTHALL: Political reasons?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I am very sorry that my esteemed friend Mr. Benthall still says there are political reasons. I am a business man and I can tell him—a business magnate with a different sort of interest than mine—and can assure him that as far

[Rai Bahadur Lala Ram Saran Das.]

as we are concerned, we are speaking purely from an economic point of view. I, as a business man, do not believe in political gambling and in financial juggery.

There is an extremely simple and easy method of protecting our exports against the British import duty. The linking of the rupee to sterling has placed our exporters in a position of advantage in selling goods to countries that are still on the gold standard. But our sterling exchange is the same as before, that is 18*d*. Indian commercial opinion has always been stoutly opposed to the 18*d*. ratio. What I suggest, and the suggestion deserves careful consideration, is that if the United Kingdom levies the threatened duties on our exports, we may simply reduce the rate of exchange to 16*d*. The lowering of the exchange to 16*d*. would completely neutralise the effect of the 10 per cent. British import duty and will incidentally strengthen Indian industries. Here is a suggestion which should be welcomed by the Government. The Government are anxious to develop Indian exports, and it is the fear of decline in our exports to the United Kingdom that is their chief reason for asking us to ratify the Ottawa Agreement. Let us refer the question of retaliation to the Tariff Board for inquiry and immediately reduce exchange to 16*d*. If we find that the lower rate of exchange does not compensate us for the loss to which our export trade may be subjected on account of the British import duty, and if the Tariff Board finds that foreign countries possess no power of retaliation, we may then and then alone agree to "Reciprocal preferences".

In conclusion, I may refer to the figures showing our balance of trade during the first seven months of the current financial year, which are now available. These figures provide a strong argument against our adopting a tariff policy which might involve us in tariff wars with foreign countries. The home charges amount to something more than £30 millions annually, or over Rs. 40 crores. If India is to remain a solvent country and if we are not to pay the home charges year after year by exporting gold, as we have been doing during the past year, it is necessary for us to maintain a favourable balance of trade. Now, during recent years the excess of exports over imports has been steadily diminishing, and the trade returns for the first seven months of the current financial year actually show net imports of merchandise amounting to Rs. 6¾ crores. This is an alarming state of affairs, and I would emphatically urge that the present is not a suitable time for embarking on a fiscal policy of problematic value to India. For it must be conceded that while some of our exports, of a comparatively minor importance, may increase to the United Kingdom as the result of the Trade Agreement, our exports as a whole may decline. The danger is there and it cannot be ignored. We have absolutely no justification for trying new fiscal experiments at this time. We must not do anything which may react unfavourably on our exports to the more important purchasers of our foodstuffs and raw materials. If the United Kingdom insists on levying the proposed duties on our imports, the best way to meet this danger is, as I have already suggested, a lower rate of exchange, not the acceptance of the Trade Agreement which exposes our exports to foreign countries to grave risks.

I shall not take up the time of the Council much longer. I will simply mention what do we gain in the preferences given to India? Let us take the first group, Sir. In that group there are ten articles. The total amount of exports for 1929-30 was Rs. 115 crores, out of which exports to the United Kingdom were Rs. 36·6 crores. Now, take the second group in which there are seven articles. The total export in the same year was Rs. 9 crores out of which imports into the United Kingdom was Rs. 3·2 crores. Then take the third group in which there are nine articles—cotton piecegoods, cotton yarn and so on. The total export was Rs. 41 crores, out of which Rs. 1 crore and 84 lakhs were exported into the United Kingdom. Then take the fourth group, Sir. The total export was Rs. 6½ crores out of which the exports to the United Kingdom was Rs. 1·8 crores. Take the fourth group—exports in pig iron were Rs. 2·9 crores, of which to England were Rs. 33 lakhs. In cotton the total amount of exports was Rs. 100 crores of which only Rs. 4 crores went to England. Sir, of course the preferences which have been given on these will not amount to much as compared with the actual imports of these things into the United Kingdom. I was told that, although the United Kingdom does not import much of rapeseed, she is prepared to take the rapeseed oil. That, of course, is also problematical, and we do not know that even when we are prepared to export rapeseed oil what quantity will be actually taken by England. As far as groundnuts are concerned, Sir, a very big trade India has with foreign countries. In 1926-27 the total value of groundnuts exported from India was Rs. 9 crores and 58 lakhs; and in 1930-31 it was Rs. 9 crores and 67 lakhs. Now, Sir, I want to give some figures to show how this export was distributed. In 1926-27, 17,000 tons went to the United Kingdom; 125,000 tons to France; 87,000 to Germany; 77,000 to Holland and 50,000 to Italy. And in 1930-31, 47,000 tons to the United Kingdom; 172,000 to France; 120,000 tons to Germany; 167,000 to Holland and 77,000 tons to Italy. As far as cotton seed is concerned, I have given you the figures of imports by the United Kingdom, but as far as India is concerned the castor seed exported to the United Kingdom was only 22,000 tons as compared with 44,000 tons to the United States. As far as linseed is concerned, its demand from the United Kingdom is also decreasing. So, Sir, I do not see a very rosy picture of the results of this Trade Agreement. I think, Sir, that in the interests of India and particularly in the interests of the Punjab which I have the honour and privilege to represent, we are not likely to gain at all by this Pact. In business, proposition that does not give any gain is always to be discarded.

With these words, Sir, I oppose the Bill.

The Honourable Sir JOSEPH BHORE (Industries and Labour Member): Sir, I have been long enough a Member of this House to appreciate its tradition of businesslike brevity, and I will endeavour to see that that tradition does not suffer at my hands. My Honourable friend, Mr. Drake, has set out with admirable lucidity and succinctness the details of the Bill which is now before this House for its consideration. I would like to confine myself to a broader aspect of the Agreement which this Bill seeks to implement. But before I come to that I think it is necessary for me to refer to certain observations that have fallen by way of criticism from Honourable Members who have preceded me.

First, Sir, I would like to take the question of the effect of this Agreement upon Indian industries. There are evidently even at this stage some who have not followed the meaning of the Agreement and its consequences and who still appear honestly to be afflicted by the fear that this

[Sir Joseph Bhore.]

Agreement may react adversely upon Indian industries. I will endeavour, Sir, in as few words as I can, to try and dissipate those fears. In the first place, those industries to which protection has been definitely given by the Legislature are entirely safe. We have made it perfectly clear that the protection already given must be subject to no infringement or impairment. Equally, Sir, the industries not at present upon the protected list but which may hereafter qualify for protection are equally safe for there is absolutely nothing in the Agreement to prevent protection and adequate protection being given to such industries. But what some critics seem to have in mind are the cases of those industries which are not prepared to submit their case to the scrutiny of the Tariff Board but which desire—the surreptitious I was going to say but if you like it better—the adventitious protection given by the imposition of temporary surcharges to continue.

Now, Sir, I need not emphasise the fact—it has already been referred to by my Honourable friend Mr. Benthall—that in the year 1931, the general level of our revenue duties was 15 per cent. *ad valorem*. It was only the compelling nature of our financial requirements that made us put on two surcharges during the course of the last year. It must be within the memory of this House how reluctant it was to pass those surcharges, and I think it is common ground that the general level of these duties should be reduced as soon as financial circumstances permit.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: Is there any prospect, Sir?

THE HONOURABLE SIR JOSEPH BHORE: That, Sir, is a question which I cannot answer, and I would suggest that my Honourable friend should address that interrogation to the Honourable the Finance Member.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: He is not a Member of this House.

THE HONOURABLE SIR JOSEPH BHORE: Well, Sir, to go on with my argument. I would say that in these circumstances, for any industry to count upon the protection of surcharges which may be of the most temporary character would be foolish, and to make a grievance of the noncontinuance of those surcharges for their benefit is, I submit, hardly fair. Those industries may quite legitimately claim that a 15 per cent. revenue duty is a normal feature of our tariff system. But the House will observe that in practically no instance have we gone below 20 per cent. Therefore, the cry that Indian industries are in danger is, I submit, absolutely without foundation.

Now, Sir, reference was made to an argument which I have seen used very largely. It is the specious criticism which has been framed in the form of a false dilemma. It is expressed in this way. In any circumstances, a preferential scheme must be detrimental to the interests of this country. If it involves a higher rate of duty on a larger volume of imports from foreign countries, then it must impose an unnecessarily high burden upon the consumer. If, on the other hand, owing to the preferences received, British imports increase at the expense of foreign countries, then there must be a reduction of customs revenue and extra taxation will be required. Well, Sir, like so many *a priori* generalisations, this will not bear the test of practical scrutiny. In the first place, I cannot follow what is meant by additional taxation. If, for instance, customs revenue is diminished and it is found necessary to have recourse to other forms of taxation, to make up for this decrease, it does not mean that any additional burden in the aggregate is being placed upon the taxpayer. Nothing more in the sum total is being taken out of his pocket. Secondly, Sir, I would like to make a very definite statement of the extent of our imports that are going to be affected by this scheme of protection. Taking the average of the three years ending with 1929-30, we find that no less than 55 per cent. of our imports into the country are entirely outside the scheme of preference. Of the balance of 45 per cent., 22·4 per cent. represent differential duties on cotton piecegoods and iron and steel. I need hardly remind the House that so far as these duties are concerned, whether there will be differential duties or what they will be, will depend entirely upon the reports of the Tariff Board on the Cotton Textile and the Iron and Steel industry. I may point out that a decision on this question will rest solely upon a consideration of the further question, namely, what is and what is not in the best interests of the country. This leaves us only 22·6 per cent. of our imports which will be subject to the preferential tariff, and of this 22·6 per cent., approximately half comes from the United Kingdom and the rest from foreign countries. Now, Sir, in regard to the argument about revenue, I need only give the practical answer which was given by my Honourable colleague the Finance Member in another place. That answer is this. So far as it is possible for our expert advisers to calculate, the preferences embodied in the Schedule of rates will not alter the revenue position very much one way or other.

That brings me, Sir, to the question of the effect of a preferential tariff on prices in this country. Now, it is quite impossible for us to dogmatise on what prices will be. We have, for instance, quite recently been shown that even very high rates of import duties may have little or no effect in raising the price of certain foreign imports. The ultimate price will depend on imponderable factors which we at present are unable to assess, as for instance the capacity of the foreign importer into this country to absorb the preference or the extent of the competition among British manufacturers themselves. These are matters which it is impossible at the present moment to prophesy about.

Then, Sir, I think it was my Honourable friend Sir Maneckji Dadabhoy and also Mr. Banerjee who referred once again to the fallacy that preferences would not increase our foreign trade, our export trade, but would merely divert it from one destination to another. I would like to repeat here what I said in another place and it follows very much the line of argument that my Honourable friend Sir Maneckji Dadabhoy followed this morning. I would say this, that it by no means necessarily follows that if we buy more from one country, we must buy less from another, nor that if we sell more to one country, we must sell less to another. My own conception of the cycle of economic cause and effect is entirely different from that of the opponents of the Agreement. They are obsessed by a purely static idea of trade. To them its volume is fixed; if we sell more to one country, we must sell less to another; and if we buy more from one country, we must buy less from another. If this were true, it would mean an end to all development and progress. I would place before the House a dynamic conception of trade. If as a result of these preferences

[Sir Joseph Bhore.]

I am able to sell more to Great Britain, that, Sir, increases my purchasing power, and with every increase in my purchasing power, I set in motion forces which induce a wider and still wider markets for my goods.

My Honourable friend Mr. Banerjee attempted to arrive at a fair balance between the advantages and disadvantages of the Agreement. I do not question for a moment his desire to be fair, but as he progressed with his argument, I could not help feeling that whatever agreement he had in mind and was criticising, it certainly was not the Ottawa Agreement. (Laughter.) He said, for instance, that the United Kingdom was being given a preference of 10 per cent. and that we were being given a similar preference in return. I hope I do not misrepresent my Honourable friend. If I do not, I would only point out that whereas we are giving a maximum preference of 10 per cent. and in some cases much less, namely 7½ per cent. we ourselves are receiving a minimum preference of 10 per cent. increasing to 15, to 20, to 33½, to 50 per cent., and, in a single case, namely, that of tobacco, to as much as 166 per cent. Then again, Sir, my Honourable friend spoke of the preferential treatment accorded to cotton piecegoods. I am aware, Sir, of no preferential treatment accorded to cotton piecegoods. If my Honourable friend would read Article XI of the Agreement he would see that the treatment of cotton piecegoods must rest entirely upon the action which will be taken upon the Report of the Tariff Board. Then again, Sir, my Honourable friend said that we were still further raising the duty on foreign galvanised sheets. Sir, we are doing nothing of the kind. The duty on foreign galvanised sheets was Rs. 83 per ton. It remains at Rs. 83 a ton. I merely mention these facts, Sir, to show on what foundation very often the edifice of opposition to the Agreement has been based.

As regards my Honourable friend Lala Ram Saran Das, he seemed to me to judge the whole Agreement by a limited test, namely,

4 P.M.

what it did for wheat and what it did not do for cotton and cotton seeds. Now, Sir, surely this is neither a statesmanlike nor a businesslike method of judging of what is in essence a business proposition. I think that I have got at the bottom of my Honourable friend Lala Ram Saran Das's criticism—the reason for it I mean. I notice that wheat in the grain is the first item of Schedule A, and I have no doubt that he examined that very carefully but he did not get beyond the first item and was not able to give the same careful attention to the others as he did to that first item. When he comes to complete his study of Schedule A and B and C and so on, I feel very confident that he will change his mind and that he will become a warm supporter of the Government in this matter.

Now, Sir, I will refer very briefly to certain general considerations which I think ought to be borne in mind if we want to maintain a proper perspective in this matter. My Honourable friend Mr. Drake referred to those considerations and if I do so again it is because I feel that we cannot sufficiently emphasise them. Why did we accept the invitation and go to Ottawa? Why did we consent to enter into negotiations for a mutual Trade Agreement? The answer, Sir, is because of the British Import Duties Act of 1932. My Honourable friend Mr. Drake has explained in some detail the reason why that Act made it imperative for us to take action on the lines we have. That Act marked a complete change in the fiscal policy of the United Kingdom. We were faced as a consequence of it with a position from which we could not escape. It is not our business to criticise the new policy adopted by the United Kingdom, to question its wisdom or its expediency. It may be that it is the highest economic wisdom, as some people say it is, or it may be fiscal chicanery, as other people say it is. We had to choose between ignoring the British Import Duties Act and its consequences to us and entering into negotiations for a trade agreement to the mutual advantage of both parties. We chose the latter alternative, and I assert, Sir, that no Government which had the interests of his country at heart would have done anything different. As regards those consequences, they are not figments of our imagination. Even the most hostile and the most bitter critics of the Agreement have admitted that its rejection would have meant definite loss to the trade of this country. Those same critics admit that its acceptance must result in increasing our export trade to the United Kingdom. But what they do say is this, that there may be counterbalancing losses due to possible retaliatory action on the part of foreign Governments. My reply to that, Sir, is this. If a course opens before me which definitely avoids certain loss and injury, which ensures my obtaining definite advantage and benefit, then it would be foolish of me to reject that course simply because loss may possibly accrue from other causes which I am not able to foresee at present. If those losses do occur—let me repeat what I have said before—and if they assume proportions which render it necessary for us to revise our opinion in regard to the preferential arrangement we have entered into now, there is nothing in the Agreement to prevent us doing that. Clause 14 leaves it absolutely open to us to revise a bargain which experience over a reasonable time shows is not to our advantage. These, Sir, are the general considerations that I would like this House to bear in mind when it registers its decision upon the motion which has just been placed before it. (Applause.)

THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ (East Bengal: Muhammadan): Sir, there has been a good deal of discussion about the value of the Ottawa Agreement. The Agreement, as far as I can see, will be beneficial to India. It has already been pointed out by Dr. Ziauddin and others that we get a preference of the value of Rs. 7·4 crores in this Agreement and we give only a preference of the value of about Rs. 2 crores. This Agreement will lead to expansion of our export trade. One thing in which the landlords are specially interested is the price of their raw material, in this connection there are two points to be considered:

(i) that the prices should slightly be raised and then they should be stabilized;

(ii) that the primary producers who do not get even living wages should be benefited by.

I am particularly interested in the jute. The value of jute has very much gone down and the poor cultivators who grow jute do not even get their living wages. Jute in Bengal has the same position as wheat in Upper India. I, therefore, would like to emphasize that a special committee should be appointed to inquire into the matter. I am not sure whether the Agreement in itself will solve the question of prices. I would also like to draw the attention of the Finance Secretary, that the balance

[Khan Bahadur Syed Abdul Hafeez.]

of trade of India is now very favourable, every effort should now be made to improve our export in order to have a favourable balance of trade. The Ottawa Agreement may possibly help us in this matter as I am convinced that our exports to the United Kingdom and other countries of the British Empire will substantially increase.

In the great economic war which is now going on in the country the British Empire should stand solid as a single unit and with united efforts help to solve the problem.

England has gone off the gold standard and it is likely that many other countries will also go off the gold standard. The sterling in future will be the unit in monetary policy. America may hold its gold. Gold is gold when it is in circulation, otherwise it has no more value than a stone has as the Persian poet has said:

"Barai Nihadan che sango che zar."

If America and France have hoarded their gold the rest of the world should combine and start their own separate monetary policy. This Pact will substantially help in solving this question. I welcome the Agreement not so much for what it has achieved but for the future hope that it will help to solve the world problem.

*THE HONOURABLE NAWAB SAHIBZADA SIR SAYAD MOHAMAD MEHR SHAH (West Punjab: Muhammadan): Mr. Chairman, I rise not to deliver any lengthy speech in support of the Bill, but only to place before the House some simple hard facts.

The truth is always unpalatable and conspicuous by its lack of support. It seldom pleases anybody. But it is always truth that triumphs and not falsehood. The overwhelming majority by which the Legislative Assembly has declared itself in favour of this Bill is proof positive of its beneficial character. After repeated exchange of views with many well-known business men I have come to the conclusion that the Bill is in the best interests of India and a boon to her foreign trade. It is at the same time a source of gratification to the British Government. I feel also perfectly convinced that this Bill is in the best interests of the agriculturists. Had I had even the least possible apprehension of any harm whatever resulting from this Bill to the business men in India, I, in the interests of my constituency, would not only have opposed it myself but would have asked my party to offer a concerted opposition.

After what I have said I hope that the members of my party will jointly declare themselves in favour of the Bill.

I appeal to the other Honourable Members also that they too should support the Bill.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab: Muhammadan): Sir, India has been suffering for the last four years owing to slump in trade and the serious fall in prices of agricultural produce. Any measure to improve the situation should have our whole-hearted support. The Ottawa Trade Agreement relates to difficult problems in the science of economics which are beyond the grasp of many

*The Honourable Member, who spoke in the vernacular, submitted the translation here produced.

of us; but there is no doubt that it has been concluded in the interests of India's best economical advantage. I am sorry that the Agreement does not give protection to wheat and cotton, which are the chief and important products of India in general and my province in particular. I believe, however, that on the whole the balance of advantage is in favour of India and I therefore support the Bill.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM (Bihar and Orissa: Muhammadan): Sir, in rising to speak on the motion before the House, I had first intended not to speak about the manner in which this House is usually treated, but when I found that most of my Honourable colleagues have abstained from making any mention of the matter, and have not protested against the way in which we are treated, I cannot abstain from making any mention of it. We had ample time and had nothing to do, but still the Government could not bring forward any Resolution in this House, so that we might also consider the policy of the Ottawa Agreement as the Assembly did. We had absolutely no business here. We were looking for business and if Government had so desired they could very easily have moved a motion in this House and given us an opportunity, at least to those of us who had not made up our minds, to come to some conclusion which might be favourable to the Government and to the Ottawa Agreement. But the Government as is usual with them, have got no regard for the feelings of this House. Here I must acknowledge with thanks the co-operation which I received from other Members of this House who do not belong to my Party but who were desirous of being associated with the Government and who went out of their way; I received support from every section, Indian as well as European. We wanted to be associated with the discussion before the Bill was referred to Select Committee. But even that was found impossible. We were never consulted when the Agreement was being considered. Government did not desire to consult us even when the Bill was under consideration. I have got nothing else to say.

Now, Sir, the Government wanted to convince the Assembly, and there is no doubt they succeeded in convincing a good many Members of the Assembly, of the utility and of the advantages of the Ottawa Agreement; but from the debates—at least from what we have seen in the papers and from what we have heard—no additional material has been supplied to us, than what we had received before, to justify the Ottawa Trade Agreement and to substantially convince us about this being a successful piece of business. I wish, Sir, to deal with the Ottawa Agreement on the basis on which Mr. Benthall wants it to be dealt with, as a pure and simple business proposition, and adduce nothing but economic and financial reasons to find out whether it is a good bargain or a bad bargain. I am very glad, Sir, to know that none of the supporters of the Agreement have yet stated in this House that it is the best possible bargain that could be struck, because they cannot say so; the figures are against them. Sir, the preference which England at the moment is enjoying on our piecegoods is worth Rs. 35·11 crores; the preference on steel that England is at present enjoying is Rs. 2·64 crores. We have promised preference on Schedules F and G by the Ottawa Agreement which is valued at Rs. 23·23 crores. There is absolutely no mention of galvanized sheeting either in the Report of the

[Mr. Abu Abdullah Syed Hussain Imam.]

Majority or Minority Committee or of the Ottawa Delegation and we do not know the value of galvanized sheeting on which we are, according to this Agreement, going to give preference. The value on the 1929-30 basis is Rs. 4·38 crores. The total value of the preferences already given and the preferences promised according to the figures of the Government for the year 1929 come to Rs. 65·36 crores. We received in return by Schedule A, B, C, D, and unscheduled items a preference of Rs. 55·82 crores. The net loss of India and the gain of England is Rs. 9·54 crores, and there is still something more. It is quite possible that you have the sop of protection but we have been fooled at Ottawa. Sir, there is one thing about which I feel very strongly and that is about the way in which we have given preference to the Colonies without even knowing what we were going to receive in return. With the exception of Ceylon and Malaya, we do not know the articles on which the British Colonies are going to give us preference and here I should like to draw the attention of the Commerce Department to an anomaly which I find in the Ottawa Agreement. In the Agreement that we have entered into with England in Article 12 it is stated that:

"the Government of India will invite the Legislatures to pass the legislation necessary to secure to the Colonies and Protectorates"

such and such preferences. But, Sir, in the Agreement into which England has entered with her partners, the words "now self-governing Colonies" have been used except in the case of India. The Australian Agreement, Article 15, the Canadian Agreement, Article , the New Zealand Agreement, Article 15, the Union of South Africa Agreement, Article 12, all use the same words. Except for India, in no Agreement has the word "Colonies" in general been used. Sir, I am not surprised that the Delegation were unable to give us any figures about the advantage that we will derive from the preferences to be given to us by the Colonies, because there is absolutely no basis for them. We do not know even on what articles we are going to receive preference from the Colonies. Nevertheless they were honest enough to admit that the balance of advantages will be found to be in favour of the Colonies and not India. We have not yet been supplied with any figures about our trade with the British Colonies. We do not know what is the total amount to each colony and what is the amount of preference which we are going to receive from them. All this is still in the dark. And there is another fact which has not been stressed sufficiently, that all the articles on which we have given preference to England, England demands that preference should be given on those articles to the Colonies too, if they so desire, under Article 12. This, Sir, is a principle which can, if we agree to it, be utilised to our great disadvantage and it may make all the difference between a good and a bad bargain.

Now, Sir, coming to the work of the Assembly Committee, Dr. Ziauddin in his note on the Majority Report used exactly the words which my Honourable friend, Mr. Hafeez, has repeated here, that India is receiving more advantage from the preference than she is giving. I was rather surprised to find that a mathematician like him should have tried to value this Agreement on such wrong scales. He says that the money value of the preferences which India receives from the United Kingdom by the Ottawa Agreement is Rs. 7·4 crores and the money value which India gives to the United Kingdom is Rs. 2·5 crores. If we include preference on cotton goods and steel goods, the total preference which we give comes to Rs. 4·91 crores and therefore he thinks that we have got an advantage of about Rs. 2½ crores which will go into our pockets. The preference which England is giving is usually given to bring down the prices. The country which gives preference wants to bring down the cost of its own imports. And if we give preference to the supplier and producers of majority of any article we do get a reduction in the price. That preference is beneficial to the country which gives it and therefore it cannot be argued that the Rs. 7·4 crores will go into the pockets of Indians. It is more likely to remain in the pockets of Englishmen. Sir, the way in which this Agreement could be best judged would be on the basis of what we have gained and what we could have gained if we had not been stamped by the inferiority complex or by the realisation of our utter inability to compete. I do not think that the Delegation to Ottawa were dishonest or that they were dictated to. But I do think that they were not fairly treated. All the Colonies received lists of preference articles demanded beforehand except the Indian Delegation, and an amateur team was pitted against the greatest professional team that could be found—I mean the team of England. It was scarcely fair to ask these people, without any resources, without any advantages and without any reference to their own trade and commerce, to go and beat such an organised department as the Department of Overseas Trade of England. If we have lost anything and if I oppose this Agreement, it is because I do not think that the best bargain that could be had was driven by the Ottawa Delegation. I do not hold the opinion that we could have gained anything by keeping out of Ottawa. I quite agree with the Government that we were right in going to Ottawa, but we ought to have gone better prepared and with the support and co-operation of our own people.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Who stopped you from that?

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: Government did not know itself. It never received the list. It was not only the Indian Delegation that was slighted. The whole Government of India were slighted.

THE HONOURABLE MR. E. C. BENTHALL: The results were remarkably good.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: Sir, opinions differ. There is one thing to which I draw attention, and that is that this policy of trade preference is not an end in itself; it is but a means to an end. The end in view is prosperity of trade and the sentiments expressed by Sir George Schuster at Ottawa that India's greatest need at the moment is to have an increase in the price level of home commodities holds good for all time to come. That is the greatest need of India. It is here I find that the Commerce Department are not doing what they ought to do. The Fiscal Commission, to which our Honourable colleague Sir Maneckji Dadabhoy referred, laid down certain principles to be followed to give effect to the policy of tariff reform. In Chapter VIII—Supplementary Measures—they suggested some methods for the betterment of our trade. No enquiry worth the name has yet been made about

[Mr. Abu Abdullah Syed Hussain Imam.]

freight and shipping charges, which is the first necessity for our export trade. No effort has been made by the Government, either by subsidy or by any other arrangement, to reduce the freights from India to the countries to which we export. It is really the shipping freight that is killing the Indian trade. Sir Maneckji rightly said that the cost of production in India is the lowest. One then wonders why India cannot sell goods to all the rest of the world at a cheaper rate. The reason is to be found simply in the fact that shipping and the railways are not co-operating with us. And here I should like to quote the words of Sir Charles Innes, a former Commerce Member of the Government of India, from his book "Law and Theory of Railway Freights and Rates":

> "The Railway Act of 1890 makes no reference at all to the rates and charges that may be levied by railways and the maxima and minima rates applicable to different classes of commodities are for some years in sharp contrast to the very first section of the Inter-State Commerce Act which strictly enjoins railways to charge reasonable rates and the English Acts of 1891, 1894 and 1921 which place the entire power of fixing the rates in the hands of the State".

This is the opinion of a former Member of the Government of India in charge of the Commerce Department as to what ought really to be the policy regarding rates. If the Government of India were really anxious to forward the interests of Indian trade and commerce, it would be foolish on the part of Indians to stand in their way. It is because we find that the margin of profit, which makes all the difference between good trade and bad trade is eaten up by the shipping companies and the railways, that we have got to complain that the Government are not working really in the interests of India, and we are suspicious that perhaps there are other motives underlying these things.

Finally, Sir, about the Rates Advisory Committee, I should have liked the Government Members to have informed either the Assembly or the Council that Government are really anxious and are going to look into the question of freights. This is not a new question. We know there was a Rates Advisory Committee, but its constitution debarred it from having a voice except in an advisory capacity. We know that the Commerce Department, when it looks into this, looks at it more from the point of view of its ability to get money from the pockets of others——

THE HONOURABLE SIR MANECKJI DADABHOY: A very sound thing to do!

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: ——than to make industries prosper. That is why, on the lines of separation of executive and judicial functions, I want separation of railways and commerce. Sir, if the functions of the Rates Advisory Committee were changed it would better function as far as the interests of the trade are concerned.

The very first mistake that the Ottawa Delegates committed was to think that they were absolutely helpless. They were under the impression that the Import Duties Act had brought such a change and they were so nonplussed by their inability to retaliate that they entered into this Agreement on the terms on which they did. I do not question the right of the Government or of the Ottawa Delegates to intervene in this matter, but I object to the terms. The terms are not the best that we could have got. There ought to be some basis for finding out the limit to which one country can give concessions to another. We could have demanded far more preferences and England could have demanded preference on all the articles exported to India by her. Why was it not done? Because it has to be judged by the money value of the trade. Government have tried to prove from statistics that we have got quite a good bargain. It was shown that we are giving a preference of only £17 million and receiving a preference of £41 million. True, but the fact that we had done something formerly without getting anything in return was not placed before us by the Delegation's Report. On the advice of the Leader of this House that we should devote our spare time to looking up the proceedings of the other place, when we had nothing else to do, I used to go sometimes there, and I was present when the Assembly turned itself into a mutual admiration society, the non-official Opposition Benches praising the official Members of the Ottawa Delegation, and in return, the Treasury Benches heaping praises on the non-official Members of the Delegation. We have had a replica of that in this House too. I do not grudge them the acclamation and the ovation that has been given to them by the Government Benches. But time will prove whether they deserve it or whether the critics were in the right. But I, Sir, must enter my protest against the way in which honesty has been made a patent and proprietary preserve of the supporters of the Ottawa Agreement. Although it has not been said in so many words, it has been implied that those who oppose Ottawa do so in order to court popularity. Here in this Council the Honourable Mr. Benthall said that it was on account of political considerations that it was being opposed. Personally and for my Party I can say that we are not opposed to the Ottawa Agreement in itself but we are opposed to items of it. That there should be a reciprocal concession is one thing. It is in details that we differ. We are not at one with the Government as to whether we have received a *quid pro quo* for all that we have given. We differ from the Government as to the commodities which ought to receive preference and as to which we ought to give preference. Sir Maneckji Dadabhoy referred to cotton and asked how England could give preference on cotton when the export from India is only 6 per cent. of what is imported into England. That would mean that they would be imposing extra taxation on 94 per cent. for the benefit of 6 per cent. But, Sir, while free England could not do that, bonded India could do it. I have just gone through the Schedule and found that the position in regard to the import of motor lorries and buses into India is on all fours with cotton in England. Our imports of those vehicles from England is exactly 7 per cent., Rs. 18 lakhs out of Rs. 242 lakhs, and still we give a preference of 10 per cent. Further, England is giving us preference on things of which we do not export a rupee's worth to England, as will be apparent from the Inquiry Committee's Report on the Ottawa Resolution. There is given a long list of articles of which we do not export a rupee's worth to England. For instance, groundnut oil; between 1921 and 1930 we had no export to England. In the same period we exported no sesamum oil to England but 136,000 gallons were exported to other countries. On linseed oil we are receiving a preference and not a single gallon was exported to England between 1921 and 1930. We think it strange that on goods on which you want to have a preference you cannot have it and on goods on which you do not require it you are given preference.

[Mr. Abu Abdullah Syed Hussain Imam.]

I have tried to study one feature of this Agreement in so far as it concerns the Colonial Empire. I find it strange that throughout the Agreement the words "non-self-governing Colonies" should have been used except in the case of India. That was an enigma to me and therefore I studied the details of the Bill to find out whether the Agreement as entered into at Ottawa and the Bill as prepared by the Commerce Department agreed with each other or not. I was surprised to find that they did not agree. Sir, in the Ottawa Agreement in Schedule H, we find that there are articles on which preference at a rate of not less than 10 per cent. *ad valorem* is required, and further down is a list of articles on which preference of 7½ per cent. *ad valorem* is required, and a third list on which specific preferences are wanted. Well, the Government of India in its generosity has given to the Colonies more than what they demanded, as, for instance, item 164 in the Tariff Bill, Government have given 10 per cent. whereas the demand was for one anna per pound. Then in items 180 and 181, preference was desired by the United Kingdom for drugs, medicines and apparel of all kinds at 7½ per cent., but the Government of India have given them 10 per cent. In item 216, bitters, a specific duty of Rs. 3-12-0 per gallon is required, but the Government of India in their generosity have given Rs. 5 per gallon. That is in keeping with the spirit of the Government of India. In 228, the last item, on chemicals 7½ per cent. was demanded but we have given 10 per cent. Further down, Sir, I find that although both we and Ceylon are tea-producing countries, we are to give to Ceylon 2 annas per pound as preference; while we are to receive from them 12½ per cent. preference, and the value from the British Government's own book—I will quote it to the Honourable Member, it is No. 503, Department of Overseas Trade. United Kingdom Trade in India—is for tea 8½ annas per pound in India. That is, we are to receive one anna per pound preference on tea from Ceylon, while we are to give them preference at the rate of 2 annas. Sir, as I said before, the British Government has the right to demand from us for the Colonial Empire more and more preferences for more items than you have yet given, and if our mentality remains the same as it has been hitherto, we are absolutely at the mercy of England and its Import Duties Act and we cannot retaliate. Neither have we got the means to measure swords with them. We may thus be stampeded into any amount of concessions. We can go on giving concessions and still the desire of England may not be satisfied.

And if there is one thing on which I feel that the Government of India must make up its mind it is that it must make up its mind whether it is a Government of the people of India or a Government under the British Government. It cannot remain in an undefined position of neither being responsible to the people of India nor to the Parliament of Great Britain. Here, Sir, the Convention, as was described by the Honourable Sir Maneckji Dadabhoy, lays down that the Secretary of State will not interfere in case the Government of India and the Legislature agree, but I expressed my doubts about the applicability of this doctrine in cases of this nature when we are entering into a pact with His Majesty's Government. Sir Maneckji tried to convince me that my suspicions were not substantially correct.

THE HONOURABLE SIR MANECKJI DADABHOY: I was speaking with reference to fiscal autonomy only.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: Sir, this is a chronic thing; as long ago as when the Indian Fiscal Commission made its Report they too were doubtful about the meaning of those sentences in the recommendation of the Joint Select Committee. About the Fiscal Commission, I will quote their own words. In paragraph 259 they say:

"It is true that some doubt may be aroused by the words 'any fiscal arrangements within the Empire to which His Majesty's Government is a party'."

This is not a new doubt, but one that arose in the minds of even the Fiscal Commission who were the sponsors of the whole tariff policy. They laid down three conditions, three principles, which should govern any application of the policy of trade preference. The last item which they laid down was this:

"The preference should not involve any appreciable economic loss to India after taking into account the economic gain which India derives from the preferences granted her by the United Kingdom"

This was a criterion laid down by the Indian Fiscal Commission, and as such it not only deserves consideration from us but also from the Government; and it was really the duty of the Government to explain that no better arrangement could possibly be made. In this they have failed. They have not even taken up the ground. They tried to do the best. That is all they have said. We have not been told whether anything better could be had or not. In the mental state in which our Delegation went to England and to Ottawa, I venture to say that what we have got seems to me surprising—that we got even so much. (Hear, hear.) They were in a despondent mood. The inertia of irresponsibility had reduced them to this state. Sir, the preferences that we have received are no doubt valuable, but the preferences that we are giving are more valuable than what we receive. My only complaint against this is this, that a bad bargain has been struck, and if I want to delete, it is not in a spirit of non-co-operation, but of trying to better our own position in the English markets, which I doubt if Government could effect with the present Agreement. If the Government really wanted to get support from the Legislature their first duty was to place before this House all the materials which so strangely changed the opinion of the Assembly Committee. When seven gentlemen went as opponents of the Ottawa Agreement, as if by a magic wand the majority of them were converted into its supporters. It was only fair to their good name and to their honesty that the Government should have placed before us the material which had that magic effect, if it was anything above board. The Committee gave us a Report in which only three out of 15 people reported against the Agreement. As is well known, seven members were taken who were opponents, seven who were for it and one gentleman who was thought to be neutral; he had no opinion of his own. It was a marvellous success for the Government to have secured such an enormous support from the representatives of the people and I congratulate them on their achievement. I am sure this House will repeat that performance and Government will have the support of this House, but they cannot expect support from those who want to have the best bargain. Sir, I oppose the motion.

THE HONOURABLE MR. J. C. B. DRAKE: Sir, the House has listened today to a very full and very interesting discussion, initiated by my Honourable friend Sir Maneckji Dadabhoy, who has told us that he has,

[Mr. J. C. B. Drake.]

if I may so describe it, sung his swan song from the front benches; but, Sir, we all know that we are not going to lose him and that when he crosses the floor of the House it will be for the purpose of translation to a higher place, where his speeches, if perhaps they will not be quite so long, will certainly be no less to the point. Sir, after this very full discussion we have had, I do not propose to detain the Council any longer. I wish just to acknowledge on behalf of the Government the support that we have received generally all round, from all parts of the House, to this Agreement and to this piece of legislation. I must confess that up to the very end of today's debate I felt considerable doubt regarding the real reasons behind the opposition to this Bill which has been voiced from the benches occupied by the Progressive Party. It was not, Sir, until the last ten minutes of the debate today that I discovered what that reason was. Sir, they have no political objection to this Bill; they have no economic objection to this Bill in principle.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM: Yes, Sir, we have.

THE HONOURABLE MR. J. C. B. DRAKE: If I understood the Honourable Member aright, his only objection was that there might have been a better Agreement. (Applause.) That I consider is really an argument in favour of the measure. In this world nothing is perfect. None of us get all our wishes and if we get as near to them as possible, then I think we should be satisfied. I very much doubt whether my Honourable friend, Mr. Hussain Imam, really thinks that if he had been to Ottawa he could have made a better arrangement than we have been able to make.

With these words, Sir, I strongly recommend this measure.

THE HONOURABLE THE CHAIRMAN: The question is:

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

The motion was adopted.

The Council then adjourned till Eleven of the Clock on Monday, the 19th December, 1932.