

22nd April 1936

THE
LEGISLATIVE ASSEMBLY DEBATES

(Official Report)

Volume V, 1936

(9th April to 23rd April 1936)

THIRD SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY,
1936



NEW DELHI
GOVERNMENT OF INDIA PRESS

Legislative Assembly.

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Deputy President :

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MR. M. S. ANNY, M.L.A.

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LEGISLATIVE ASSEMBLY.

Wednesday, 22nd April, 1936.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

SHORT NOTICE QUESTION AND ANSWER.

REPORT OF THE ASSEMBLY COMMITTEE ON THE INDIAN DELIMITATION COMMITTEE REPORT.

***Pandit Govind Ballabh Pant:** (a) Have Government given consideration to paragraph 13 of the Report of the Committee appointed by this House to consider the Indian Delimitation Committee Report?

(b) Are Government aware of the fact that the aforesaid recommendation of the Assembly Committee, which was duly adopted and approved by this House itself, is in perfect accord with the proposals of the Indian Franchise Committee on the subject?

(c) Have Government arrived at any decision in the matter? If so, what?

The Honourable Sir Nripendra Sircar: (a) Government have before them the recommendation referred to and propose to give it consideration in due course, as explained in answer to part (c).

(b) Yes.

(c) This is a matter which has not been included in the Electoral Orders in Council. It will, therefore, be regulated for the first elections by rules framed by the Governor under paragraph 20 of the Fifth Schedule to the Government of India Act, and, thereafter, will fall within the scope of the Provincial Legislatures. The recommendations made by the Assembly Committee will be considered by Government when the draft Governors' Rules referred to above are received from the provinces.

Pandit Govind Ballabh Pant: Will Government please bear in mind that the Provincial Councils are also to serve as electoral colleges for elections to the Central Legislature so far as the Lower House is concerned and that this method of voting will react on the constitution of the Lower House of the Central Legislature?

The Honourable Sir Nripendra Sircar: Yes, Sir, they will remember the contention.

Pandit Govind Ballabh Pant: Are Government aware of the fact that the Assembly Committee has expressed the view that the procedure suggested by the Hammond Committee is destructive of the secrecy as well as of the freedom of vote?

The Honourable Sir Nripendra Sircar: Yes, Sir.

Pandit Govind Ballabh Pant: Will Government please bear in mind that if the method suggested by the Hammond Committee is adopted, it will make the position of the illiterate voter even more irksome than it is today?

The Honourable Sir Nripendra Sircar: That is a contention which certainly will be considered.

Pandit Govind Ballabh Pant: Will Government consider the rules that will be framed on the subject and exercise their powers of superintendence, direction and control before they are finally adopted?

The Honourable Sir Nripendra Sircar: It is rather hypothetical, because whether after considering the draft rules the Governor General in Council will consider it to be a case for interference or not, it is premature for me to give any indication to this House.

Pandit Govind Ballabh Pant: Will Government kindly bear in mind that it is a very important question and almost of a fundamental character and the representative character of the House in the provinces and to a certain extent even in the Centre will depend on the freedom with which the voter will be able to elect his representative in the Provincial Council?

The Honourable Sir Nripendra Sircar: While expressing no opinion on the merits of the contention I can assure my Honourable friend that I agree with him that the matter is of great importance.

Pandit Govind Ballabh Pant: Are Government aware of the fact that there are no plural member constituencies in the U. P., and except for the members of the depressed classes there is no constituency which will be electing more than one Member to the Provincial Legislative Council?

The Honourable Sir Nripendra Sircar: I am prepared to accept that from my Honourable friend.

Pandit Govind Ballabh Pant: Will Government be pleased to consider that it is much easier to have election by means of coloured boxes where there are for the most part single member constituencies than in provinces where they have got plural member constituencies?

The Honourable Sir Nripendra Sircar: The contentions which have been indicated by these questions will be borne in mind. They are now going down on record and they will be considered.

Mr. S. Satyamurti: Do Government accept the supreme need for ensuring secrecy of the ballot in all provinces? Are they considering any other steps, besides what my Honourable friend has suggested, for ensuring the secrecy of the ballot in all the provinces, in respect of all these elections?

The Honourable Sir Nripendra Sircar: The answer is no, in the sense that they are not considering it just now. But they will consider all relevant matters including those which have been indicated by the questions and supplementary questions put today, at the proper time, by which I mean the time when we receive here the draft rules.

Mr. S. Satyamurti: In considering all these matters at the proper time, will Government undertake to ensure that whatever conclusions they arrive at will tend towards ensuring the absolute secrecy of the ballot, specially in the case of illiterate voters?

The Honourable Sir Nripendra Sircar: I do not think there is any dispute as to the fact that that is the end which has got to be secured. There may be possible different contentions as to how that has got to be done, but about the importance of the matter and the necessity of keeping secrecy, there cannot be two opinions.

Mr. S. Satyamurti: Have Government considered the recommendation of the Hammond Committee that the illiterate voter may be allowed to show his voting paper to the nominee of the candidate, as destructive of any attempt to secure the secrecy of the ballot?

The Honourable Sir Nripendra Sircar: As I have assured my Honourable friend over and over again, whatever is in the report of the Hammond Committee, of the Franchise Committee, of the Assembly's Resolution and all other relevant matters have got to be considered at the proper time. No opinion is expressed on the merits of any contention.

Mr. B. Das: Will Government kindly take into consideration the fact that the election from Orissa to the Federal House will be vitiated by the power of nomination of four Members by the Governor of Orissa? Will they bear in mind the recommendations of the Assembly Committee with regard to that?

The Honourable Sir Nripendra Sircar: We cannot help reading what has been put down as part of the Resolution; but what else are we expected to do?

Mr. B. Das: Will they do away with the nomination part in the Orissa Legislative Assembly, so that the Members who are elected to the Federal Assembly are elected by the elected Members of the Orissa Assembly?

The Honourable Sir Nripendra Sircar: I cannot answer that question off-hand now.

Mr. B. Das: Will you please bear that in mind and examine it?

The Honourable Sir Nripendra Sircar: It may get out of my mind. (Laughter.)

STATEMENTS LAID ON THE TABLE.

Information promised in reply to starred question No. 821 asked by Mr. Mohan Lal Saksena on the 25th February, 1936.

PERSONS REFUSED PASSPORTS FOR FOREIGN COUNTRIES.

(a) I am not prepared to furnish the names of the persons who were refused passports during the period in question. The number is 285. This does not, however, include some of those whose applications for facilities to visit countries other than the United Kingdom were refused on economic grounds.

(b) Ten.

Information promised in reply to starred question No. 1311 asked by Dr. P. N. Banerjea on the 17th March, 1936.

SUSPENSION WITHOUT AN OPPORTUNITY BEING GIVEN FOR OFFERING THEIR EXPLANATIONS TO THE EMPLOYEES OF THE EAST INDIAN RAILWAY PRESS.

(a) Yes so far the East Indian Railway Press is concerned. Government have no information regarding other Government Presses.

(b) Government are informed that placing under suspension of employees in the East Indian Railway Printing Press is governed by rule 11 of the Rules regulating discipline and rights of appeal of non-gazetted railway servants, copy of which is in the Library of the House.

Information promised in reply to unstarred question No. 407 asked by Mr. Anugrah Narayan Sinha on the 20th March, 1936.

DIFFICULTIES EXPERIENCED BY THE HEIRS OF DECEASED WORKMEN IN THE PAYMENT OF DUES IN THE MORADABAD DIVISION OF THE EAST INDIAN RAILWAY.

Government are informed as follows :

(a) No harassment is caused to the widows or heirs of deceased employees, nor are delays allowed to take place beyond those arising out of the observance of the necessary formalities which are essential under the rules to ensure correct payment and avoid loss to the Administration. The claimants are not forced to produce evidence and documents which are not required under the existing rules.

(b) No.

(c) There has been no case on the Moradabad division in which *pardahnashin* widows of deceased employees have been forced to produce documents not required under the rules.

(d) There has been no case in which requests from claimants asking to be addressed through their attorneys have not been heeded.

(e) There have been cases on the Moradabad Division in which settlement could not be effected promptly owing to the necessity of obtaining certain information, but as far as possible unavoidable delays are not permitted.

(f) Government understand that, in the three cases referred to, there have been some delays in effecting settlement of the persons concerned, but everything is being done to expedite settlement.

(g) Government have asked the Agent, East Indian Railway to take such steps as may be necessary to ensure that no unreasonable delay takes place in the settlement of such cases in future.

Information promised in reply to starred question No. 1405 asked by Mr. Sham Lal on the 23rd March, 1936.

REFUSED OF PASSPORT TO GO TO EUROPE TO MR. VIRENDRA, MANAGER EDITOR OF THE Daily Pratap, LAHORE.

(a) (i) and (ii). An application for a passport was made by Mr. Virendra in the form of an ordinary letter to the Deputy Commissioner, Lahore, on the 7th November last. The applicant was asked to submit his application in the regular form accompanied by the usual three photographs. This was done by the applicant on the 14th.

(iii) and (iv). Orders by the Local Government declining to grant a passport were issued to the Deputy Commissioner on the 26th February.

(v) Yes.

(b) A passport was refused having regard to Mr. Virendra's past activities and the possibility of his engaging himself in undesirable activities abroad.

Information promised in reply to starred question No. 443 asked by Mr. Muhammad Azhar Ali on the 23rd March, 1936.

ABSCONDING OF RAILWAY OR GOVERNMENT SERVANTS FROM SERVICE.

(a) to (d). No procedure is specifically prescribed for a Government servant who absconds. This is a matter of detailed administration which has been left to the discretion of individual Railway Administrations who take all the circumstances of a case into consideration before coming to a decision.

Information promised in reply to starred question No. 1445 asked by Saradar Sant Singh on the 7th April, 1936.

OPTION TO THE OLD TRAVELLING TICKET EXAMINERS TO SELECT THE POST OF "B" CLASS GUARDS ON THE NORTH WESTERN RAILWAY.

(a) Nil.

(b) I would invite the Honourable Member's attention to the information laid on the table of the House on the 2nd September, 1935, in reply to Dr. N. B. Khare's unstarred questions Nos. 302, 303, 304, 307, 317 and 318 as asked by him on the 9th April, 1935.

(c) No, as Government consider they have no claim for appointment to these posts.

Information promised in reply to unstarred questions Nos. 480 and 509 asked by Dr. N. B. Khare on the 7th April, 1936.

WATCH AND WARD DEPARTMENT ON THE EAST INDIAN RAILWAY.

480. (a) (i) and (ii). Yes.

(b) (i) and (ii). I would invite the Honourable Member's attention to my reply to parts (c), (d) (i) and (ii) of Mr. Amarendra Nath Chatopadhyaya's unstarred question No. 161 asked on the 18th February, 1936.

(iii) Government have no information.

(iv) Yes.

(c) As regards the first part of the question Government have no information. With regard to the rest, the Superintendent, Watch and Ward on the East Indian Railway, is under the direct control of the Agent. This is a matter of detailed administration which has been left to the discretion of the Agent.

POLICY AND PROCEDURE IN RESPECT OF ABOLISHING A POST ON THE EAST INDIAN RAILWAY.

509. (a) and (b). A post is created or abolished if in the interests of administration such action is called for.

Information promised in reply to unstarred questions Nos. 576, 577 and 578 asked by N. M. Joshi on the 7th April, 1936.

DIFFERENTIAL TREATMENT IN RESPECT OF WORKING OF CERTAIN CABINMEN AND LEVERMEN ON THE GREAT INDIAN PENINSULA RAILWAY.

576. (a) No.

(b) Does not arise.

CLASSIFICATION OF TICKET COLLECTORS AT MANMAD ON THE GREAT INDIAN PENINSULA RAILWAY AS "INTERMITTENT WORKERS".

577. Government are informed as follows :—

(a), (b) and (c). Yes.

(d) and (e). The report of the Supervisor of Railway Labour is under consideration.

CLASSIFICATION OF GATEMEN WORKING AT UMARMALI ON THE GREAT INDIAN PENINSULA RAILWAY AS "INTERMITTENT WORKERS".

578. The reply to the first part of the question is in the affirmative and to the latter part in the negative.

Information promised in reply to unstarred question No. 603 asked by Qazi Muhammad Ahmad Kazmi on the 7th April, 1936.

PAUCITY OF MUSLIM IN THE NORTH WESTERN DIVISION, DELHI.

(a) I would invite the Honourable Member's attention to my reply to Mr. H. A. Sathar Haji Essak Sait's question No. 1350 asked on the floor of this House on the 20th March, 1936, which contains the information readily available with Government.

(b) to (e). Government have no information and do not consider the labour and expense involved in collecting it will be commensurate with the results likely to be obtained.

(f) The reply to the first part is in the negative. The communal composition of officers in the Delhi Division or any other Division of the North Western Railway must vary from time to time and Government cannot accept the proposition that the posting of Gazetted officers should be fixed on a communal basis.

MOTION FOR ADJOURNMENT.

FAMINE, SMALL-POX AND CHOLERA IN BERHAMPORE IN BENGAL.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Chair takes it that Mr. Ayyangar presses the adjournment motion of which he gave notice yesterday?

Mr. M. Ananthassyanam Ayyangar (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, the Government Member promised to make a statement today.

The Honourable Sir Nripendra Sircar (Leader of the House): Sir, may I make a statement which may solve the difficulty? I have certain technical objections, because I find, going through the papers, that really this matter is being discussed very freely in the papers for the last fortnight. But I do not want to take any technical objection at this moment, and I ask you not to give a ruling, because my Honourable friend, Sir Girja Shankar Bajpai, is going to place before the House whatever information is available to us. If, on hearing that, the Honourable the Mover does not press his adjournment motion, there will be an end of the matter. If he still presses it, I may then be allowed to take any technical objection based on the previous communications made in the press.

Sir Girja Shankar Bajpai (Secretary, Department of Education, Health and Lands): I undertook yesterday to supply to the House the latest available information regarding conditions in Berhampore and also to endeavour to obtain from the Government of Bengal the correct facts about the report in the *United Press* message which was published in the *Hindustan Times* yesterday. With your permission, Sir, I propose to lay on the table a copy of a letter from the Government of Bengal, dated the 26th March, 1936, in which the situation created by the prevalence of scarcity in the districts of Birbhum, Bankura, Burdwan and parts of Murshidabad (of which Berhampore is the headquarters) and Hooghly is fully reviewed. Honourable Members will observe from this letter that, since September, 1935, the Local Government has allotted Rs. 8.69 lakhs for relief work and loans and made a provision of Rs. 12 lakhs, Rs. 2 lakhs for famine relief and Rs. 10 lakhs for agricultural and land improvement loans during 1936-37. Test works have been opened on a large scale and an additional Commissioner has been appointed to organise relief measures. In the same communication the Governor General in Council was asked to request the Board of Management of the Indian Peoples' Famine Trust Fund to make a grant of Rs. 50,000 in addition to the grant of Rs. 30,000 which has already been made by the Fund. The Governor General in Council has notified to the Board of Management the existence of general and serious privation in these areas, so that the Board may be able to consider the Local Government's request. I also lay on the table a copy of the report from the Director of Agriculture, Bengal, for the week ending 15th April, 1936, which gives the latest information regarding local conditions. According to this report, 86,299 persons attended test relief works in Murshidabad during the week ending 11th April and 194 received gratuitous relief. There is no mention in this report of any deaths from starvation. Health figures are available for the week ending 4th April.

[Sir Girja Shankar Bajpai.]

During that week, there were four attacks and three deaths only from cholera. As the next report, which will be for the week ending today, would not, in the ordinary course, be received for a few days, I sent a clear-the-line message yesterday to the Government of Bengal in which information has been specially asked for on the *United Press* report of deaths from starvation and the outbreak of epidemics. If the reply is received before the House rises, I shall lay the result of the inquiry on the table; otherwise we intend issuing a press communiqué setting out the information received from the Government of Bengal. I hope that, in view of the statement that I have made, the House will agree that there is neither need nor justification for an adjournment motion.

Copy of letter No. 5132-Misc., dated the 26th March, 1936, from the Secretary to the Government of Bengal, Revenue Department, to the Secretary to the Government of India, Department of Education, Health and Lands.

GRANT FROM THE INDIAN PEOPLE'S FAMINE TRUST.

With reference to Mr. Menon's letter No. F.-39-36-A, dated the 20th February 1936, I am directed to repeat the request, made in this Deptt. letter No. 915-Misc., of 22nd January, 1936, to which Mr. Menon's letter is a reply, that the Board of Management of the Indian People's Famine Trust Fund may be moved to sanction immediately a grant of Rs. 50,000 for relief of distress in this province.

2. Severe scarcity is now prevailing in many of the districts in Western Bengal. Those most seriously affected are Birbhum, Bankura, Burdwan—except the area irrigated by the Damodar and Eden Canals—and parts of Murshidabad and Hooghly. The other affected districts are 24 Parganas, Khulna, Nadia, Jessore, Howrah and Midnapore. A declaration of scarcity under the Famine Code is about to be made in the badly affected areas.

3. The causes of the prevailing distress are as follows:—

The monsoon of 1934 was a partial failure in Murshidabad, Bankura and Birbhum in particular, in which districts in the previous year also the outturn of crops was far from satisfactory. In 1935, the monsoon failed again and rain ceased almost completely in September with the result that in the up-lands of the five districts more seriously affected the rice crop was barely 4 annas of the normal and in considerable areas failed altogether, and moreover was grown on not more than 70 p. c. of the normal area.

4. In Burdwan and Hooghly further havoc was caused by two floods in 1935 due to the sudden rise of the Damodar river owing to an unusual amount of rain-fall in the catchment area in Bihar. The first flood caused much damage to life and property but came at a time when it was possible to replace the damaged crop by fresh transplantation. A second flood followed carrying away this crop as well and was followed by drought which rendered the cultivation of rabi crops impossible.

5. In these five districts, dependent largely for irrigation on rain water stored in tanks, the failure of the monsoon for two consecutive years has left these irrigation tanks dry. Drinking water is also scarce.

6. To relieve the distress due to the drought in 1934 test works were opened in Bankura, Birbhum and Murshidabad in October 1934 and were continued on 11th June in Murshidabad, August in Birbhum and November in Bankura. Agricultural loans and land improvement loans were also freely given.

7. Test works have had to be opened or re-opened on a far larger scale in Bankura, Birbhum, Burdwan, Hooghly and Murshidabad in January this year and are about to be opened in Khulna and 24 Parganas. In other districts the District Boards are utilising their normal programmes to give relief. To organise the work an Additional Commissioner has been appointed. His reports show that the situation is serious, and test relief works will shortly be converted to relief works.

8. The area affected by the present distress is as follows :—

	Area, sq. miles.	Population.
Birbhum	1,255	582,000
Bankura	714	317,639
Burdwan	1,288	528,987
Hooghly	700	600,000
Howrah	25	89,000
Khulna	889	597,885
Murshidabad	489	328,723
24 Parganas	198	78,338

9. Since September, 1935, the following allotments for relief have been made by the local Government to alleviate the distress due to the failure of the harvest of 1935-36 :

	Rs.
Test relief (Famine)	1,28,464
Agricultural Loans	1,85,915
Land Improvement Loans	46,275
Charitable relief	9,000
	<u>3,69,654</u>

A detailed statement is attached which shows the total allotments made since April, 1935. :

Provision has been made in the budget for 1936-37 for—

Famine Relief	2 lakhs.
Agricultural Loans	} 10 lakhs.
Land Improvement Loans	

10. For charitable relief there are at the disposal of this Govt. three small funds. The Central Relief Fund, the Ram Lal Mukherjee's Fund and the Joy Govind Law's Fund. The annual income of these three funds is Rs. 11,200 only and the interest is payable half yearly. The present balance is about Rs. 800 which will be disbursed immediately. Steps to raise funds by public subscription are being undertaken but the calls that have been made upon private charity for the Bihar earthquake, the Quetta earthquake and the Silver Jubilee Fund have reduced the amount that is likely to be raised by this appeal.

11. I am therefore directed to request that the Board of Management of the Indian People's Famine Trust Fund may be moved to make an immediate grant of Rs. 50,000 as an addition to the grant of Rs. 30,000 previously made which is almost exhausted—the present balance being Rs. 500 only, for the purpose of charitable relief in the affected areas, to augment the steps that have already been undertaken by this Government.

[Sir Girja Shankar Bajpai.]

Statement in detail of relief measures taken during 1935-36 to deal with scarcity due to failure of crops.

District.	Government Agricultural and Land Improvement loans.	Government Test Relief.	Government of Bengal gratuitous relief.	I. P. F. Trust Fund gratuitous Relief.
	Rs.	Rs.	Rs.	Rs.
Burdwan	1,16,000	25,000	6,500	5,000
Birbhum	1,37,500	1,22,464	3,197	4,000
Bankura	2,86,450	38,114	8,600	7,000
Midnapore	25,000	..	..	..
Hooghly	30,000	30,000	1,500	3,000
24 Parganas	40,000	..	..	..
Nadia	39,480	..	750	500
Murahidabad	1,21,387	21,000	..	5,000
Jessore	20,300	..	1,500	..
Khulna	20,000	..	..	..
Faridpur	3,000	..	..	..
Daoca	5,000	..	..	..
Mymensingh	6,300	..	..	..
Tipperra	4,895	..	715	..
Rajahahi	5,000	..	..	..
Dinajpur	16,500	..	..	..
Rangpur	31,780	..	..	..
Pabna	10,000	..	..	..
Malda	6,000	..	..	..
Darjeeling	2,335	..	..	..
	9,26,927	2,36,578	22,762	24,500

Copy of letter No. D-171-Fam., dated the 2nd April 1936, from the Department of Education, Health and Lands to the Honorary Secretary, Board of Management, Indian People's Famine Trust.

CONTRIBUTION FROM THE I. P. F. TRUST TOWARDS THE RELIEF OF DISTRESS CAUSED BY DROUGHT AND FLOODS IN PARTS OF BENGAL.

With reference to Rule 8 of the Rules of the Indian People's Famine Trust contained in the late R. & A. Deptt. Notification No. 1616-F., dated the 26th July, 1900, I am directed by the Governor General in Council to notify to the Board of Management of the I. P. F. Trust the existence of general and severe privation over a considerable area in several districts of the Bengal Presidency.

2. A copy of the letter from the Government of Bengal, No. 5132-Misc., dated the 26th March, 1936, which gives an account of the distress caused by floods and deficient rainfall is enclosed.

Copy of telegram, dated the 30th April, 1936, from the Director of Agriculture, Bengal, to the Department of Education, Health and Lands.

8482. Extract weather crop report week ending 15th April. *Begins*.—During week ending Saturday 11th April 36,299 persons attended test relief works and 194 persons received gratuitous relief in distressed areas in Murahidabad. In Birbhum and Bankura 13,581 and 13,486 persons were employed on test relief works Saturday 11th April. In Bankura 834 persons also received gratuitous relief. In 24 Parganas, Khulna and Hooghly 3,774, 22,152 and 13,506 labourers respectively were engaged on test relief works during week ending Saturday 11th idem. In Burdwan 17,905 persons were employed on test relief works during week. Figures regarding test relief works not received from Nadia.—*Ends*.

Mr. M. Ananthasayanam Ayyangar: On a point of information, Sir. I would like to know whether railway facilities for transport of food for men or fodder for cattle have been arranged. That can be done easily.

Sir Girja Shankar Bajpai: I think that on previous occasions I have supplied information to the House on this point. The position is that a Local Government can make arrangements direct with the Railway concerned for the carriage of fodder at concession rates.

Mr. M. Ananthasayanam Ayyangar: In view of the statement made by the Honourable Member for Government, I do not press my motion.

Prof. N. G. Ranga (Guntur *cum* Nellore: Non-Muhammadan Rural): I also wish to withdraw the adjournment motion* that stands in my name.

THE INDIAN TARIFF (AMENDMENT) BILL.

Mr. Deputy President (Mr. Akhil Chandra Datta): Legislative business. The Honourable Sir Muhammad Zafrullah Khan.

The Honourable Sir Muhammad Zafrullah Khan (Member for Commerce and Railways): Sir, I beg to move:

"That the Bill further to amend the Indian Tariff Act, 1934, for certain purposes (regarding fents, etc.), as reported by the Select Committee, be taken into consideration."

Sir, as will be noticed from the report of the Select Committee, the general feeling in the Select Committee was that what was originally item (a) in the Bill, that is to say the proposal to admit staple fibre at concessional rates of duty, should, for the present, stand out. With regard to the original item (b) which has now become item (a) the Select Committee were in agreement that the change proposed might be carried out, but apprehension was expressed that the proposed new scale of duties on spun silk yarn might prove too heavy for the cheaper qualities of yarn, and Government gave an assurance, which I repeat, that they would explore the possibility of distinguishing between the various qualities of silk yarn and adjusting the duties in such a manner that they might press less heavily on the cheaper qualities in the interests of handloom weavers.

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): In de-clearing tariff values?

The Honourable Sir Muhammad Zafrullah Khan: It has been represented on behalf of those who are interested in the import of spun silk yarn that it is possible, for tariff purposes, to distinguish between the different

*"I wish to move for leave to adjourn the business of the Assembly to discuss a definite matter of urgent public importance, namely, failure of Government to do anything to prevent deaths due to starvation, outbreaks of epidemics of cholera and small-pox caused by famine in the Kandi sub-division of Bengal."

[Sir Muhammad Zafrullah Khan.]

qualities of yarn and that if such distinction were made, it would be found that the proposed rates of duties to be imposed upon spun silk yarn would fall very heavily upon the cheaper qualities of spun silk yarn: Government undertook to explore the possibility of making that distinction, if it was feasible to do so, to sub-divide spun silk yarn into several categories and then to so adjust the duties that they should not press too heavily upon the cheaper qualities.

[At this stage, Mr. Deputy President (Mr. Akhil Chandra Datta) vacated the Chair, which was then occupied by Mr. President (The Honourable Sir Abdur Rahim).]

Mr. S. Satyamurti: By executive order?

The Honourable Sir Muhammad Zafrullah Khan: I cannot say whether that would be the method adopted. As soon as Government are able to come to some decision on the feasibility of the proposal itself, they will consider which would be the most suitable way of carrying out the wishes of the House in that respect.

Another apprehension was mentioned in this connection, namely, that the effect of these duties might be that cloth manufactured out of these cheaper qualities of spun silk yarn might be dumped into the country. Government also undertook to watch the situation in that respect and, if they found any tendency of that kind, to take appropriate action.

The clause which was originally clause (c) and is now clause (b) in the Bill, as amended by the Select Committee, is only consequential to clause (a) of the Bill as amended by the Select Committee, and no comment on it is called for.

With regard to what is now clause (c), that is to say, the clause dealing with duties on fents, Honourable Members will remember that in the original Bill—item 49 (1) (a), that is to say 'fents of materials liable to duty under Item 48 (3), not exceeding four yards in length' which might briefly be described as cotton fents, the proposal was that the duties should be 50 per cent. standard and 25 per cent. preferential. The change made by the Select Committee, so far as this particular sub-clause is concerned, is only a change in the description of duties. The change is that the duties are now described as *ad valorem* rates of duty applicable to the fabric of which the fent is wholly or mainly made, but the actual rates of duty remain the same. The duties on fabrics of which these fents are made are 50 per cent. and 25 per cent.

Mr. S. Satyamurti: Where is the item in the Act?

The Honourable Sir Muhammad Zafrullah Khan: 49 (1): materials are in 48 (3). The proposal is that fents of this description should be subject to the same *ad valorem* duties as are levied upon fabrics of which these fents are made: the *ad valorem* duties are 50 and 25 per cent; so that the recommendation of the Select Committee with respect to this item does not make any difference to the actual rates of duty as proposed in the original Bill

Mr. S. Satyamurti: 25 per cent. Imperial Preference?

The Honourable Sir Muhammad Zafrullah Khan: Yes. But with regard to (b) where the same recommendation has been made, a difference has been made in the rates of duty as proposed to be levied in the original Bill and as they are now proposed in the Bill as amended by the Select Committee. Here also the original proposal was that the duties should be 50 and 25 per cent.: now the proposal is that the duties should be the *ad valorem* rates of duty applicable to the fabric of which the fent is wholly or mainly made. The effect of it is this. As Honourable Members will observe, sub-item (b) refers to fents made of materials liable to duty under item 48, 48 (1), 48 (4) or 48 (5) not exceeding 2½ yards in length. Materials falling under items 48 and 48 (4) are liable to a duty at 50 per cent.: there is no question of preference. Materials which fall under items 48 (1) and 48 (5) are liable to duty at the rates of 50 per cent. and 80 per cent. There is a preference of 20 per cent. in favour of the United Kingdom. So that as against the original proposal in the Bill, that all fents falling under this sub-clause should be liable to duty at 50 per cent. and 25 per cent. the proposal now is a duty of 50 per cent. on all kinds of fents—United Kingdom and non-United Kingdom—which are made of material falling under item 48 or 48 (4), and a duty of 50 per cent. and 80 per cent. on fents of materials falling under items 48 (1) and 48 (5).

(c) remains the same as in the original Bill. The Select Committee have proposed no change in sub-clause (d) though certain Members raised the point that sufficient investigation had not been made into this matter and that this matter should have been looked into by a Tariff Board appointed for that purpose before any change was recommended. Honourable Members will note that with regard to the change of duty in respect of fents, that would fall under item 49 (1) (b) the recommendation is that the duties on United Kingdom fents should be raised from 25 to 50 per cent. in the case of fents made of materials which fall under items 48 and 48 (4) and from 25 to 30 per cent. in respect of fents made of materials falling under items 48 (1) and 48 (5). That required the sanction of the Governor General in Council which has been obtained, and the Bill as amended by the Select Committee is before the House. Different views that were expressed dissenting from the proposals accepted by the Committee are set out in the notes appended to the report of the Select Committee; and some of these views find expression in the amendments of which notice has been given. I do not wish to anticipate the arguments that various Honourable Members might wish to put forward in respect of amendments that they desire to support or to oppose, and I think, perhaps it would be more convenient if I were to wait until those arguments are developed before I make an attempt to reply to them.

Qazi Muhammad Ahmad Kazmi (Meerut Division: Muhammadan Rural): On a point of information, Sir; the Honourable Member said in the speech and it also appears in the report of the Select Committee that so far as items 48 and 48 (4) are concerned, 50 per cent. duty was previously recommended in the Bill and it is so even now. But from the original Act it appears 50 per cent. duty *plus* Rs. 1-8-0 per pound.

The Honourable Sir Muhammad Zafrullah Khan: I will explain that Items 48, 48 (1), 48 (4) and 48 (5) are items that relate to fabrics and piece-goods. We are dealing here with fents. The proposal is that on fents

[Sir Muhammad Zafrullah Khan.]

of materials liable to duty under these items, the *ad valorem* duties applicable to those items should be leviable, not the specific duties: so that, though the fabrics and piece-goods themselves are liable to *ad valorem* and specific duties, with regard to the fents, the only proposal is that the *ad valorem* duties should be applicable to them.

Mr. President (The Honourable Sir Abdur Rahim): Motion moved:

"That the Bill further to amend the Indian Tariff Act, 1934, for certain purposes (regarding fents, etc.), as reported by the Select Committee, be taken into consideration."

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, it has been the tradition of this House that in two questions, that is taxation and liberty, the Members were allowed to have their say in full. Last time when we had a similar Bill in 1934, it took three days for the reference to Select Committee, three days in the general discussion at the consideration stage, and about seven days for the second reading. This time we did not have any speeches at reference at the Committee stage, and we thought, we would probably consider all these points in the Committee and save the time of the House. But the Committee practically tried to finish in very minimum time and it did not have time to discuss in detail the provisions made in the Bill, and, therefore, there is no alternative for us but to discuss all those points now at this consideration stage. I will not repeat my arguments, nor unnecessarily explain any points, but I would like to have my say in full. I would like to divide my remarks into four parts: in the first part I will discuss the policy of taxation as outlined by the Fiscal Commission

The Honourable Sir Muhammad Zafrullah Khan: They are all printed in your minute, are they not?

Dr. Ziauddin Ahmad: Which very few Members read and which will not form part of the proceedings of the House unless it is mentioned here in the speech.

First is the policy of protection as outlined by the Fiscal Commission: their report is the last word in the theory of protection. In the second part, I will review the working of the policy by the Government of India, and, in the third, my own observations on the protection policy; and last, the general observations on the items included in the Bill.

Taking the first part: the Fiscal Commission laid down the following principles of protection. The first principle which they laid down was that an import duty tends to raise the price of the article not only of the imported article, but of competing locally produced articles. We cannot formulate any mathematical law by means of which this variation is regulated; but there is no doubt, that it increases with the increased duty up to a certain limit. I would just like to quote the words of the Commission's Report: at page 37 they say:

"It is obvious that an import duty tends to raise the prices not only of imported articles but also of competing locally produced articles."

And then at page 44, they say further:

"That experience as well as theoretical reasoning shows that the price of Indian manufactured cloth is influenced by the price of imported cloth even when the two classes are not in direct competition. In estimating therefore the extent to which the poorer classes will be affected by protection, it is not safe merely to ask what proportion of their income is spent on imported goods."

Therefore, the first principle they lay down, which cannot be questioned, is that the import duty always tends to raise the prices and naturally the price level of the manufactured articles.

The second principle which they laid down was that the protection should be the minimum. At page 48 of their Report, this is what they say:

"That the protective duty should be restricted to the minimum necessary to attain the object aimed at. We reject therefore all proposals which would found Indian protection on an indiscriminate high rate of duties."

Therefore, the second principle, which is rather an important principle, is that the protection should be the minimum. What do I call to be the minimum in these days? Any industry in which we provide $7\frac{1}{2}$ per cent. for depreciation and 4 per cent. interest on working capital and 6 per cent. as the profit to the shareholders is, in my opinion, a good protection, if they can get this amount by fair selling prices. There is a theory expounded by the Government of India against all principles of economics, against all the recommendations of the Commission, and that is, that over-protection will always help to lower the prices in the long run. There are always disadvantages in over-protection. In the first place, if there is over-protection in an industry, then that industry becomes very slack and it gets accustomed to spoon-feeding, and then when the time comes for removing the protection, they will always demand a further protection, and thus, this kind of protection will always be perpetuated. I shall just quote a few lines from page 67 of the Fiscal Commission's Report, and this is what they say:

"No one who has studied the history of protectionist countries can be blind to the fact that it is far easier to impose a protective duty than to reduce or abolish it. As an industry grows economically, its political influence also grows, and it is in a position to exert considerable pressure on the body that has the power to modify the duty."

This is really the experience of other countries, that whenever you give over-protection to any article, then it is always perpetuated. It is easy to impose it, but it is very difficult to take it out.

Again, Sir, at page 55 of the same Report, they say:

"But we cannot shut our eyes to the fact that in protectionist countries considerable difficulty is experienced in reducing and removing duties, even when they are no longer required, and it is probable that such an industry will impose on the whole a greater burden on the consumer than its conditions really require."

Therefore, Sir, there is always a danger in this protectionist policy if it is not minimum, and if it is over and above what is recommended by the Tariff Board.

Sir, the next thing which I would like to advocate very strongly, on the floor of the House today, and which is not discussed in the Report of the Fiscal Commission, is that specific and *ad valorem* duties imposed alternately

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fall heavily on the poorer classes of people. The 25 per cent. *ad valorem* or so much a yard, or so much a dozen, or so much a pound, whichever is higher, is a most obnoxious form of taxation. The richer people pay only 25 per cent. while the poorer people do not pay the *ad valorem*, but they pay the specific duty which is at a higher figure. This particular form of taxation, which is introduced, is the outcome of an unholy alliance between certain classes of people and the millowners. As a rich man one can afford to go in for a higher quality of goods and pay 25 per cent. *ad valorem*, but a poor man having no income cannot afford to buy a higher quality of goods and he has to go in for cheaper quality of goods, with the result that instead of paying 25 per cent. *ad valorem*, he will have to pay 70 per cent. as it works out. Is it fair, I ask, Sir, that the richer classes of people should be charged 25 per cent. *ad valorem* and the poorer classes of people should be charged 70 per cent. *ad valorem*? You might say that I should agree to this principle in the interests of protection to industries, but may I ask, if the poorer classes alone should bear this duty in order to protect the industry? Sir, I very strongly protest against this particular form of taxation in which the richer classes pay at so much *ad valorem* or specific, which is not at all justifiable. You put down *ad valorem* and specific, but a combination of the two always affects adversely the interests of the poorer classes. Therefore, I urge that this form of taxation should be removed as quickly as possible, as it is the result of, as I said, an unholy alliance between certain classes of people.

Sir, it is admitted that protection is a burden, both to the consumer as well as to the taxpayer. It is really a loan given by the consumers to the industries on the security of the Government. Consumers are, unfortunately, a disorganised body just at present, but the moment they begin to keep accounts of a particular protection, then they will have every right to demand from the Government that the money paid by them, in the form of higher duty, should be repaid to them by the lower prices in time as promised by the Government.

Sir, it is an established fact that protection reduces the revenue of the Government, and that loss of revenue must be made up by some other method. Therefore, whatever alternative method may be adopted, it will again be a burden on the tax-payers of the country, and, therefore, by having any form of protection the taxpayers are compelled to pay a second tax due to the fall in the revenues of the Government.

There is a theory advanced by my friend, Pandit Govind Ballabh Pant, in his Note of Dissent that, in all protected articles, should there be any income at all, it should be spent in improving the article which is protected. It means that if any particular industry is protected, the Government should assume that there would be no revenue whatsoever, in the protected article. This is all right, and if we have a large number of articles under protection, then I wonder how the Government of India will be able to make up their revenues. I do not know if they would care to raise substantially their income by other methods, that is by doubling the salt revenue or by imposing any other duty, but this is a point on which I should like to dwell at length a little later, but the main point that I desire to emphasise, on this occasion, is that protection is the loan which should be repaid.

Then, the fifth principle, which was laid down by the Fiscal Commission, was that protection has adverse influences on the balance of trade of the country, and at page 51 of their Report, this is what they say:

"On the whole, from a consideration of these various tendencies it may be concluded that the immediate effect of protection will be some diminution both in imports and exports, but it is impossible to say whether the balance of trade would be altered. The present currency system in India depends on the maintenance of a favourable balance of trade. The less disturbance there is in the import and export trade, the smaller is the danger of upsetting the balance, and thus we have one more argument for not embarking on indiscriminate protection."

The sixth point, which is laid down by the Fiscal Commission, is that no protection should be imposed, and no tax should be levied, without an impartial enquiry by a Tariff Board. This is one of the most important conditions which they have laid down. At page 53, paragraph 96, they said:

"It will be obvious that the successful working of any such scheme of protection as we contemplate postulates the existence of a thoroughly competent and impartial organisation, or Tariff Board, which shall make enquiries into the condition of industries and recommend whether protection should or should not be extended to them, and if extended, what the rate of protection should be."

They said:

"The enquiries needed must be conducted by a smaller body, they must be much more detailed, and they must embrace all aspects of the case and admit of representations from all interests affected."

The Government, in this particular case now before us, have neither appointed a Tariff Board nor was any special enquiry made by them, the report of which was laid before us. They may have made some confidential enquiry, but they never told the Sub-Committee or the House of the nature of that enquiry and what the result of the enquiry was. I do not think that it must be by the Tariff Board, but I insist that it must be by an impartial body, and the figures and conclusions they arrived at must be given to the House before we can give expression to our views. I think it is unfair for any Government to ask the Legislature to legislate on sentiment alone, without the results of their enquiry having been communicated to us in the shape of a report. They took no evidence, or whatever evidence they took, the report of that evidence has not been communicated to us.

The seventh point, laid down by the Fiscal Commission, was that there ought to be a periodical examination by the Tariff Board. This is also a very important point. At page 68 of their report, the Commission said:

"We think that the only method by which the State can satisfactorily maintain its control over protected industries is that the Tariff Board should be charged with the duty of watching the effect of the protective duties imposed and making from time to time such recommendations as it may think fit."

These are the seven principles laid down by the Fiscal Commission, and our Government is conspicuous in not observing even one of these principles which I have just outlined in the present Bill.

I come to the second part, the working of the protection by the Government of India. I am not entering into any details of the various protective measures adopted by the Government, but I shall just briefly refer to them in order to illustrate my argument. Take the case of sugar. I do not go into details. We imposed a protective duty of Rs. 7-4-0 per cwt. in 1901.

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but by a foolish act of the Government of India, which no intelligent man can ever justify, this duty was raised by 25 per cent. by the amending Act of 1931. I could realise the raising of the duty for revenue purposes, but I fail to understand how a protective duty also could be raised by 25 per cent. It means more loss. This means that the protection which was sanctioned by the Tariff Board has now been increased by 25 per cent. The Government of India realised their mistake and tried to rectify it by imposing a kind of excise duty equivalent to the 25 per cent. which they had imposed. It was very strongly opposed by the House, but the Assembly at that time was so constituted that Government scored every point and succeeded in imposing that excise duty. According to the terms of the Fiscal Commission, the Government ought to have made an enquiry, year after year, as to what profits these sugar mills are making in this country. But not a single enquiry has been made. I have got sugar mills in my constituency and I find that during the last four years they have realised the entire capital which they have invested in the industry, and, as soon as this protection has ceased to exist in 1938, they have nothing to lose because the whole of the capital which they have spent in the industry has already been realised by them.

Mr. J. Ramsay Scott (United Provinces: European): Which factories please? I should like to buy some of their shares.

Mr. President (The Honourable Sir Abdur Rahim): This Bill has got nothing to do with sugar mills.

Dr. Ziauddin Ahmad: I am just illustrating the point that Government are failing in their duty of watching the progress

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member had better confine himself to the Bill under discussion.

Mr. J. Ramsay Scott: Would the Honourable Member kindly give the names of those mills?

Dr. Ziauddin Ahmad: Most of those mills are in Gorakhpur and Basti districts.

Mr. J. Ramsay Scott: What special ones?

Dr. Ziauddin Ahmad: Any of them. The other point is that Government have not noticed that the sugar mills have actually killed the cottage industry of making gur and similar industries. This is the effect of working this protection. On the one hand, they are not standing on their own legs, and on the other, they have killed the cottage industries. The other illustration of other disregard is the steel and iron industry.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member cannot go into that. The House cannot have a general lecture on diverse subjects.

Dr. Ziauddin Ahmad: As regards that industry also, the Government are in the same position; they have not made any enquiry during the last two years as to profit these particular industries are making. It is their business to see that they do not make a profit of more than six per cent. and if they get a higher profit, it ought to go to help the industry and not go into the pockets of the shareholders. The position of textile industry, of which hosiery is one example—that is also in the same position. We have been giving protection after protection, and still they desire for more and more, and it is impossible for them to be in an efficient condition and it is impossible to get rid of this protection in future. It is impossible for them to remove the efficiency.

The next thing which I should like to criticise very strongly, which is also incorporated in this particular Bill, is this theory of over-production fostered by the Government. They argue that there will spring up a large number of factories which will be immediately established, there will be internal competition and the prices will go down. The theory of giving over protection is absolutely wrong. It is uneconomic, it is not substantiated by any argument, or by the experience of any other country. I appeal to them that they ought not to adopt this principle, and that they should give protection only to the extent that is recommended by the Tariff Board, that is protection which is sufficient for them to improve their inefficiency. This is the first charge that I levy against Government. The second one is that they have never exercised their right, as laid down by the Fiscal Commission, that they should watch, year after year, how this protection has actually worked, what profit the industries are making and whether it is such as is justified by the circumstances, or whether they are making excessive profits and declaring heavy dividends. It is their duty to do it because after all under their surety the consumers are paying the money to the industries, but they should get just enough which may be necessary to keep them in existence, so that, ultimately, they may stand on their own legs. This is not intended for the profiteering of certain millionaires and persons who own factories. The third thing, on which I charge the Government, which they never did and which they ought to have done, is the control of the selling prices. The Tariff Board recommended

Mr. President (The Honourable Sir Abdur Rahim): Is the Honourable Member speaking on the proposals in the Bill or giving a general lecture on economic policy?

Dr. Ziauddin Ahmad: I am referring to the principles laid down by the Tariff Board.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member should confine himself to the articles mentioned in this Bill.

Sir Gowaji Jehangir (Bombay City: Non-Muhammadan Urban): We are discussing the Select Committee's report. It is only the Select Committee's report that the Honourable Member can discuss.

Dr. Ziauddin Ahmad: I am discussing the Select Committee's report. I am discussing in that connection the duty which the Government propose to levy

Mr. President (The Honourable Sir Abdur Rahim): The Chair would warn the Honourable Member. The Chair really cannot allow any general discussion of the economic policy of the Government. The Honourable Member must confine himself strictly to the specific proposals in the Bill as reported on by the Select Committee.

Dr. Ziauddin Ahmad: The point which I would like to emphasize is that the imposition of the duty beyond the scope recommended by the Tariff Board is obnoxious. Unless I discuss the principles, how can I show that recommendations are all wrong? I say that according to those principles the imposition of the duty which is now being proposed in the Bill is wrong.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is really going beyond the specific points dealt with in the Bill. The Chair cannot allow him to discuss the general principles at such length.

Dr. Ziauddin Ahmad: I require about a month to discuss the general principles. I am discussing only one of them.

Pandit Nilakantha Das (Orissa Division: Non-Muhammadan): These points are all dealt with in the notes of dissent.

Mr. President (The Honourable Sir Abdur Rahim): If the Honourable Member thinks that other Honourable Members have not read the minutes of dissent, he can read them out. The Chair will not object to that. He is now unnecessarily taking up the time of the House.

Dr. Ziauddin Ahmad: I am only applying those principles to the particular items mentioned in this Bill. I leave the other failures of the Government of India and the third part of my speech in which I intended to describe my own views on protection, to some other time. The first item which they have included is this duty on silk yarn. This is a very important thing. It is really a primary article for the cottage industry and any duty which is imposed on yarn affects the cottage industry and the other point is that it places the cottage industry at a great disadvantage as compared with the mill industry, because mills make their own yarns and they pay no duty whatsoever. This is really an important point which the Government ought to look into. We have to safeguard the interests of the cottage industry and the conclusion I have come to is that if they are compelled to impose some duty on yarn, in order to protect the yarn industry and the country, then that duty should be exclusively ear-marked for the improvement of the cottage industry and should not be included in the revenue of the Government. The policy which is underlying this Bill and which the Government have been following have resulted unfavourably to the country. The whole stability and adjustment of prices has been altered. Before the application of this policy of protection India was in a prosperous position. The price level of the agricultural products was higher than the price level of the manufactured articles, and since the imposition of this particular policy the prosperity

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is really embarking on a discussion of subjects which have nothing to do with this Bill.

Dr. Ziauddin Ahmad: I am discussing yarn.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must confine himself to the articles in this Bill. The Chair insists on it.

Dr. Ziauddin Ahmad: I give up this important topic of protection of handloom weavers. Coming to the subject of the hosiery *vis-a-vis* our own mills, I would like to relate one small story. Everybody understands what gram is. People begin to eat it as soon as it begins to grow in the form of spilage. As soon as corn appears, they eat raw and make sweets, later on they eat in other form. Everybody who came in contact with it begin to eat it. The gram has no relief from any quarter. Then it went to the highest authority and lodged its complaint. The highest authority said: "I also want to eat you, please go away". Well, this is the sort of treatment that is meted out to this hosiery. Every person at every stage attempts to swallow it. The highest authority orders it to stay out or it will swallow it up. The Government of India go on playing with it without definitely settling it one way or the other. As this is an important point, I should just like to draw attention to a few salient facts in my note. In December, 1933, the Commerce Member brought a Bill in which he imposed a duty on hosiery. He said that the duty which was being imposed was neither a revenue duty nor a protective duty, but it was intended to give substantive protection to the industry. "It was merely intended to afford temporary shelter to the industry which was suffering from abnormal conditions which were caused by abnormal factors." This was the object of that Bill, but, unfortunately, hosiery was treated on an entirely different footing. He gave in the case of hosiery the full protection that was recommended by the Tariff Board, appointed two years ago, not only full, but a little more, because, in the case of socks, the Tariff Board recommended eight annas a dozen and the Bill provided ten annas a dozen. The report of the Tariff Board was not in the hands of Members at the time we began to discuss this particular Bill. The Bill was referred to a Committee and afterwards to a sub-committee. In the sub-committee Dr. Meek and Mr. Hardy pointed out on the 2nd February, 1934, that the equivalent of Rs. 1-8-0 a dozen is equal to ten annas per pound. I challenged those figures and I calculated that it ought to be about 9 annas. The sub-committee to which the Bill was referred stuck to the provisions of the Bill and they recommended that the duty on hosiery should be on the number basis and not the weight basis and one rupee eight annas a dozen on under vests. This is really very remarkable. The Government of India on one and the same day changed the incidence of taxation. On the same day they pressed the Select Committee to accept taxation by number, but they sent another Bill to press in which they changed incidence of taxation from number to weight. I have got all these papers with me and in case anybody wants to read them, I am prepared to give them. I say, if you want to do anything, do it in a fair and honest manner, but do not do it by the back-door as you have been doing for the last two years.

The Honourable Sir Muhammad Zafarullah Khan: Did the Legislative Assembly then accept the rate proposed by Government?

Dr. Ziauddin Ahmad: It was a Fides Assembly. Had Government proposed Rs. 2 per pound, the Legislative Assembly would have accepted it and said "Yes".

[Dr. Ziauddin Ahmad.]

They ought to have made up their mind one way or the other and stuck to their own guns instead of holding one opinion one day and another opinion on another day. Then, in the new Bill which they produced they proposed a duty of nine annas a pound. This thing was referred to the Select Committee and the Select Committee, by a majority, consented to raise it from annas nine to annas twelve a pound; and Mr. Thampan, who was really very honest, admitted very frankly this fact. He said in his speech:

"I hope I shall not be divulging a secret if I may say that the duty of twelve annas per pound was arrived at as a compromise in the Select Committee. I was one of those who wanted to raise it still further. There was another school which thought that it might be reduced, and if my memory is right, it was Sir Joseph Bore who suggested a compromise."

Now, may I ask whether a duty is to be levied by these compromises?
 12 Noon. Is it the policy of the Government of India that protection should be given by means of a compromise, by means of a show of hands? Is it not a very serious and a very solemn action of Government, which they ought to consider very carefully on the Report of the Tariff Board? Is this a matter in which they ought to say, "there are so many hands for this, and so many for that, let us follow the majority view." This novel procedure of deciding was surpassed by a teacher who decided all questions of Grammar by the show of hands of the pupils. Sir, any person who has got any sense of honesty will be shocked to hear that duties are sought to be levied by means of compromises. No doubt certain figures were given to us, subsequently, but those figures were quite fallacious. Any honest man would have felt indignant at them, because they gave us the cost price for one year and the selling price for another year, and then they began to compare the two! Is that fair? You must take the prices for the same year and this is what they should have done. This action was exceedingly unfair on the part of the Government of India. Then, there was a Standing Order in 1931 in which they say that, "you cannot discuss a thing which has already been disposed of once in the Assembly in the same Session" and the President said

The Honourable Sir Muhammad Zafrullah Khan: How is it relevant, Sir, to refer to what the President was pleased to say when that particular Bill was under discussion,

Mr. President (The Honourable Sir Abdur Rahim): The Chair asked the Honourable Member to confine himself to the limits of this Bill and to be relevant, but he seems to be difficult. The Chair does hope, however, he will bear in mind that there are other Honourable Members who are interested in this matter and who want to speak, as it is seen there are a number of amendments, and, the Chair believes, a number of speakers are also waiting for their opportunity to speak. The Chair hopes the Honourable Member will bear that in mind.

Dr. Ziauddin Ahmad: Sir, we are prepared to sit for a month to discuss this Bill, and I submit there is no reason to hurry up in matters of taxation. (Hear, hear.) We have a duty to our tax-payers and to consumers and we must perform that.

The next thing is that I find the same story which happened in 1934 is exactly repeated in 1936. Now, there is no change in the quantum, but they have very much enlarged the scope of that particular Bill. The Tariff Board recommended protection only on two articles, that is, Under-vests and socks, and now they have extended protection to a very large number of articles under the heading "Apparel". Now, the word "apparel" cannot be defined. It is also remarkable that this was passed and discussed by a sub-committee at a time when there was no Chairman. No doubt you have given the ruling that the report is thereby not invalidated, but the fact remains that the Select Committee was not properly constituted because it was without a Chairman

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must bear in mind that the Chair ruled against him, and he has no business now to raise that question again.

Dr. Ziauddin Ahmad: But I may just mention the fact that at the time this thing was discussed there was no Chairman of the Committee.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): There was a Chairman of the Committee. The seniormost man who was on the Panel of Chairmen *ipso facto* became the Chairman of the Committee as soon as the Law Member left.

Dr. Ziauddin Ahmad: I want to say only this that the story of 1934 was repeated in this case as well. The second thing, repeated, was that there was no inquiry of any kind. Some confidential inquiries may have been made, but the results of those inquiries were never communicated to us, and the incidence of taxation by which they have increased this very large quantum was not communicated to us. Therefore, the whole thing originated from a side remark given by the Woollen Textile Industry. Now, here it says:

"If the woollen industry is to pay its way, it is essential that during the off-season it should be able to turn its attention to the manufacture of hosiery from cotton and other staple fibres and it is represented that articles made of cotton such as . . . coming in increasing quantities from Japan are not included in the protected list of the Indian hosiery."

This thing really occurred as a side remark in the report of the Tariff Board which was formed entirely for different purposes. They took no evidence. Had they taken any evidence on this point and published the evidence on this particular question, then they would have been justified in making the recommendation, but from the side remark it appears that their recommendation was not designed to protect the industry, but it was designed to give an additional income to certain woollen industries which are idle in the summer months; so, this is really the whole basis on which this particular Bill is based. This is the origin of protection of staple fibre, which the Select Committee rejected and this is the origin to widen the scope from two articles to hundreds. Therefore, it is rather unfair, I think, to the consumers of the country that simply on a side remark on the woollen industry, without any justification, without any impartial inquiry, they have now extended the scope of the protection to a large, undefined variety of articles under the heading "apparel". Sir, I challenge any

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Member to define that word. I took great pains to find it out from Webster's dictionary without success. Sir this is a taxation Bill, but the vague word "apparel" is used here it was not used by either the Woollen or by Cotton Tariff Board and it really is so comprehensive a term that no one can define it precisely, and this is really one of the strong objections I have in view. We must know clearly what are the things which we are taxing. We should not use a word which cannot be conveniently defined, and we should use words which can be conveniently defined and are intelligible to every one.

Mr. J. Ramsay Scott: What word would you suggest then?

Dr. Ziauddin Ahmad: The same word which the Tariff Board used "fabric"—fabric is very different from under-vests, and "apparel" comprehends a large number of different things, including even Larietta. The point I should like to emphasize and I hope the Government will seriously consider is this. I do not object to their protection. If they want to protect, let them protect, but they should protect from the front door and not from the back door. They should come forward and follow the procedure laid down by the Fiscal Committee and have a regular enquiry and definitely say that these are the articles which we want to protect. Do not give them over-protection. Give them only the protection which the Tariff Board recommended. Do not extend the quantum of protection, but stick to the decisions arrived at by the Tariff Board. I know, Sir, that I have got a losing ground to fight, but I will fight every inch of the ground: "*Ashiq ka janasa hai, era dhum se uthai*"!

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, I rise to support the motion that the report of the Select Committee be taken into consideration. Sir, at the outset I will make a few observations on the speech of my Honourable and learned friend, Dr. Ziauddin Ahmad. It was gratifying to me and a great pleasure to me—not having invested any money in any industrial concern—to find that the learned Doctor invested profitably in the sugar industry and that his investment has already been doubled within two years. For that he must be thankful to this House which gave protection to an Indian industry whereby my Honourable friend, the learned Doctor, has been able to double his capital within two years by investing in sugar. All industries in the country have been knocking at the door of Government, I do not know whether it is the front door or the back door, but as far as the impression is left on the industrialists, it is that the Indian industries are not adequately protected.

To me, it was a surprise to learn that the learned Doctor enunciated the doctrine that the industries have been over-protected. As an instance, he cited the hosiery industry. I was also his colleague in the Select Committee which recommended that protection, and at the time when that Committee sat in 1934, I did not feel that the Committee was recommending over-protection for the hosiery industry. What the Select Committee now wants to do is to fill up certain lacuna. Everybody knows that a certain country, taking advantage of the subsidy which the Japanese Government gave to Japanese industry, is sending hosiery in large quantities to India, and unless we stop the hosiery industry or wearing

apparels made out of knitted fabrics, the hosiery industry in India cannot survive. My Honourable friend, Dr. Ziauddin Ahmad, gave a story. I am reminded of the story that I read in a book which a journalist wrote on Abyssinia. He found everything in Abyssinia costly, except the hosieries. He purchased a dozen pairs of hosieries at 3½ pence per pair and he used the first pair. As soon as he put it on, it got torn and he had to throw it out. Then he looked at the other pairs, but all of them were children's sizes, some big, some bigger and so on, and the only pair that fitted him was the one which got torn on his first wearing it. The journalist then commented that although his money was wasted, he obtained the experience to see how Japan could dump hosieries from Japan at 3½ pence per pair. If, at this time, India wants to safeguard her industry, the House must congratulate the Government on having come to her rescue and filled up the lacuna which the Select Committee in 1934 could not cover.

I congratulate the Select Committee on having taken off staple fibre from the list of items for protection. Since then, I have received letters and telegrams from Bombay and other places and I will just read one passage from one of the letters:

"In fact the present move rouses the worst suspicions, namely, that more and more preference is to be shown to the foreign interests by the back door.

Again, my Honourable friend, Dr. Ziauddin's term!

"Again the genuine consumer's interests will suffer by the import of an article which may apparently make the cloth cheaper and showy, but which will not have the same lasting value, and hence the cloth would really be dearer to the consumer.

I want my Honourable friend, Sir H. P. Mody, to take note of that, because this letter comes from Bombay.

Sir H. P. Mody (Bombay Millowners' Association: Indian Commerce): What is the name of the writer of the letter?

Mr. B. Das: I shall let you know presently. The letter continues:

"Again the long staple Indian cotton will get a set back with the increasing import of this stuff, just as the silk received it with the increase of artificial silk imports. Thirdly, it will check the growth and development even of this industry, if it is contemplated even in near future."

An Honourable Member: What is the name of the writer of that letter?

Mr. B. Das: He is a Mr. Modi. In the Select Committee we were given to understand that there were large cotton growing tracts in the Punjab and also that cotton growing tracts were being developed in Sind and we thought that Government should not be so hasty because certain alarm has been raised by certain particular mill interests in Bombay or elsewhere.

As regards fents, I did observe the other day that I would very much like to have seen it reduced to two yards pieces. In the Select Committee it was pointed out by the Government spokesman that the Indo-Japanese Trade Agreement debars Government from reducing the size of fents from four yards to two yards as was suggested by me the other day. As the

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Indo-Japanese Trade Agreement is going to be revised within a year, I do hope that Government will bear in mind this point and will reduce the size of fents so that the Japanese fents or foreign fents do not come in and compete with Indian manufactured piecegoods. I join my voice of condemnation with that of the Honourable the Commerce Member against those unscrupulous Indian traders who live in Japan and buy piecegoods; cut them out into four yard sizes and import them to avoid payment of high customs duty on the piece goods as they have been doing hitherto. This is a dirty way of doing business, and if Government should bring forward any proposal by which they will penalise such unscrupulous traders, I will give the Government my whole-hearted support and I am sure the House will give them the necessary support. The Honourable the Commerce Member explained that there were certain differences in the Select Committee about the tariffs that will be levied on the fents. We have signed a Minute of Dissent wherein we have stated our views, but, as certain amendments are going to be moved, I do hope those amendments will be acceptable to the Honourable the Commerce Member and I need not speak on them at any length at present.

The next item is silk waste yarn, higher tariff on which I welcome. In the Select Committee it was pointed out that Government realise now the loss that sericultural industry has suffered by the import of cheap yarns which are not merely silk waste yarn, but also artificial silk waste yarn. Therefore, the Government want to put the same protective tariff duty on this waste silk yarn as it has on silk yarn. At the same time it was pointed out in the Committee that some of the very inferior waste yarn may be very much handicapped and may incidentally cause hardship to the handloom weaving industry. Although there is certain amount of agreement that the handloom weaving industry should thrive by import of such cheap yarn, we have to recognise that the taste of the country is vanishing for finer class of goods, yet I support the view that was put forward by the Honourable the Commerce Member that Government should examine and if they find certain very inferior quality of artificial silk waste yarns are coming and if such high duties will cause hardship on such imports, they can bring in a Bill putting differential tariffs so that hardship will not be caused. Sir, I particularly welcome this high tariff on the imported silk waste yarn, because, somehow their import to this country has done away with the development of the tussore industry, the sericulture industry and the development of sisal fibres and other fibres that India can develop. I will ask my Honourable friend, Sir Hormusji Mody, a question. My Honourable friend is very anxious to experiment on the staple fibre; have they ever done any experimenting on the sisal fibre and the other large varieties of fibre that grow in India? Have they tried even to introduce the tussore yarn into the cotton mills? Sir, under the guise of protection, nobody thinks, and even my Honourable friend, Sir Hormusji Mody, does not think, that the cotton textile industry will get further protection after the period of expiry in 1937. The oldest manufacturing industry, if it cannot survive after ten years of protection, need not get any protection at all; it should die a natural death if it comes to that. But we should not go on putting handicaps against the handloom weaving industry and against natural fibres like tussore and other things which I challenge the Indian millowners that they have never tried to experiment upon and use in their mills. And under the

guise of the protection of 1934 they import artificial silk and manufacture in Bombay shoddy and showy goods and flood the Indian market and vitiate the taste of the Indian consumer. The Indian peasant, who was accustomed to a piece of tussore cloth, is today using showy artificial silk cloth manufactured in Indian mills and also imported from Japan particularly, and its durability is so questionable. If I have my own way and if ever I become a Commerce Member, I will put the same duty on artificial silk as I would put on the silk goods, and, thereby, the old artistic taste of the Indian people will not be vitiated. The millowners can do anything they like to change the taste of Bombay City or Ahmedabad City. But I know Bombay as much as my Honourable friend, Sir Horimusji Mody, knows it; and my Honourable friend does not sell a piece of the cheap artificial silk fabric that they manufacture in those three mills in Bombay in Bombay City. And it is high time that patriotism should play a higher part and they should not manufacture such kind of goods whereby the Indian artistic taste should deteriorate. With these few remarks, I support the motion.

Pandit Nilakantha Das: Sir, in making my remarks on the Bill I will leave off staple fibre. The Select Committee has unanimously deleted that clause. That is a very complicated thing and there may arise a useless misunderstanding if anything more is said on it. Then there are two other articles, except fents; one is waste silk yarn and the other is hosiery. As to waste silk yarn, etc., Government have undertaken to inquire, that if on certain sub-divisions of the items specific duties are found to weigh very heavily on the consumer unnecessarily then they have promised to bring in a Bill to relieve the consumer, if need be. In hosiery, after the speech of Dr. Ziauddin, I may simply make a similar suggestion to the Honourable Member in charge that he may carefully inquire if specific duties on pull-overs and slip-overs, which are said to be very heavy, actually weigh heavily on the consumer out of proportion to the needs of the industry, i.e., tax the consumer beyond what is required for giving proper protection to the industry. I hope he will do it.

Then the main item for consideration in this Bill is fent. Sir, what has been the history of this fent? The quantity of import has increased from Japan but the total increase of import in cotton fent is not more than three per cent., as is evident from the figures of 1934-35 as compared with the figures of 1933-34. It may also be observed that Japan has gained at the expense of the United States of America to a larger extent than at the expense of the United Kingdom. The import of textile articles, during the year, has also increased a good deal and it is natural that fent should keep pace with this increase. But the recent figures show again that the measures we took in 1934 of reducing the length to four yards have been effective even against Japan, for the imports of fent from Japan are on the wane. The figures for the eleven months ending in last February are less than the figures for the corresponding eleven months of the previous year. In the month of February last as compared with the month of February last year it is about half. So there is no question that Japanese fent is now so flooding the market, that by high tariff we shall have to prevent it immediately. Moreover, it is quite likely that British fent is coming to this country as it used to do before April, 1934, for we have grave doubts here as to the meaning of the figures. There is no distinction, so far as the United Kingdom is concerned, between fents of more than four up to nine

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yards and of fents less than four yards. Practically the duty is the same in both cases. So, much of the fents, i.e., fents from four to nine yards might have been included in the imported figures for piece-goods. Whatever that be, taking the figures as they are, we see that United Kingdom is perhaps sending less and less, not due to any heavy duty, nor, as would appear, on account of any advantage given to any other country. England is enjoying a preference of ten per cent. in cotton fents, according to the Ottawa Agreement. Not only that, in all other fents such as artificial silk, of which England sends a large quantity, she is also being gratuitously given a preference of ten per cent. Still, she cannot stand competition. It is the fault neither of Japan nor of India. Then if this measure is adopted and the Bill becomes law, England will be made to gain at the expense of the United States of America first and then Japan, for enterprising Japan cannot very easily be defeated. The course of events show that the United States of America will first be affected and its share of import to India absorbed by the United Kingdom. That will be the clear effect of this Bill. Even then Japan may not be much affected; I do not know if for that another measure of preference will be asked for.

Fent is again a material which is mill waste. There has been a complaint that Japan is sending spurious fent, and my Honourable friend, Mr. B. Das, referred to it. I have no intimate knowledge of the business as such, and I do not know how people send out piece-goods or fents from Japan and how they are tarified in the Calcutta Customs House, but it is very difficult to believe this theory, which I may call a bogey of spurious fents. The difference between the prices of piece-goods and fents must not be so low as to induce the merchant to purchase piece-goods at piece-good prices, and for the advantage of 15 per cent. *ad valorem*, tear them to pieces of four yards and to take the trouble and making the expense of packing them again and sending them out to India.

Mr. G. Morgan (Bengal: European): To take the trouble is to make money.

Pandit Nilakantha Das: What is the margin of preference? Suppose a quantity of cloth worth, Rs. 100 will be at the highest not more than sixty ripples when it is made into fents. It can never be more than Rs. 85. When made into fents, the piece-goods cannot be expected to be priced at 85 per cent. of its original value. Then, how can they think of tearing up good piece-goods into fents and send them out to India?

There is another argument put forward. Japan is always dumping its goods into all other countries of the world. That has been the general complaint. I am not going to criticise that, I do not believe in that theory. But, taking it for granted for arguments' sake, that it can send piece-goods as fents to dump the Indian market, we must look to another side of this argument. Under the Indo-Japanese Agreement, Japan is to send 400 million yards of piece-goods. Accounts show, that in no year has she been able to send even 400 million yards, not to speak of more than 400 million yards.

Sir H. P. Mody: You are not correct.

Pandit Nilakantha Das: It is less than 400 million.

Sir H. P. Mody: They have almost worked up to it now.

Pandit Nilakantha Das: It may be my Honourable friend, Sir H. P. Mody's information. If I may be allowed to divulge some part of the proceedings of the Select Committee, I have got official confirmation even there that it is not yet 400 million yards, and my friend, Sir H. P. Mody, was perhaps present himself in the Select Committee. So, that argument entirely falls to the ground. If Japan has already sent 400 million yards of piece-goods, then this bogey of dumping might be put forward as an argument for making good cloth into pieces of fent and sending them to India to flood the Indian market.

Then, again, in an article like fent, where is the argument for giving any preference? It is mill waste and can bear any reduction of price for the sake of competition. I wonder how this was agreed to at all at Ottawa, but it has been agreed to. The ten per cent. preference given to cotton fents only was all required for Ottawa, but there was no reason to extend it even to artificial silk and other fents that the United Kingdom might be sending.

Then, again, this is a material in which no calculation of fair selling price is necessary. Yet the fact remains that the import of fents into India might affect our mill and cottage industry: there is this likelihood, particularly, at this juncture, when our people do not get enough money to purchase their clothing. The best course would then be to enter into another agreement with Japan on quota basis. Say "so much of fents we import and no more." You could calculate and find out the average quantity which would be suitable for your purposes and fix a quota. Similar quota agreements may, if need be, be entered into with countries. But what are we going to do here? 50 per cent. duty for non-United Kingdom and 25 per cent. for United Kingdom fents *ad valorem*? I do not understand in what way either the mill industry or the cottage industry will be benefited by this measure. I know that we are always anxious to give some employment to the highly super-annuated labour in the United Kingdom which cannot adapt itself to the modern world conditions, and hence is this principle of preference, which is permeating the entire fiscal system of India. In other cases, there might be at least some arguments, but in this particular case there can be none, for this is mill waste. If England gets an advantage, there is the inherent danger, that much of the margin will be absorbed by the middlemen and the article will be sold at a higher rate in this country on account of the higher duty on non-British fents.

And then again what of the United States of America? It will go out of the market altogether. May I ask for what fault? What is the use of giving this preference then? Preference, as a principle, is very obnoxious and specially preference to England is poison to Indian economic system. The other day in the Select Committee, you may find from the minutes of dissent, it was apprehended that if we did not agree to this highly preferential protection in the matter of fents, the entire Bill is in danger of being withdrawn. What is the meaning of this? This Bill is to supplement some measures that were adopted in this House: they are all distinct and separate: they have no inter-relation with each other: fent has nothing to do with silk thread; nor has either got anything to do with hosiery, nor, probably, with the development of technique in spinning staple fibre. If we do not for some reason agree or, if by a majority we throw out one particular clause which has no bearing on any other clause of the Bill,

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the Government say they will not proceed with the Bill. What is this? Even in 1931 or 1930—I do not exactly remember the date—when cotton protection first came to be discussed in this House, my Honourable friend—either Sir Homi Mody or Mr. Jinnah—said, “Oh, there is no way out: there is the pistol in one hand and the dole in the other. We have no other option but to accept the dole, for we are starving.” Even then it was said by the Government—“If you agree to this preference, then we give this protection.” Who is giving this protection? And who is interested in preference? If our own mill owners, who ask for the protection, are not willing to give this preference, if they look upon that preference as a pistol pointed at their head, then who is interested in this preference? I want to know. Why should Government threaten the House saying, “If you do not give this preference to England, we shall withdraw the Bill: we shall not proceed with the Bill”? It is evident that things are not being managed for the interests of India, nor are measures being adapted exactly to the real needs of this country. The basis of consideration is somewhere, and from that place is dictated all the policy which should govern the economics of the Indian Empire. Oh, save us from our friends! We are giving to our cost a good deal of preference to England: we are raising our loans there, we have linked our currency to that of England, and we are sending what we call home charges, though it is not our home; and if any man, even these big mill owners whom we protect so much, our rajahs and zamindars, anybody, if he wants to go on a pilgrimage outside India, his place is in London and Lancashire and all those places; and that means a good deal of protection to English shipping and the English market. We are keeping this army in India and we are diverting so many purchases to England. In spite of us we are giving these and many other like preferences. Why then this bogey, time after time, that if protection is not granted to England, it will go against the interests of Indian industry, Indian economics and Indian markets? We do not like it. We definitely say this; and the recent decision on the Ottawa Agreement, though not specifically on this question of Imperial or British preference, it is undoubtedly tantamount to a clear vote against such preference. We, who are vitally concerned in the matter, know that we cannot thrive at all under this principle of giving preference.

In this matter, it may be said, we have agreed to a preference of ten per cent. As it is, the Ottawa Agreement has been denounced. In six months it will go. There may be another negotiation, whatever it may mean in scope, character and effect. But what is this 20 or 25 per cent. preference proposed in this Bill? This is not even under Ottawa. This is a fresh measure and if instead of 25 or 20 per cent. we agree even to five per cent. preference today, I am afraid it will be taken to be a measure considered freely out of the atmosphere of Ottawa by this House separately and decided upon as beneficial to the interests of India, and that not on the basis of any reciprocity. It is a separate issue altogether and we are going to pass this measure of heavy preference: why? What good will it bring to India? There may be an argument: “Oh: it is according to the duty levied on piece-goods of different varieties, just the existing *ad valorem* duty we are going to put on fent: how can we put more duty on England?” Is there any prescriptive right or do the Government mean to say that when we have swallowed a camel it is no good straining at a gnat now? Yes, we have been made to give heavy preference to the United Kingdom in certain

piece-goods enumerated in items 48 (1), 48 (3), and 48 (5) in the Tariff Act, *i.e.*, articles made of cotton and artificial silk. Does it naturally follow that even today when we were discussing this particular articles of fent, we must go by that prescriptive rule? This is a new measure, a new issue considered under fresh circumstances. In a different atmosphere you are judging it and you begin your new policy of putting your whole tariff system in order and levying tariffs according to your own needs, even from today. A man can correct himself at any time. It is no good argument to say. "Yesterday you were doing this and that: you were an accomplice with me in stealing and committing dacoity. Today you say you are good and you refuse to come with me." That is no argument. A man can become good any day— any moment: even Asoka turned his life in one day, or a moment; because we were giving heavy protection before, it does not matter

Mr. M. S. Aney (Berar Representative): Was it good that he turned like that?

Pandit Nilakantha Das: Even so let us hope our Honourable friend, Sir Muhammad Zafullah Khan, will become one day like Asoka or Buddha: why should he not become? He must begin a new life. Let him simply feel—"We have done wrong: we have done wrong to this country, to ourselves: we have simply kept the mill owners in our pockets for certain purposes: we are proposing measures ostensibly for the good of India, but really with something else in view. We give these mill owners baits of protection and they swallow all preference. We propose and they are bound to say, yes." Let him come out and just discuss these things in a free atmosphere, on a *tabula rasa*, on a new platform. Then even these mill owners will be with us and we shall be with them. The Government will never hear these discordant notes. The other day my Honourable friend advised this House: "I am ready to do anything: you just agree between yourselves and come to me"—that is, if the village industry men and the mill owners—the consumers of yarn and the mill owners agree, the Honourable the Commerce Member offered to simply say 'Yes' to the agreement. But how can we agree? In what atmosphere are we?

The Honourable Sir Muhammad Zafullah Khan: I did not say what the Honourable Member is attributing to me.

Pandit Nilakantha Das: I remember, Sir, in regard to yarn supply to the handlooms weaver

The Honourable Sir Muhammad Zafullah Khan: I suggested that if the two interests would get together and there was a possibility of some kind of agreement and the good offices of the Government could help to bring about an agreement, I would do what I could. I did not say that if some agreement was brought to me, I would support it.

Pandit Nilakantha Das: But it comes to the same thing; it does not vitiate my line of argument. Even the mill owners fret, they do not like this arrangement of protection with preference, but it is their own immediate interests that makes them always side with the Government. So I propose that this principle of Imperial preference should be obliterated from our minds. Of course, if there is some kind of reciprocity or mutual

[Pandit Nilakantha Das.]

understanding, that is a different matter, and that will be perhaps on a different basis. For the present we have been committed to many preferences, it is not Ottawa alone. From the Steel industry day when we did not know of any agreement or of any advantage being given to India, we have begun British preference, which was then called 'not British preference as such', because other countries produced cheaper and, therefore, we must purchase from England at the same price. But if we are to purchase at all from outside, let us for the sake of our industries have fixed quotas. Again, if we have to purchase from outside, we shall purchase at the cheapest market today. By measures like these we shall serve the interests of the mill owners, the small industry man, the village industries as well as the consumer. Now, we are at a very critical time. The other day I said that as a nation we were heading towards an economic ruin, and at such a juncture, the old worn out methods and measures, influenced by various interests in this country and outside, indigenous and extraneous,—these and like things that blur our clear vision should be completely put out of the way—should be forgotten, and we should begin on a clean slate, and we should think of no preference; we should think of improving our own industries, our own economics and our own consumers on the basis of our own needs and our own capacity. With these few words, Sir, I support the two clauses, and I should like to amend the Fents clause.

Mr. S. Satyamurti: Sir, I do not complain, but I claim to be a very close student of the proceedings of this House. Sir, I got this Bill at eight o'clock this morning, it is a very important measure; and I am expected, Sir, within a couple of hours to read all these pages, to digest them, and to be ready here to take part in the debate. I quite agree, that, so late as the 22nd of April when the temperature here is about 100°, it is very tiring to the nerves of everybody; but it does seem to me that the blame is not ours. The Government start the Assembly on the 3rd of February, though usually they used to start on the 21st of January, and they bring forward a measure of this importance so late. We have tried our best to expedite this matter, but, even in spite of the best will in the world, a complicated fiscal measure like this does require some careful and calm consideration. That is my only excuse for getting up just now, and I should like to ask my Honourable friend, the Commerce Member, the justification for Imperial Preference in the original Bill as presented, as also in the Bill as reported by the Select Committee.

Now, Sir, the vote of this House asking the Government to give notice of the termination of Ottawa is there. The Government's promise to give notice, in pursuance of our decision, is also there. At the same time, the fact also is there that, in this morning's papers, we read, that in the House of Commons the President of the Board of Trade says, the Government of India have not yet given any notice. I know, Sir, the leisurely ways of the Government, but three weeks must be long enough even for this lazy Government to have given notice. After all, we wanted to give notice to terminate the agreement, at the end of six months, but by these dilatory tactics, these six months have been made seven months, and thus it can be made eight months or nine months or even ten months, and so on and so forth. But it does seem to me, whether it is at all in order, when that vote stands there, for the Government to come here and say, 'now give a preference of 25 per cent.' which is much more than

ten per cent. preference granted, even under the Ottawa agreement. Now, Sir, these Imperial Preferences can be justified on one of two grounds, either they form part of an entire scheme of mutual preferences which was alleged to be the case for Ottawa, that the United Kingdom gives you preferences for certain articles, in return for which you give certain other preferences. That is not the case here. These are preferences which stand or fall on their own merits. I should like to know what is the consideration, the *quid pro quo* for India in return for these preferences.

Secondly, Sir, I can understand that the state of the industry is such, the import market is such, that these preferences are best calculated to produce the different classes of cloth which India desires to produce. I am one of those who believe that protection always imposes a burden on the consumer. It is a burden which consumers can be persuaded to bear on two conditions, namely, that the burden will gradually diminish as the Indian industry becomes more efficient, and as the need for protection becomes less and less. It can also be justified on the ground that the industry concerned is necessary for the economic well-being of the nation as a whole, and, therefore, consumers have to pay a slightly higher price, although the production may not be immediately increasingly efficient, in order to promote the economic welfare of the nation as a whole.

Sir H. P. Mody: Hear, Hear.

Mr. S. Satyamurti: Now, Sir, I want to know whether in this case my friend has not the advantage of having the Government in his pocket, . . . I have not . . .

Sir H. P. Mody: Why?

Mr. S. Satyamurti: I know that. My friend has only to walk across there to get what he wants, and, therefore, he can afford to smile. Why? I object to this unholy alliance between Indian and British capitalists. This is the pistol. My friend, Sir Homi Mody, wants a preference, then the British capitalists want another preference; they join together, and then say—"Take this or no preference to you". Is this kind of thing going to be swallowed by this House, I want to know?

Sir, in the dissenting minute, you will find, signed by our Deputy Leader, and five other Honourable Members of this House, belonging to three organized parties in this House, this is what they say:

"We see no reason why in these circumstances any discrimination should be made in favour of United Kingdom beyond what is laid down in Ottawa Agreement, and we strongly propose that the rate on fents should not be lowered except in the case of cotton fents, in which the 10 per cent. preference given to the imports from the United Kingdom should be continued for the present. We have reasons to believe that the majority of the members of the Select Committee share our view and would have stuck to it, but for the apprehension that insistence on the point may endanger the passage of the Bill."

Now, Sir, I want to know what is behind it! What is the position of Government? Is it the position of Government that this industry shall not get this protection, unless Imperial Preference to the tune of 25 per cent. is given? If that is so, I should like to know what the justification for it is. There is no justification even on the basis of Ottawa, that is

[Mr. S. Satyamurti.]

to say, we are not presented with a complete picture, and, therefore, we want to know what this is. This Ottawa is a thing which, evidently, we can kill, but we cannot bury it; it comes up again and again, like a ghost. We have it in the famous Mody-Lees Pact, which I hope to kill and bury some day or other; we have it again in the Indo-British Trade Agreement. We have it again in the Iron and Steel Industry, (Protection) Act, and today in this Bill we are asked to give protection on the basis of Imperial Preference. I had almost raised a point of order, Mr. President. There is a rule which says that no motion shall raise the same question which has been decided in the same Session. In this Session, the Assembly has decided that there shall be no Ottawa Preference, and yet, within three weeks after that, without doing anything to implement that decision, the Government come along with the help of my Honourable friend, the Baronet, from Bombay

An Honourable Member: He is not yet a Baronet! (Laughter.)

Mr. S. Satyamurti: Coming events cast their shadows before.

(Laughter). . . . and say to the House, you must take this
 I P.M. Imperial Preference. I want to know how they justify this. The whole scheme of these Tariff Acts deserves to be examined. I see my Honourable friend, the Finance Member is "working" elsewhere, and, therefore, I cannot reach him, but I do hope that Government Members will consider whether these fiscal Bills which affect directly or indirectly the revenues of this country ought to be treated in this piece-meal manner. We get small Acts, a Tariff Amendment Act—first amendment, second amendment, and so on. Is there any co-ordinating brain behind this, or is it the work merely, from time to time, done at the instance of my Honourable friend from Bombay who comes along and says, "I want something done" and the Government say, "Hullo, here is a Bill," and produce them like rabbits from a hat. Is that the kind of thing which we are going to have in this country? Are you not going to have a purposeful, conscious, organised, intelligent, fiscal policy for this country? It seems to me that the Government have got to examine that point of view. Secondly, I find this Bill which seeks to amend the Act of 1934, gives large powers to the executive. The original Act says:

"It shall come into force on such date as the Governor General in Council may, by notification in the *Gazette of India*, appoint in this behalf."

The same clause appears in this Bill also. I should like to know the reason for this power being given to the executive and not being vested in the Legislature. Moreover, you will find, in the Act which this Bill seeks to amend—section 2 of the Act gives power to the Governor General in Council to:

"Fix, for the purpose of levying the said duties, tariff values of any article enumerated, either specifically or under general headings, in the said Schedules as chargeable with duty *ad valorem* and may alter any tariff values for the time being in force. Different tariff values may be fixed for different classes or descriptions of the same article."

When my Honourable friend was speaking, he referred to the observations in paragraph 8 of the Select Committee's Report in which they say:

"We welcome the assurance given to us that Government will explore the possibility of distinguishing between the various qualities of silk yarn and of so adjusting the duty as to fall less heavily on the cheaper qualities"

I ventured to interrupt him, and asked him a question in what manner the Government proposed to implement that assurance. He told us, at that time, that Government would examine the question, and would take such steps as they then thought desirable, either by executive action, or by coming to this Honourable House. I merely ask for information, I should like to be told by the Honourable Member what are the principles on which these tariff values are fixed, and the principles on which they are amended from time to time, and how different tariff values are fixed for different classes or descriptions of the same article. I am anxious that this should be explained, in order that the House may be assured, that they are not being manipulated for any purpose, except for the purpose of giving the protection this House contemplates in passing such Bills. In the sub-paragraph of paragraph 3 we get a description of the changes made in the Bill by the Select Committee. They are given in clause 2 of the Bill. It refers first to silk yarn which is defined in Item No. 47. It is divided now into two classes—one silk yarn including thrown silk warps and yarn spun from silk waste or noils, but excluding sewing thread, and (2), silk sewing thread. The definition is made more comprehensive, and the silk sewing thread is put in separately. But I find in Item No. 47 the date given is 31st March, 1939. I take it that the object of this Bill is to retain that date, in this Bill also. If I am right that the object of this amendment is merely to define in a different manner the article mentioned in column 2 of the First Schedule to the Indian Tariff Act, 1934, I should like to know the principle on which these dates are fixed. Is it because Government are satisfied that the need for this protection will cease by that date, or at least a case will have arisen then, for a re-examination of the whole question? I am raising that point because of the ruling which you gave the other day. In all these fiscal measures, if the date expires and nothing happens, we can do nothing in the matter, except to accept what the Government gives or reject it. We can no longer make any suggestions for restoring even the duty as levied on or before those dates. I should like to know the case of the Government for fixing the date. I notice in this Schedule, in certain items dates are given, and in other items, no dates are given. I think those items will continue, until the Act is repealed. With regard to the particular item with which this Bill deals, I should like to know the case for fixing the date as the 31st March, 1939, as the date up to which this protective duty will endure. I think the House is entitled to some information on that matter.

The most important part of the Bill is defined in Item 49(1) which originally was:

"Fents, not exceeding four-yards in length, being *bona-fide* remnants of piecegoods or other fabrics.—Preferential Revenue—35 per cent. *ad valorem* standard rate of duty—25 per cent. *ad valorem* for articles produced or manufactured in the United Kingdom."

That is, a ten per cent. preference according to the Ottawa scheme was put in there. But here you will find it is divided into three classes:

"(a) of material liable to duty under 48 (3), (that is to say, cotton fabrics) not exceeding 4 yards in length,—Preferential revenue—the *ad valorem* rates of duty applicable to the fabric of which the fent is wholly or mainly made."

[Mr. S. Satyamurti.]

The preference is, British manufacture 25 per cent. and non-British manufacture 50 per cent. and the nature of the duty is defined as protective. I should like to know whether the facts in the possession of the Honourable the Commerce Member today justify, from the point of view of the protective nature of the duty, only 25 per cent. in the case of British manufactures and 50 per cent. in the case of non-British manufactures? If so, what are those facts? Why should this preference of 25 per cent. be given to British manufactures? Either the industry wants protection and wants it to a certain extent. If it does want protection, why should not the industry get protection against all non-Indian products? It seems to me that this thing can be justified only on a business basis. What is the business basis for giving a 25 per cent. preference for British goods, and imposing a duty of 50 per cent. against all other goods? Then clause (b) says:

"of material liable to duty under Item 48, 48 (1), 48 (4), or 48 (5), not exceeding 2½ yards in length."

The length has been reduced now from four yards to two yards. This again is described as preferential revenue and the rate of duty is defined as *ad valorem* rates of duty applicable to the fabric of which the tent is wholly or mainly made. Now, Sir, if we go into these various items, you will find, Mr. President, that in items 48 and 48(4) there is no preference; but, in items 48(1) and 48(5), there is a preference of 20 per cent. for British goods. 48(1) is—fabrics not otherwise specified, containing more than 90 per cent. of artificial silk—30 per cent. for articles of British manufacture and 50 per cent. for articles not of British manufacture. Similarly, with regard to 48(5), fabrics not otherwise specified containing not more than ten per cent. silk but, more than ten per cent. and not more than 90 per cent. artificial silk, British manufacture 30 per cent., not of British manufacture 50 per cent. Incidentally, I should like to have some exposition of this phrase, "preferential revenue". Is the preference to govern the revenue or the protection or is it both preferential and revenue? What exactly does the phrase mean, and can he justify on the facts in his possession how 30 per cent. alone will be good enough protection for them against British goods, while 50 per cent. is required for non-British goods? Then, we come to the third class of materials not exceeding four yards in length—preferential revenue 35 per cent. *ad valorem* 25 per cent. *ad valorem*. That is the only article in which the present rate of ten per cent. is continued; that is to say, no increase is sought to be made, but even there I would like to know what is the justification for this ten per cent. preference. Then the last clause is clause (d). That refers to item 51. The definition is now more comprehensive, including apparel made of cotton interlocking material, cotton undervests, knitted or woven and cotton socks and stockings, and here the protective duty is 25 per cent. *ad valorem*. This is the whole scheme, and I suggest that the Honourable the Commerce Member must make out a case for Imperial preference. I also notice a lacuna in this Bill. I believe it is a lacuna. If it is not, it must be deliberate. Even according to the Government, these preferences which they want to give are to last only so long as Ottawa lasts, or is it the case that, independent of Ottawa, these preferences must last for ever? I dare say in his reply the Honourable Member will deal with this point. I sincerely hope so. I have given notice of an amendment, "provided this lasts so long as Ottawa lasts". We shall discuss it at the proper

ture. I am merely asking for information as to whether these preferences, which the Select Committee have now recommended, are to last only for the Ottawa period or after the Ottawa period. If the latter is the case, it seems to me that the vote of this House in regard to Ottawa is sought to be got behind.

Mr. M. S. Aney: Flouted.

Mr. S. Satyamurti: Not merely flouted. They certainly want us to agree by a back door what they cannot get by the front door. With the silent vote of my friend who lost on Ottawa, he wants to get it by the back door.

There is only one more point that I wish to make at this stage. You would have noticed, and the Government ought to have noticed, an increasing tendency in every section of this House—not confined to this section—to fight this protection because they believe that the interests of the consumers are being sacrificed. I do not agree with that view myself. I am in favour of protection, but I am anxious that the results of that protection ought not to enure to the pockets of a few people, but to the people of this country as a whole; and those large capitalists who benefit by these protective duties must be ruthlessly taxed, and they must be made to contribute the greatest possible amount to the well-being of the State; and supplementary to this, we must consciously support small and cottage industries, in order that the price which the consumers pay may go into the pockets of the poorest in this country, to whom even a small addition of income will mean all the difference between hunger and something to eat; and that can be done only by a conscious attempt on the part of the Government, to protect small and cottage industries increasingly. With regard to cotton hosiery, especially, I believe it can be developed by small-scale cottage industries. I therefore, welcome this measure; but there is this cloven foot of Imperial preference. I ask the House to reject it, and make it clear that, even if we give help, it will be only for the Ottawa period, and only up to the ten per cent. scale.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock. Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

Mr. President (The Honourable Sir Abdur Rahim): Sir Muhammad Zafrullah. (Prof. N. G. Ranga also rose to his feet.)

The Chair thought the Honourable Member's Party had really spoken quite enough. There are three Honourable Members of his Party who have already spoken.

Prof. N. G. Ranga (Guntur cum Nellore: Non-Muhammadan): On certain aspects, Sir, I hold different views and rather very strong views, and I think it is only fair that I should be given an opportunity of speaking.

Mr. President (The Honourable Sir Abdur Rahim): The Chair hopes the Honourable Member will not be long.

Prof. N. G. Ranga: Mr. President,

Sir Muhammad Yakub: Mr. President, with your permission, I would like to raise a point of order before my friend proceeds with his speech. Under section 84 of the Manual of Business, a Bill which comes from a Select Committee must be "made available for the use of Members for seven days unless the President, in the exercise of his power to suspend this Standing Order, allows the report to be taken into consideration". Now, Sir, so far as I know, you have not yet suspended the rules, and the report has not been made available to the Members for seven days. Therefore, I submit that the Bill cannot be taken into consideration today.

The Honourable Sir Nripendra Sircar (Leader of the House): Sir, under section 84, on page 32 of the Manual of Business, it is provided that "any Member of the Assembly may object to it being so taken into consideration". If objection had been taken, I would have applied that the Standing Order be waived. No objection was taken; the motion was moved; four or five speakers have spoken, and the Honourable Member has acquiesced too long to raise his objection now. Sir, the question of waiving the Standing Orders does not arise.

Sir Muhammad Yakub: There is nothing in the rules to prevent me from raising objection at this stage.

The Honourable Sir Nripendra Sircar: The rule shows that objection has got to be taken before the question of waiving the standing orders arises.

Mr. President (The Honourable Sir Abdur Rahim): The Chair thinks that the objection taken now is too late. There have been a number of speeches on the motion before the House and the Chair may also say that, if objection had been taken at earlier stages and if an application had been made to the Chair for waiving the Standing Orders, the Chair would, in the circumstances of the case, have been prepared to waive the Standing Orders. The Chair thinks the objection taken now is too late.

Prof. N. G. Ranga: This is the first occasion on which I get the opportunity of expressing the consumer's point of view in regard to the system and the policy of protection followed by the Government of India. Here is a Bill which seeks to protect some Indian industries against imports and the dumping coming from Japan and other countries: and by one stretch, by one stroke of the pen, this Bill, in its original form, has sought to raise the duty from thirty per cent to fifty per cent, and, in some cases, the rises almost amount to between sixty and seventy per cent. It was because I had an opportunity of being a member of the Select Committee that I was able to get an inside idea of how these questions are usually discussed in Select Committees of this House.

Sir, I can only say, as a result of my own experience of the working of this particular Select Committee, that I am alarmed at the prospects for the consumers of this country. There is a proposal, Sir, at the very end of this Bill—it is termed item (1) in the Bill—in its amended form in which the proposal is made, to bring afresh with the schedule of protected articles subject to protective duties, "cotton knitted apparel, including apparel made of cotton interlocking material, cotton undervests, knitted or woven, and cotton socks and stockings". This is a large class of goods. There has been no direct and specific enquiry made up till now into the necessity or otherwise of bringing these classes of articles within the schedule of goods subject to import duties in this country. Yet, Sir, this item was introduced and it was brought before the House, later on before the Select Committee and in the Select Committee it came to be passed and now it is again before the House. I should like to know whether, in the view of Government, proposals for bringing new classes of goods within the purview of their system of protection can be brought up before this House without, first of all, being placed before any impartial tribunal or organization. The Fiscal Commission has made it perfectly clear that whenever any proposal for protection is made by any particular industry, a Tariff Board must be appointed or steps should be taken to see that every possible care is taken to investigate into the necessity or otherwise for affording protection up to the extent asked for by businessmen, or to any extent considered to be necessary and yet we find the Government of India coming forward with this very important proposal without even thinking of getting it investigated either by the Tariff Board or by any other Committee. Curiously enough, it has been accepted by the Select Committee and now we are asked to accept it again. This indicates how the general temper of the public, interested in the industrial development, seems to be in the country. Are we going to have indiscriminate protection in this country, or are we going to have discriminatory protection? If we are to have indiscriminate protection, then we can press upon the Government the necessity for bringing as many goods as possible within the purview of their protective system and imposing as high duties as possible, whenever we think it necessary, to ask for such a protection. If on the other hand, we want discriminatory protection, then we will have to conform ourselves to some of the principles that were laid down by the Indian Fiscal Commission. I will only indicate a few of the points that they have, themselves, mentioned, as the most important to be satisfied before protection can be granted at all to any particular industry, that discrimination should be exercised in the selection of industries for protection and in the degree of protection afforded so as to make the inevitable burden on the commodity as light as is consistent with the due development of industries and that the Tariff Board, in dealing with schemes for protection, should satisfy itself:

"That the industry possesses natural advantages and that, without the help of protection, it is not likely to develop at all and that it will eventually be able to face world competition without protection, that raw materials and machinery be ordinarily admitted free of duty." and so on.

"That industries essential for the purpose of national advance are adequately protected," etc., etc.

[Prof. N. G. Ranga.]

Now, Sir, in order to assure ourselves that whenever any particular proposal for affording protection for any particular industry is brought before the Government, they should take care to see that protection is granted only if it is absolutely necessary. The Indian Fiscal Commission recommended:

"That a Permanent Tariff Board should be created whose duties will be *inter alia* to investigate the claims of particular industries to protection, to watch the operation of the tariff and generally to advise Government and the Legislature in carrying out the policy indicated above."

But, Sir, till now no attempt has been made by the Government of India to establish a Permanent Tariff Board. When I myself suggested, at question time, to the Government of India the necessity for the establishment of this permanent Tariff Board, the predecessor of the present Commerce Member simply stated that he saw no necessity for the establishment of such a permanent Tariff Board. I do not know why Government have thought it fit not to give effect to this most important recommendation of the Indian Fiscal Commission made so long as 1922. Sir, out of the ten important recommendations made by the Indian Fiscal Commission, only four were the most important recommendations and out of these four, this particular recommendation for the establishment of a permanent Tariff Board forms the very second.

The Honourable Sir Muhammad Zafrullah Khan: Is not the Honourable Member wandering away from the motion under discussion?

Prof. N. G. Ranga: I do not think, it is vague.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must confine himself to the Bill under discussion and not introduce irrelevant matters.

Prof. N. G. Ranga: I am only suggesting that the last item of proposal that is made here by the Government of India to afford protection for this particular thing is *ultra vires*, if it were examined in the light of the recommendations made by the Fiscal Commission.

Mr. President (The Honourable Sir Abdur Rahim): What does the Honourable Member say? It is *ultra vires*?

Prof. N. G. Ranga: Yes, Sir. The proposal of the Government is *ultra vires*. They should not have made the recommendation that they did without first of all getting it examined by a Tariff Board. The Government might say that there is no Tariff Board at present, that there is no time for them to approach any Tariff Board to get its report, because I know for a fact, and it is a fact, that there is no permanent Tariff Board. Merely because the Government of India have not thought it fit to give effect to this particular recommendation made by the Fiscal Commission, which is the second of the most important recommendations made by the Fiscal Commission, naturally, whenever such emergency arises, even according to them, they cannot very well think of placing this particular proposal before the Tariff Board and get an impartial enquiry made and obtain its recommendations. Nevertheless, the wonder is, we are now

asked to accept this particular proposal on the plea that there is an emergency. The emergency is created, and emergency has become unavoidable merely because of the failure of the Government to do its duty.

A second principle is introduced into this and that is Imperial Preference. Government do not wish to admit that there is any scent or any smack of Imperial Preference in this Bill. They simply say it is on the merits of this particular case that they have thought it fit to suggest this recommendation, namely, 50 per cent duties on other non-British goods and 30 per cent on British goods. But the mere fact that there is 20 per cent difference between the duty leviable upon non-British goods and the duty leviable on British goods, does show that there is Imperial Preference and that is sought to be introduced in this manner, in a sort of back door manner in order to help this House voluntarily to nullify its own decision that it has taken only very recently after so much of debate and consideration.

Now, Sir, the Fiscal Commission in its third recommendation has stated it categorically that no general system of Imperial Preference should be introduced. It might be said, that in spite of it, this House has agreed with the Government of India in introducing this principle of Imperial Preference in the shape of these Ottawa duties. It may be so. It was because the Government of India themselves have co-operated in that, not only that, they have taken the initiative in, somehow or other, persuading this House to accept that proposal. But now that that particular policy has been upset by this House, as well as by the Government by the recent decision of this House, I consider that it is not right that the House should go back upon that decision. We should go back to the position in which India found herself at the time when the Fiscal Commission made its recommendation that the question of adopting a policy of preferential duties on a major number of commodities should be referred to the Indian Legislature after a preliminary examination of the several cases by the Tariff Board. Therefore, Sir, if I am right, I think I am right in assuming that we are in the same position today in which India found herself when the Fiscal Commission was making its recommendation, Government certainly are unjustified in coming forward with this particular proposal in the disguise, even of Imperial Preference, without first of all getting a preliminary examination made of all these things by the Tariff Board. It may be that they do not have any Tariff Board at present to deal with these specific cases but they could have appointed a special Tariff Board and got these cases examined thoroughly, placed the results of their findings before this House and then asked this House to give its own opinion on this particular question. Instead of that Government simply try to flout the recommendations of this Indian Tariff Board and, somehow or other, hope to have its own way just when the House is rather tired because of this weather and just when the House is on the eve of dispersing for this next recess. I think, Sir, this method is most obnoxious, most unfair and most unjust. It does not really become any first-class Government and I do not know how my Honourable friend, Sir Muhammad Zafrullah, has allowed himself to be influenced by this scheme of Government and has come forward to place this proposal before this House.

Sir, there was a proposal made, which, fortunately, has been dropped by the Select Committee, to lower the duty on staple fibre. Why was

[Prof. N. G. Ranga.]

this proposal made? In whose interest was it made? The impression was borne in upon us that it was introduced rather to benefit the Indian mill industry.

The Honourable Sir Muhammad Zafrullah Khan: That is no longer before the House.

Prof. N. G. Ranga: Yes, that is also one of the things which formed the basis for the discussions of the Select Committee. And we are discussing not only the result of the discussions of the Select Committee but also the Bill, and, therefore, I think, I am quite relevant in discussing that. The second paragraph itself refers to that particular question. I ask, why should this important proposal have been placed before the House without its being inquired into by a Tariff Board? It was said by Government that they wanted to benefit the mill industry.

Mr. President (The Honourable Sir Abdur Rahim): Has that been recommended by the Select Committee?

Prof. N. G. Ranga: The Committee has recommended that it should be dropped.

Mr. President (The Honourable Sir Abdur Rahim): And the motion of Government is that the report be accepted.

The Honourable Sir Muhammad Zafrullah Khan: The motion relates to the Bill as amended by the Select Committee.

Mr. President (The Honourable Sir Abdur Rahim): It is no longer before the House, and the Honourable Member cannot discuss it.

Prof. N. G. Ranga: Anyhow, some of us have pressed the view that no contingency has arisen why greater imports of this material should be allowed to come into this country, and we also pressed the view upon Government, which happily they have come to accept, that the handloom weavers stand to lose very heavily if that particular proposal were to be insisted upon and the only interest that was to be benefited.....

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is again talking of staple fibre. That is not in order.

Prof. N. G. Ranga: There are certain reasons.....

Mr. President (The Honourable Sir Abdur Rahim): The Chair has ruled that that cannot be discussed.

Prof. N. G. Ranga: All right. Sir, again and again references were made to the reports made to Government by their various experts, the Imperial Council of Agricultural Research, the Indian Cotton Committee, the various industrial interests and so on; yet those facts were not placed before us when we were discussing this particular Bill in the Select Committee. We do not know how Government have come to the conclusion that these proposals were necessary and, therefore, should be placed

before this House for its acceptance. And, on every one of these items, it is possible for any one to raise a number of first class objections, not because he is anxious to raise those objections for their own sake but because the interests of large classes of people are seriously involved. Take for instance item (a) in clause 2 of this Bill:

"Silk yarn including thrown silk warps and yarn spun from silk waste or noils, but excluding sewing thread."

You find that there are interested here two classes of people, those who eke out their living in the sericulture industry and those who earn their living in the handloom weaving industry. This amendment seeks to help the sericulture industry, and I am myself interested in helping those who are engaged in that industry. I am prepared to have any such amendment in their interests; but, at the same time, I am equally interested in the welfare of the handloom weavers. I am naturally anxious to know to what extent the adoption by this House of this particular amendment is going to affect adversely the handloom weavers. I wanted that information in the Select Committee but I could not have it. I am afraid we cannot have it even now, because I rather suspect Government themselves have not got that information. It was up to Government, in an important thing like this, to have taken some time, to have placed this proposal before a Tariff Board.....

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has said that repeatedly. The Chair cannot allow him to go on repeating the same thing over and over again.

Prof. N. G. Ranga: Even in this regard Government have failed in their duty.

Coming to the next point, I come to the question of these fents. My Honourable friend, Dr. Ziauddin Ahmad, has raised that point rather pertinently this morning, whether any of these proposals for protection ought to be made by Government as a result of an impartial inquiry made, or whether they are to be made as the result of a higgling of the market either in the Select Committee or anywhere else. I charge this Government with not being sufficiently seriously minded about this problem. I charge this Government with not trying to know its own mind. I charge this Government with trying to come to a conclusion in regard to the rates of protection that ought to be given, in a light-hearted fashion and in a most careless fashion and only in order to satisfy some interest or the other and almost on the spur of the moment. They should have known their own mind; they should have come to a conclusion after they had perused the results of an impartial inquiry that such and such duties were absolutely necessary and, therefore, could not be lowered and could not be increased. And if they could have come forward with all their materials and placed them before us, it would have been possible for us also not to have pressed here upon this Government for any alternate proposals or to make any attempt that we have been obliged to make at the Select Committee or even here in order to make this Government a little more reasonable than it is anxious to be. Instead of that, several proposals had to be considered and came to be considered. Why should it be so if there were any system in these things, if there were any sense or seriousness in these things? Why should it be necessary for a responsible Government to come and say, 50 per cent., 40 per cent., 25 per

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cent., 15 per cent? It is a mere higgling in the market like any two Toms or Dicks or Harrys and in this way they have come to settle these very important things. Is it not a fact that if protection were to be given the consumers would suffer? Is it not a fact that if protection were to be given on a scale of 50 per cent. instead of 30 per cent., the consumers will be made to pay very much more than they ought to and is it not a fact that if 30 per cent. duty is enough, instead of suggesting 30 per cent. duty, Government come forward, as a sort of freak of inspiration, to propose a duty of 50 per cent., the interests of the consumers are bound to suffer? But, unfortunately, consumers seem to be rather a helpless lot. Whenever it suits the purposes of this Government, they come forward with an argument in favour of the consumer, and, whenever it suits anybody else, they come forward and talk about it. They do not seem to be very serious about it. If they are really serious about consumers' interests, then they must thoroughly satisfy themselves that the conditions laid down by the Indian Tariff Board are satisfied before any protection is given. An enquiry was made, a report was.....

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member has repeated that *ad nauseam*. The Chair cannot allow him to go on repeating.

Prof. N. G. Ranga: I am not repeating the same argument.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member is.

Prof. N. G. Ranga: If I cannot even use the word "enquiry" and if it is considered to be repetition.....

Mr. President (The Honourable Sir Abdur Rahim): Order, order. The Honourable Member has repeatedly been arguing the same point; he has said that more than once.

Prof. N. G. Ranga: I have come to the conclusion that as far as consumers are concerned, there is every danger of their interests being ignored, and I have come to that conclusion not only because as a student of economics I have observed in the past history of this Government and in the past history of the protection policy of Government that it has been so, but also because of my experience on this single Select Committee. Consumers have to organise themselves. I agree that consumers have to exercise a sense of responsibility. They do have the responsibility of trying to contribute their share to foster the industries of this country. They do have to bear their burden of taxation in order to help the industries of this country to grow, and they also have to assure the payment of minimum wages for workers and a minimum return for agriculturists. They do realise that they cannot have everything for nothing, for the mere asking of it. They have to pay the price for every commodity, but that price must be fair, that price must not be a forced one and that price must not be artificially boosted up by a system of protection about which this Government go in an irresponsible fashion. It is for that reason the time has come,

I think, for the consumers of this country to organise themselves as they have done in America and try to make their voice felt. If it had not been for the fact that somehow or other the consumers' interests also came to be voiced in the Select Committee, the staple fibre item would have been there. I am not going to the argument relating to that. I have only one point to make. It would have been there if it had not been for some sort of an agreement. Therefore, the consumers cannot afford to leave their fate to be judged by the tender mercies of this Government, and it is for that reason I have suggested in my Minute of Dissent—and I state it again here—that whenever such questions come up for discussion in this House and are referred to Select Committees, the interests of consumers should be properly represented and properly safeguarded. The best way by which the interests of consumers can be safeguarded is by accepting the second recommendation of the Indian Tariff Board. But I do not know what the opinion of Government is in regard to that proposal. So many years have passed, nothing has been done, but on the top of it, they want to add insult to injury by coming here and placing this particular proposal for preference, not on the plea that preference is good, not on the plea that it is preference, but on the plea that no higher duty is necessary on British imports. We are told that British imports are very small, not more than eight millions of fents, whereas the Japanese imports have run up to nearly 89 millions in 1935-36. Therefore, if there were to be any necessity at all for a higher duty, it is to be levied on the Japanese imports and not upon British imports and, since, even at the present low rate of duty, the British imports seem to show a tendency to go down, there is no necessity that our proposal to equalise these duties should be accepted or that our proposal that, pending the final cessation of the Ottawa duties, only a ten per cent. duty should be levied should be accepted. Sir, I think this argument advanced by Government as well as by some other Members is rather fallacious. We do not have statistics in regard to the imports of fents which measure more than four yards, but less than nine yards. We had statistics for fents not exceeding nine yards between 1931 and 1933, but since the new duty has come to be imposed upon fents not exceeding four yards in 1933-34, we do not have those figures. It is quite possible that the imports of fents which exceed four yards in length but are less than nine yards have gone up. We do not have those facts at all. We were not supplied with those facts, and, as long as there is that scope for doubt, it is impossible for us to accept the arguments of Government that the British imports show a progressive tendency to come down, and, therefore, there is no reason why we should raise the import duty upon British goods also to the level of the duty imposed upon non-British goods.

Secondly, suppose we impose a lower duty upon British goods. Are British goods going to be sold here at a cheaper rate? No, Sir, because a higher duty is imposed upon non-British goods and the price of fents in this country is fixed by our merchants and traders, only in the light of the higher duty imposed upon non-British goods and not in the light of the lower duty upon British goods. It may be contended that the British cost of production is a little bit higher than the Japanese cost of production and, therefore, it would not be possible for Britishers to reap all the benefit. But benefit there is: whether it is to the fullest extent of the difference that is intended to be introduced by Government by this Bill or whether it is a little less; and to that extent the British producers would be able to gain at the expense of Indian consumers. I

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have no objection, and the consumers of this country have no objection, to make their quota of contribution towards the industrial development of this country, but certainly I take very strong objection to being made to contribute, even to the extent of a pie, for the benefit of not only the Britisher but any foreigner, merely because, thereby, I would be able to give some protection to some of my own industrialists in this country. If I am to give any protection, I will give it in such a way that the industrialists of this country would be able to benefit themselves and, through them, their workers and not outsiders.

Sir, a long time ago, in April, 1934, an Honourable Member of this House, Sirdar Harbans Singh Brar, truly said:

"That under the British system of Government the rich govern the law and the law governs the poor. It proves beyond a shadow of doubt that the rich can manipulate anything to get any legislation passed, and to bring pressure to bear upon the Government by their propaganda, the Press being at their disposal, the cinema and other entertainment houses."

And I would add, as the latest, broadcasting system also. That is how they are succeeding in getting this government to do their bidding, and I am rather surprised that an Indian of Sir Muhammad Zafrullah's intelligence should have allowed himself to be carried away by the momentum.

The Honourable Sir Muhammad Zafrullah Khan: Sir, I protest against this statement that I have permitted myself to be carried away by the momentum of something or the other. I am fully responsible for what I have put forward and I have given it full consideration. Honourable Members may not agree with me, but that is no reason for their suggesting that I have been carried away by something or the other.

Prof. N. G. Ranga: All right, Sir: I wanted to give the Honourable Member the benefit of doubt (Laughter), but he will not have it. We know now that whoever gets into this system of Government, somehow or other is lost; and, naturally, the interests of the consumers are sacrificed in preference to the interests of these rich people. One rich man is enough, one powerful man is enough, one capable man is enough . . .

Maulana Shaukat Ali (Cities of the United Provinces: Muhammadan Urban): One Ranga is enough! (Laughter.)

Prof. N. G. Ranga: One tactician is enough, provided, of course, he can claim to have all the rich people behind him, to influence this government, headed as it is in the Commerce Department, by my Honourable friend, Sir Zafrullah Khan; Government proposes this lower duty. They have given their reasons, I have advanced one of our reasons why we do not propose to accept that. The other reason that I wish to advance for the consideration of this House, is this: that the prices of our commodities, especially in regard to these fents, are high and are bound to be as high as are permitted by the highest import duty imposed upon non-British goods. Who pays all that? The Indian consumer. Why should he be made to pay all that higher price? If import duty up to 50 per cent. is necessary on fents, impose it upon all imports. Then it is argued: "Oh, the consumers, as far as British goods are concerned, are going to be made to pay very much." That may not happen: These goods will be sold at

the same price, but the benefit will go to the Britishers, and I am not prepared to sacrifice the consumers for the benefit of the Britishers, however much they may be anxious to embrace us in the manner in which Dhritarashtra of old wanted to embrace Bhima. I know this wonderful embrace will only reduce me to dust, has reduced Indian peasants as well as the consumers and producers in this country almost to dust as a result of this Ottawa Pact and will do so, hereafter, also, if we were to allow it. Therefore, I suggest, that this particular principle involved in these two scales of duties proposed by Government should not be accepted. I only wish that this Bill had been placed before this House a little earlier, so that it would have met with the fate that it richly deserves. I only wish it had been possible for the House in its full strength to express its opinion on this. Then the Honourable Sir Zafrullah Khan would have been able to carry a different message to his higher authorities. But, as it is now, I do not know about the possible fate of this Bill. As far as I am personally concerned, subject to the minutes of dissent that I have already signed, my heart is not in this Bill at all. If I could have my own way, I would certainly see the very end of this Bill. Yet there is this fear: if we do not pass it now, what happens? The Indian industry will go: fents will be dumped into this country. That is a great danger. There is my friend, Sir Homi Mody, who is the protagonist of this particular point of view: he has pleaded similarly when the cotton textiles protection Bill was here before this House and I dare say he pleaded similarly when the steel protection Bill was before this House; and on both occasions he had his own way. I do not know what luck he is going to have today; but I wish him and this House all luck: I am very very anxious that every possible step should be taken, at least now, and I hope you will allow me to repeat a little what I have said

Mr. President (The Honourable Sir Abdur Rahim): No: the Chair will not allow the Honourable Member the least repetition.

Prof. N. G. Ranga: All right, Sir: I hope at least from now on every possible step will be taken by Government as well as this House to see that the interests of the consumers are not sacrificed as they are bound to be if this Bill and similar Bills are allowed to be introduced into this House even at the very early stages, unless they are appended with a footnote saying that these proposals are the proposals made by a Tariff Board.

Mr. G. H. Spence (Secretary: Legislative Department): Sir, I move:

"That the question be now put."

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That the question be now put."

The motion was adopted.

The Honourable Sir Muhammad Zafrullah Khan: Sir, I do not intend to follow some Honourable Members into the very abstruse theories that they have sought to propound before the House during the course of this debate. I shall only take up the specific points that have been raised by some Honourable Members in connection with the provisions of the Bill as amended by the Select Committee which is now before the House.

Dr. Ziauddin Ahmad in his somewhat lengthly speech

Dr. Ziauddin Ahmad: It was a very short one: I delivered only one-fourth of my speech.

The Honourable Sir Muhammad Zafrullah Khan: . . . and very little of that had anything to do with the Bill. The only specific point that he did raise was his difficulty in discovering the exact meaning the word 'apparel'. May I assure that so far this particular clause of the Bill is concerned, the meaning of the word 'apparel' is wearing apparel or garments for human use; and that, is the meaning which the collectors of customs will be instructed to read into this expression when they try to apply it to the goods that come in at the ports.

The second point, raised by him, which deserves attention is his allegation that there is no objection to protection being given when protection becomes necessary, but that protection should be given, as he described it, by the front door and not by the back door. Now, on that point, what this Bill seeks to do is to stop breaches in the protective wall, and to close the back door that is sought to be opened. It is not a question of affording protection to an industry which is not enjoying protection. If that had been the case, it is true that the question could not have been taken up in the Legislature unless it had been investigated by a Tariff Board. Certain other Honourable Members have also raised the question, why was not a Tariff Board appointed to look into the questions with which this particular Bill deals? My reply is that this Bill does not seek to give protection to a new industry.

The principles of protection to the textile industry have already been settled. I tried to demonstrate to the House, when I spoke on the motion for consideration of the Bill, that something had since been happening which was likely, in many directions, to defeat the measure of protection that had been accorded to the textile industry, and that, therefore, it had become necessary in order to maintain the quantum of protection that had been sought to be given to this industry by the Textile Protection Acts that these breaches should be stopped. I gave figures to show that, both with regard to fents and with regard to hosiery, the position was such that legislation had become necessary. With regard to fents, the figures show that in 1932 the import of cotton fents from Japan stood at one million yards. In 1934-35 it had risen to 28 million yards. With regard to artificial silk fents, in 1934-35 the imports from Japan suddenly rose from negligible dimensions to 13½ million yards, and for the eleven months April to February 1935-36, they are just short of 16 million yards. Now, Sir, I submit that it should be clear, on these figures, that by this enormous import of fents, the protection given to the textile industry both with regard to cotton piecegoods as well as with regard to artificial silk piecegoods stands in a fair way of being defeated unless something is done to check this tendency. As regards hosiery, the figures I gave were these. Excluding socks and stockings and underwear, which already enjoy protection, the imports of other sorts of hosiery from Japan in 1930-31 stood at the figure of Rs. 49,000; in 1934-35, they stood at the figure of Rs. 15,74,000. There had been a progressive increase during the interval but a very large jump between 1933-34, and 1934-35. My submission, therefore, is, that it is not fair to state that the Government are seeking to give protection to an industry by the back door. The industry already enjoys protection, and all that Government are seeking to do, by this Bill, is that it should continue to enjoy the measure of protection that was guaranteed to it, and that that measure should not be defeated by the devices that are being resorted to.

One point that several Honourable Members have raised is—why is preference being given to the United Kingdom fents as against fents from other countries? In connection with this the question was also raised what is the meaning of the expression 'preferential revenue' which is being applied to these duties in this Bill. And a further question in the same connection was raised as to what would be the effect in this respect of the decision that the House has given in connection with the Ottawa Trade Agreement. I shall take up all these questions together as they really are links in the same chain

Mr. M. Asaf Ali (Delhi: General): May I just request you to explain to me the significance of the expression used there: "interlocking material". Can the Honourable Member throw some light on it?

The Honourable Sir Muhammad Zafrullah Khan: The exact significance of that expression is very well understood in the trade. This kind of underwear and vests and pull-overs and so on are made either of knitted material or of interlocking material, and the object of this clause is to include both kinds, whether made of knitted material or made of interlocking material.

Now, Sir, with regard to the expression 'preferential revenue', may I explain that it came into use as a convenient expression as the result of the Ottawa Agreement. It means a revenue duty in respect of articles that enjoy a preference, and, therefore, a duty which is levied at two rates, a standard rate and a preferential rate, but it is a revenue duty as distinguished from a protective duty. That is the meaning of the expression.

With regard to fents, the position is this. The scale of 85: 25 is a preferential revenue duty. This Bill seeks to raise duties against non-United Kingdom fents to the level of 50 per cent. so far as sub-clauses (a) and (b) of item 49 (1) are concerned. Strictly speaking, that would convert the duties into protective duties. So far as preferential revenue duties are concerned, the margin would only be the margin provided for by the Ottawa Trade Agreement, that is to say, ten per cent. but the need having arisen, as I have said, to stop these inroads into the protective wall, if these duties were accepted, they would become protective duties and would cease to be preferential revenue duties

Mr. S. Satyamurti: May I ask one thing, Sir? Why are they described in the Bill, as preferential revenue?

The Honourable Sir Muhammad Zafrullah Khan: Strictly speaking, that is a mistake. They should have been described as protective duties, and if they are accepted, they should be described as protective duties, at any rate, that would be their effect, apart from their description.

Then, the question was put as to why this preference in favour of the United Kingdom and why this preference is not only being maintained but is sought to be increased. That, I submit, has nothing to do, whatsoever, with the Ottawa Trade Agreement. That is due to the principle, whether Honourable Members agree with the principle or not, that when the scale of protection has to be determined, it must be determined with reference to the competition from different countries, the intensity of that competition, the fair selling price of their goods compared with the selling price of the goods produced in India and all the other factors that come into the question. Therefore, the margin between the 25 per cent. and 50 per cent. as proposed in the Bill would not be a margin due to the Ottawa Trade Agreement at all. As I have said, Honourable Members may be of the view

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that a higher scale of duty is necessary for the protection of this industry against United Kingdom goods or that such a high scale would not be necessary against non-United Kingdom goods, but the reason for the distinction is as I have explained it. As Honourable Members have observed under item 48, there are different scales of duties. With regard to cotton piece-goods the duties are 50 per cent. and 25 per cent. That has nothing to do with Ottawa. That is due to the scales that have been considered adequate for protection against United Kingdom and non-United Kingdom goods. Similarly, with regard to certain other sub-items under 48, the difference is 20 per cent. that again is not due to the Ottawa Trade Agreement

Pandit Nilakantha Das: May I ask for some information, Sir? Is there any other country in the world, except the United Kingdom, which enjoys this preference? If this be the consideration, then naturally it follows in this case that the United States of America should be in the same position as the United Kingdom. My point is, is there any other country which enjoys this preference on this general principle?

The Honourable Sir Muhammad Zafrullah Khan: The Honourable Member is not asking for information; he want to put forward an argument, and is thus attempting to speak twice on the same motion.

As I have said, Sir, I am aware that the explanation I am giving may not be acceptable to all Honourable Members. I am not however, at this stage, prepared to argue the larger question as to the principles with reference to which these protective scales should be fixed. I am seeking to give an explanation though I cannot guarantee that all Honourable Members will find the explanation satisfactory. Another question that was raised was, why was the 31st March, 1939, mentioned in the last column in the original Act with regard to spun silk yarn? The explanation is that the Tariff Board that reported on the protection to the textile and sericultural industries recommended that the protection to the sericultural industry should be granted for five years, and in accordance with that recommendation the date 31st March, 1939, was entered in the last column in order to secure that these duties should be operative only up to 31st March, 1939. Then another question was asked as whether it was intended that that date should in any way be affected by the provisions of the present Bill. May I draw the attention of Honourable Members to the language of the Bill in that respect? Clause 2, sub-clause (a) says:

"In Item 47, for the entry in the second column the following entry shall be substituted, namely:"

Therefore, all that the Bill seeks to do is to substitute an entry in the second column of the item in place of the present one. The date remains unaffected, everything else remains unaffected except the entry in the second column. Then a question was put with reference to some of the duties under 48. One Honourable Member said, "We understand that they are sought to be justified on the ground that protection against different countries might require different scales of duty, but is it the view of Government that protection is still required in respect of these items on the basis of 50 per cent. and 25 per cent?" That I conceive referred, not to what is proposed in the Bill, but to duties under Item 48 which are not

touched by this Bill, but inasmuch as this question was raised, I might give a reply to that question. My reply is, that as Honourable Members are aware, this very question was being investigated by a special Tariff Board. I am unable to say whether that scale will or will not be found to be sufficient, a decision on that matter will depend upon the consideration of the report of that particular Tariff Board.

Certain general questions were also raised. It was refreshing to be charged with giving too much protection to certain industries, because the general charge against Government so far has been that Government are very lax in affording protection to Indian industries. However, one is glad to be told of the other point of view, more particularly of the point of view of the consumers that has been stressed so much during the course of this debate.

I have already disposed of the contention why no enquiries were made by a Tariff Board. This question was stressed at great length by Prof. Ranga also. My reply is the same to him as it has been to other Honourable Members, that no new question had to be investigated. All the principles upon which protection should be granted, whether protection should or should not be granted, the scale of protective duties, have already been investigated and reported upon by the Tariff Board and accepted by this House.

Dr. Ziauddin Ahmad: The word "Apparel" was not used by any Tariff Board, but that term has been invented by the Government of India.

The Honourable Sir Muhammad Zafrullah Khan: Yes, but protection was given to the hosiery industry, and when it was found that the hosiery industry as it was being carried on today was in danger of being defeated by the inrush of imports from different countries, particularly from Japan, of this kind of garment, it became necessary to adopt this definition.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That the Bill further to amend the Indian Tariff Act, 1934, for certain purposes, (regarding fents, etc.), as reported by the Select Committee, be taken into consideration."

The motion was adopted.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That clause 2 stand part of the Bill."

As regards clause 2, there are a large number of amendments. The Chair finds that Babu Baijnath Bajoria wants to move an amendment to sub-clause (a), but he is not here. The Chair does not think there is any amendment to sub-clause (b). As regards sub-clause (c), there are a number of amendments, but there is one by Mr. H. A. Sathar H. Essak Sait, Khan Sahib Nawab Siddique Ali Khan, and Pandit Nilakantha Das for the omission of the sub-clause.

Mr. H. A. Sathar H. Essak Sait (West Coast and Nilgiris: Muhammadan): Sir, I move:

"That sub-clause (c) of clause 2 of the Bill be omitted and the subsequent sub-clause be re-lettered accordingly."

I do not know what is the amendment of Mr. Gauba, nor was I consulted with regard to that amendment. Therefore, I am taking my chance.

Mr. S. Satyamurti: On a point of order, Sir. I am raising it with regard to clause 2, sub-clause (c), 49(1). Shall I take the point of order when that is being considered, or shall I take it now?

Mr. President (The Honourable Sir Abdur Rahim): What is the point of order?

Mr. S. Satyamurti: The point of order is that this clause of the Bill raises the same question, as was decided by this House, in this Session. I may invite your attention to the Standing Order, No. 31. I think it is.

Mr. President (The Honourable Sir Abdur Rahim): When was it decided?

Mr. S. Satyamurti: When the House voted on the Ottawa Debate. I shall make my submission, and then you can decide after hearing me. I need not remind you of the actual wording of the Ottawa Resolution: I am sure it is fresh in your mind. The House decided that the scheme of preferences recommended at Ottawa should be terminated by requesting the Government to give notice under Article 14 of the Agreement. Article 14 is the article under which they have to give notice.

Mr. President (The Honourable Sir Abdur Rahim): It was the Agreement between India and the United Kingdom, and the Resolution that was passed was that it should be terminated, not there shall be no scheme of preferential treatment,—the Chair does not think that was the language.

Mr. S. Satyamurti: If you will kindly look at Article 11 of the Trade Agreement

Mr. President (The Honourable Sir Abdur Rahim): That may be but what is the wording of the Resolution?

Mr. S. Satyamurti: The Resolution of the House is that the entire Agreement,—that is to say, Article 14 reads like this.

"This agreement between His Majesty's Government in the United Kingdom and the Government of India shall continue in force until a date six months after notice of denunciation has been given by either party."

Mr. President (The Honourable Sir Abdur Rahim): What is the Resolution that was passed?

Mr. S. Satyamurti: I am just getting it.

Mr. President (The Honourable Sir Abdur Rahim): These facts and other things are in it?

Mr. S. Satyamurti: Yes. I would ask you to kindly look at Article 11 of the Ottawa Agreement. Article 11 reads thus:

"The Government of India will consider, in the light of the findings of the Tariff Board, the protective duties to be imposed on goods of cotton and artificial silk according as they are made in the United Kingdom or elsewhere, and will invite the Legislature to pass legislation by which, where protective duties are not imposed as a result of the recommendations of the Tariff Board upon United Kingdom goods of the kinds specified in Schedule G, the margins of preference shown in that Schedule will be extended to such goods."

If you will kindly turn to Schedule G on page 13, you will find apparel, fents, cotton, nine yards long or less, and other sorts of cotton manufactures, etc. Therefore, all these goods, which are now sought to be governed by this provision in clause 2 of the Bill under 49(1), are specifically covered by the item 'fents, cotton, nine yards long or less'. Then there are silk manufactures, excluding yarn, threads for sewing, artificial silk goods, and so on. You have got the whole category of materials, which are now covered by this Bill. My submission to you is this, that the decision of this House was, subject to the period of time which must elapse under Article 14 of the Agreement, it should be terminated. The House gave its vote on that issue.

Mr. President (The Honourable Sir Abdur Rahim): That was an agreement.

Mr. S. Satyamurti: I quite agree, but this legislation is in pursuance of the Ottawa Agreement.

Mr. President (The Honourable Sir Abdur Rahim): There it was a trade agreement. This is a piece of legislation.

Mr. S. Satyamurti: The Standing Order does not say that the form of the motion should be the same. The Standing Order simply says, "A motion must not raise a question substantially identical with one on which the Assembly has given a decision in the same Session".

Mr. President (The Honourable Sir Abdur Rahim): This is that a certain proposal for legislation be taken into consideration. The other motion was that a certain agreement be terminated.

Mr. S. Satyamurti: It may come in different forms. You have got to look at the substance. The question involved is Imperial preferences

Mr. President (The Honourable Sir Abdur Rahim): Does the Honourable Member suggest that an Act of this House is on the same footing as a Trade Agreement?

Mr. S. Satyamurti: So far as this question is concerned, it is. The House having given its decision once, should not be asked to give its decision again, on the same question.

Mr. President (The Honourable Sir Abdur Rahim): Is this motion substantially the same?

Mr. S. Satyamurti: I submit it is the same in both cases. It is a question of giving Imperial preferences. The Assembly has given its decision on the subject of giving these preferences. Therefore, I submit, that the present motion is barred by the Standing Order I have quoted.

Mr. President (The Honourable Sir Abdur Rahim): As regards the point of order raised by the Honourable Member, Mr. Satyamurti, the Chair has not the slightest hesitation in holding that the motion now before the House does not raise any question which is substantially

[Mr. President.]

identical to the one on which the Assembly gave its opinion in connection with the Trade Agreement between India and the United Kingdom, known as the Ottawa Agreement. The Resolution passed was that the Government do give notice of termination of the Agreement within six months and the motion now before the House is that certain proposals for legislation be passed. Those proposals contain preferential duties on certain classes of goods from the United Kingdom, as compared with goods from other countries and *vice versa*. The point of order is whether the motion now before the House raises a question substantially identical with the one which was decided by the Resolution on the Ottawa Agreement. It is absolutely far fetched to say that the present motion containing proposals for legislation are identical with the Resolution of this House concerning a certain Trade Agreement. The two things are absolutely different, and therefore, the Chair holds that the point of order is not valid.

Mr. H. A. Sathar H. Essak Sait: Sir, I move:

"That sub-clause (c) of clause 2 of the Bill be omitted and the subsequent sub-clause be re-lettered accordingly."

Sir, it is said that this Bill is designed to prevent Japan dumping its cheap goods upon India. The Statement of Objects and Reasons of the original Bill, in the paragraph dealing with fents, mentions two reasons for the provisions in this section. They are the increased imports of fents and imports of spurious fents. With regard to both these points, my Honourable friend, Pandit Nilakantha Das, has given a rather crushing reply, and I do not think I have much to add to what he has said. But, I have just to supplement what little information I can give to what my Honourable friend has so lucidly put before the House and it is this. It is true that the imports of fents had been increasing during the five or six years, but then, the Government took certain effective steps in 1934 to check the increase by way of reducing the maximum permissible length of fents from nine yards to four yards and this reduction came into force from the 1st May, 1934.

Now, looking at the figures available in the Report on the Sea-borne Trade for February, 1936, we find that the increase in the imports had been kept up in the eleven months to the end of February, 1934, when the new restrictions were not fully in force, neither were they in force for the whole period, but we find a definite and satisfactory reduction in the next period up to the end of February, 1936. The import in the eleven months up to the end of February, 1935, was 48,480,808 yards valued at about Rs. 80 lakhs, while the imports for the same period in 1935-36 is 45,767,564 yards valued at about Rs. 68 lakhs. Thus there is a clear reduction of about three million yards costing about Rs. 12 lakhs. This certainly does not indicate the need for any action, least of all any hasty and drastic action. We must remember that my Honourable friend, the Commerce Member, admitted the other day to this House that fents in our country are the poor man's necessity, and therefore, Sir, I repeat, we must be careful not to be misled by false cries raised by interested people. As I said last time, it cannot be maintained that spurious fents are getting into our country in any large quantities, for, to say so, is to declare all the great expense and trouble involved in maintaining the highly-paid establishments at our Customs

Houses for examining bales of fents to be sheer waste. As I had occasion to draw the attention of the House, a minute definition of fents has been laid down by the Central Board of Revenue and bales of fents are opened and examined at the Customs Houses in India. I am further told that there are special officers in Japan and there is a particular stamp for certifying fents. All this shows that the cry of spurious fents is a spurious cry indeed. Further, I agree with my friend, Pandit Nilakantha Das, when he asks as to who, in his right senses, would desire to damage his perfect goods, which any day would fetch from thirty to forty per cent. more in the market, simply for the sake of saving fifteen per cent. duty?

Sir I certainly maintain that the cry of spurious fents is really a cry which this House should not take seriously. But I do not want to weary the House by repeating what has been said here this morning in the admirable speeches which have elucidated this point very clearly, and, therefore, I would refer only to one matter which has not been referred to by any of my Honourable friends so far and that is the question of reducing the length of artificial silk fents from four yards to two and a half yards. The length of four yards was arrived at, after prolonged discussions, in 1934. To reduce that length is to cause an unnecessary waste of money to the poor man who goes in for this article, for a piece of two and a half yards cannot provide him any adult clothing. He will have to go in for two such pieces and thereby there will be a waste of one yard, while there will be no corresponding gain to anybody. Sir, I strongly protest against this unnecessary restriction. Then, Sir, there is the question of Imperial preference, but with regard to that I have nothing more to add to what my Honourable friend, Mr. Satyamurti, has said and I must, therefore, pass over that point so as not to waste the time of this House. But still, I cannot refrain from declaring my firm conviction, that this Bill surely is not intended to, nor will it, check imports of fents into our country, nor will it give any protection to our industry; it will only replace a portion of the Japanese fents by English fents, at a greater cost to the poorer consumer, because the English fent is obviously more costly, and, to that extent, the burden on the consumer will be heavier. That is the only thing that will be achieved by this Bill, and I must protest against that achievement. I, therefore, propose, that this sub-section be deleted and fents be taken altogether out of the purview of this Bill.

Mr. President (The Honourable Sir Abdur Rahim): Amendment moved:

"That sub-clause (c) of clause 2 of the Bill be omitted and the subsequent sub-clause be re-lettered accordingly."

The Honourable Sir Muhammad Zafrullah Khan: Well, Sir, the only point sought to be made in the speech of the Honourable Member who has just sat down that really needs being dealt with is his contention that there is really no apprehension that the rise in the figure of imports of fents will continue inasmuch as the imports have been reduced considerably in February, 1936. To begin with, that is an argument based only on the figures for one month as against the tendency that has shown itself over a considerably longer period. Besides, the figures for January and February, 1936, taken together, show that the percentage for the two

[Sir Mahammad Zafrullah Khan.]

months is being more than maintained as compared with the figures for the corresponding two months of 1935; and in February, 1936, the further factor has operated that the examination of tents that are being imported is being made very much stricter at the ports. As I said myself in my speech, moving the motion for consideration of the Bill, it is possible by a very strict examination to stop a great deal of the evasion that is going on now, but there are administrative difficulties in the way. Apart from the question of the number of staff required and so on there would be grave risk of hardship to the trade itself. Therefore, the mere fact that such restriction as it has been possible to impose has checked to some extent imports of spurious tents cannot be pressed into service to argue that this provision is not necessary.

Mr. H. A. Sathar H. Essak Sait: On a point of personal explanation, Sir, I was not comparing the figures for two months only but for purposes of eleven months,—the figures to the end of March are not available.

The Honourable Sir Muhammad Zafrullah Khan: For the period of eleven months there has been a slight reduction as compared with the enormous growth in this trade during the previous three or four years.

Mr. President (The Honourable Sir Abdur Rahim): The question is:

“That sub-clause (c) of clause 2 of the Bill be omitted and the subsequent sub-clause be re-lettered accordingly.”

The motion was negatived.

Mr. President (The Honourable Sir Abdur Rahim): It was conveyed to the Chair that there might be an agreement on certain amendments standing in the name of Mr. Gauba, but, under the circumstances that have happened, the Chair is not sure that it would be justified in acting upon any such impression that has been conveyed to it.

Mr. K. L. Gauba (East Central Punjab: Muhammadan): Sir, I beg to move the following amendment of which I have given notice.

Mr. F. E. James (Madras: European): May I ask whether this amendment has been circulated to Members? We have not got any copy before us.

Mr. K. L. Gauba: I gave notice this morning.

Mr. F. E. James: I do not want to raise any technical objection. I merely wish to point out that this amendment which is being moved now is not before Honourable Members. We have heard nothing about it.

Mr. President (The Honourable Sir Abdur Rahim): If the Honourable Member objects, the Chair is prepared to disallow the amendment. Honourable Members ought to have time to consider the effect of this sort of variation of the duty.

Mr. F. E. James: I raise no technical objection.

Mr. President (The Honourable Sir Abdur Rahim): If the Honourable Member wishes to take objection, the Chair will rule the amendment out of order; otherwise, discussion on the amendment will go on. It must be pointed out to Honourable Members that the Chair really must put a stop to the practice of Honourable Members of handing in notices of motions at the very last moment and often times scribbled on ordinary slips of paper in pencil. Henceforth the Chair will not accept any such notice of motion.

Mr. S. Satyamurti: I quite agree with you, Sir, that ordinarily notices of amendments that we give, must be written in ink or typewritten, and we must send them, as early as possible. But, in the present instance, we are co-operating with the Government, against tremendous odds; because we got a copy of the printed Bill only this morning. We have done our best to hand in notices of amendments, as early as possible. I quite agree that normally we should have handed in amendments within sufficient time. But, today, in view of the circumstances I have explained, we are entitled to some consideration also.

Mr. President (The Honourable Sir Abdur Rahim): The Chair quite understands the exceptional circumstances in this case. At the same time, at any rate a few copies of the amendments could have been handed into the office, so that they could have been circulated.

Mr. K. L. Gauba: Sir, I may, first of all, submit that this amendment was only put in by me after it was more or less discussed by various interests represented in this House.

Mr. F. E. James: No, no.

Mr. K. L. Gauba: No objection at all was raised at any rate by any Members. Far be it from me to inconvenience any Member of the House by not giving proper notice of amendments.

Mr. F. E. James: All I wanted to point out was that it was never discussed by us.

Mr. President (The Honourable Sir Abdur Rahim): Then, the Honourable Member Mr. Gauba ought not to make such a general statement that it was discussed by the various interests.

Mr. K. L. Gauba: I submit, Sir, this amendment is put before the House as a *via media*. If the House agrees to accept it, well and good.

An Honourable Member: The Honourable Member will first move his amendment.

Mr. K. L. Gauba: Sir, I beg to move:

"That in sub-clause (e) of clause 2 of the Bill, for all the words occurring in the fourth column of the proposed item 49 (f) (e), the figures and words '35 per cent *ad valorem*' be substituted, and, in the fifth column, the figures and words '25 per cent *ad valorem*' be inserted."

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"That in sub-clause (c) of clause 2 of the Bill, for all the words occurring in the fourth column of the proposed item 49 (1) (b), the figures and words '35 per cent *ad valorem*' be substituted, and, in the fifth column, the figures and words '25 per cent *ad valorem*' be inserted."

Sir, what the amendment really means is this. Under the present Act, there is a tariff duty of 35 per cent. on the fents of foreign origin and 25 per cent. on fents of British origin. The allegation is that the privilege of the lower duty on fents as compared to general piece-goods, on which the duty is 50 per cent. and 25 per cent., respectively, has been abused by those in the fent trade. To meet this evasion of duty, Government first sought a reduction in the yardage of fents, and by this change the length of a fent was reduced from nine yards to four yards. Further amendment of the law as to fents has, apparently, become necessary, and the proposals, now before us, reduce the yardage under which cut pieces may be imported as fents in certain cases, from four yards to two yards and also increases the *ad valorem* duty applicable to such goods. The amendment of the Select Committee is this: They recommend that the duty on fents should be the *ad valorem* rate of duty applicable to the fabric of which the fent is wholly or mainly made. Well Sir, the position as I saw it this morning in the House was this: on the one side the Government view—namely that the introduction or the importation of fents in this particular way of abusing the lower duty should be controlled; and, so far as my Honourable friends on the Congress Benches are concerned, their feeling is that the proposals of the Select Committee and the proposals of the Government amount to a substantial increase from 10 per cent. to 25 per cent. of the preference on British goods. In the amendment I have moved, I have suggested a *via media*. That is to say that the existing duties might continue, and, to prevent the introduction of non-genuine fents or pieces with larger yardage, a reduced yardage of 2½ yards per piece might apply. In these circumstances, I propose the amendments to item 49 (1) (a) and 49 (1) (b) which I hope the House will accept.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim), vacated the Chair which was then occupied by Mr. Deputy President (Mr. Akhil Chandra Datta).]

Sir, I submit that so far as the duty is concerned, the amendment continues the existing duty, and, so far as the yardage is concerned, it reduces it to 2½ yards on items in 49 (1) (b), and, thereby, obviates any future chance of fents being introduced into this country, which are not really genuine fents. With these words, I submit my amendments and I hope the various sections of the House will support it. I again apologize for any inconvenience I may have caused to Honourable Members, but I did not have the chance of putting in my amendments at an earlier stage. I trust Honourable Members will overlook this small consideration. Sir, I move.

Mr. Deputy President (Mr. Akhil Chandra Datta): Amendment moved:

"That in sub-clause (c) of clause 2 of the Bill, for all the words occurring in the fourth column of the proposed Item 49 (1) (a), the figures and words '35 per cent *ad valorem*' be substituted, and, in the fifth column, the figures and words '25 per cent *ad valorem*' be inserted."

Pandit Govind Ballabh Pant (Rohilkund and Kumaon Divisions; Non-Muhammadan Rural): Mr. Deputy President, in view of Mr. Gauba's amendment, it is no longer necessary for me to deal with this clause at any great length. I have had the opportunity of thrashing out the points that arose out of the original proposal in the Bill in the Select Committee and the view that I hold about the amendment made in the Select Committee will be clear from the Note of Dissent that I, along with some of my colleagues in the Select Committee, have appended to the report of the Select Committee. Sir, in the totality of circumstances as I stated in my Minute of Dissent, I would rather accept Mr. Gauba's amendment than prolong this controversy further. So far as we are concerned, though Mr. Gauba's amendment does not come up exactly to the point to which we would like, all the same, we will acquiesce in it and we do not mean to vote against it.

Sir, I think it is necessary for me to say a few words as to why we attach such importance to this question of differential rates of duty proposed for fenta in the Bill which still continue to form part of the amended clause in the Bill. As Honourable Members are aware, I am one of those who are prepared, as no better alternative is available at present, to support a policy of genuine protection for the development of industries in this country. But protection has its limitations and in this connection certain cardinal features have always to be borne in mind. Sir, I look upon protection as a method for building the economic life of the country, and I regard the sacrifice that the consumer undergoes by acceding to a policy of protection on a par with the contribution that is made out of the public exchequer in the cause of education or sanitation for building up the mind or the body. But in every case one has to be satisfied that the burdens that protection imposes on the consumer will ultimately prove reproductive, and that the community will get back by the success of the policy of protection the sacrifice that it has to make in the beginning for a limited number of years. If that test is not satisfied, it is not a policy of protection but of imposition of avoidable and gratuitous burdens on the consumer and the community at large. So, while a policy of protection is intelligible and has to be resorted to in certain circumstances, I am utterly at a loss to understand how we can reconcile ourselves to a policy of Imperial preference or of any sort of preference in favour of another country. I can assure Honourable Members, to the extent it is possible to do so, that I do not wittingly import political malice in the matter, although I must confess that I would not be deterred from considering it on its merits by any sense of political fear or political pusillanimity. I consider it purely on its merits. I am satisfied, Sir, that a differential scale of duty, under which a lower import duty is charged against the imports of one country and a higher import duty against similar goods imported from another country, recoils on the consumer without yielding any countervailing advantage to the industries of the importing country itself.

So far as I am able to set forth a principle, I believe, Sir, that the range of protection is determined to a large extent by the lower rate of duty, while the price level is similarly determined by the higher scale of duty. I need not develop the point further but I will just give an illustration. Let us assume that in respect of a particular commodity selling at Rs. 8 per maund, we give a preference to the United

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Kingdom as against Japan. If we impose a duty of Rs. 2 on goods that we import from Japan, the value of the imports from Japan is likely to go up to Rs. 5. Now, even if we do not impose any additional duty simultaneously on similar goods imported from the United Kingdom, the price level of such goods will nevertheless be influenced by the rise in the price of articles imported from Japan; and to that extent the consumer will have to pay a higher price for those articles. But it will not materially help the development of industries in our country as the lower scale of duty leviable on goods imported from the United Kingdom would determine the prices against which one may have to compete ultimately. Thus one is driven to the inevitable conclusion that differentiation and discrimination in the matter of import duties between any two foreign countries except by way of a bilateral agreement, when you get a *quid pro quo* for the concession that you make, entails a certain amount of onerous burden on the consumer, without assisting the growth of indigenous industries. That, I submit, is the reason why on principle we are opposed to the granting of preference to any one country against another. Unfortunately or fortunately it happens to be the United Kingdom in this case, but I would have stood on the same principle if it had been Timbuctoo or Tipperary instead. The fact that it happens to be the United Kingdom today is a sheer accident, but the principle as it stands is not in the least affected by that accident.

Sir, there are certain other matters that have to be borne in mind. We have been told that the imports of fents from Japan have gone up considerably during recent years. I am prepared to concede that there was an abrupt jump in the imports from Japan in the matter of fents during the two years 1933-34 and 1934-35. But so far as the figures for the last 11 months are concerned comparing like with like there had been a reduction to the tune of 9 lakhs of yards in the imports of fents from Japan. But there are other countries also concerned. The United States formerly in fact domineered the fent market in this country. In the year 1929-30 we imported no less than 239 lakhs of yards of fents from the United States, which during the last 11 months came down to about 50 lakhs; so from 239 lakhs the figure for the United States has come down to about 55 lakhs which was the total extent of the imports during the last 11 months. Then, Sir,—so far as the United Kingdom itself is concerned, there has been a considerable net increase in the fents imported from the United Kingdom during the last 5 years. The quantity imported in 1930-31 came to 25 lakhs of yards for fents of all classes, but during the year 1934-35, even after there had been a certain amount of shrinkage in that year, the quantity imported did not fall short of 92 lakhs. We are really importing now about four times the yardage of fents that we used to import from the United Kingdom four years ago.

There is another point which should also be borne in mind. The figures for 1930-31 cover fents of all types up to a length of nine yards, but the figures for 1934-35 relate to fents of four yards only. Thus fents of a length of not more than four yards alone that we imported from the United Kingdom in 1934-35 were about 400 per cent. of the fents of all classes and of all varieties up to nine yards that we imported in the year 1930-31. If there has been genuine reduction, then it has been so in the case of fents from the United States. The House will now see how preposterous was the original proposal of Government in the Bill? They

wanted to give a preference of 25 per cent. to the United Kingdom, raising the duty against others to 50 per cent. as against 25 per cent. retained in the case of the United Kingdom inspite of the large increase in its imports while they want to raise the duty from 35 to 50 per cent. in the case of United States in spite of enormous fall in the fents imported from United States which formerly used practically to dominate the fent market in India. Where is the equity of it, where is the justice of it? My Honourable friend the Commerce Member said that in these matters they examined the case of every individual country in the light of the circumstances governing that particular country. I do not know which standard guides his examination and his decisions, but it is unintelligible to a normal mind as to why the rates should be raised in the case of a country which had a large share in our fents formerly and which today occupies almost a negligible position and why they should be reduced in the case of a country which used to export only a small number of fents to our country till four years ago and is today supplying a much larger quantity. Neither the fairness of it nor the justice of it in any way looks satisfactory to a man who chooses to be guided by a standard of a reasonable type. Why does the Honourable the Commerce Member not confess that he is more or less in a helpless position, that he is subordinate to a Government which represents the people of the United Kingdom and that, situated as he is, much as he would like to be emancipated and to get out of those grips it is not within his competence and he cannot manage otherwise. Otherwise from what I have seen of him, I refuse to believe that he does not see the unfairness of the proposals made by him. Well, I did not hear the words that he was muttering, but if he does not

The Honourable Sir Muhammad Zafrullah Khan: I said that the Honourable Member appears to know my mind better than I do.

Pandit Govind Ballabh Pant: Perhaps I know his mind better than he does. I hope his mind will in course of time be trained into thinking as I am doing. I wish that this process may begin from this very afternoon.

Coming to the proposition again, I see no reason in these circumstances for any sort of differentiation in the matter of fents imported from the United Kingdom against similar imports from other countries. We have been told that there has been an increase in fents from Japan, but by far the major portion of that increase relates to fents of artificial silk and clause (a) relates to cotton fents alone. In these circumstances, there is no reason for raising the duty on foreign fents under clause (a) to 50 per cent. I will not pursue this matter further so far as the figures are concerned, but I cannot help reminding Honourable Members of the vote which this House recorded on the 30th March. There was an unequivocal denunciation of the Ottawa Agreement, and what did that mean? It meant this. I do not raise any point of order, but the natural meaning of it faces us all and it is clear: that even where there was a *quid pro quo* and we got a consideration from the United Kingdom for the preference that was guaranteed to the United Kingdom and that to the tune of ten per cent. duty, this House is not prepared to continue that preference further even in exchange for the advantage that it is enjoying in the United Kingdom. Much less can there be any justification after such

[Pandit Govind Ballabh Pant.]

an unequivocal denunciation of that principle by this House for the enlargement of that preference gratuitously without any consideration whatsoever. I think, Sir, to that extent nobody can argue that in the face of that vote and that decision it is today open to this House to enlarge the extent of preference that may have been granted to the United Kingdom in the pre-denunciation days. I think it must be obvious enough to the Honourable Members of this House. Last month we recorded our solemn decision that we were not prepared to give to the United Kingdom preference to the extent of even ten per cent., though we were ourselves getting preference from the United Kingdom in return for the preference of ten per cent. that we had been giving to the United Kingdom imports. But today the Honourable the Commerce Member has come forward with a curious and astounding proposal. He tells us virtually "Forget your Ottawa vote and grant a preference not of ten per cent., but of 25 per cent. in one case and of 20 per cent. in another, and find consolation in the assurance that I give you that you will get nothing in return for the enlargement of this preference." That is, obviously a preposterous suggestion. (*An Honourable Member*: "Hear, hear."): If ten per cent. preference even for consideration is not acceptable to the House, then twenty to twenty-five per cent. of gratuitous preference without anything whatsoever in return cannot possibly be acceptable to this House. I think even a schoolboy if not located in a particular asylum in Agra will be able to appreciate the force of this argument.

Sir Cowasji Jehangir: But why Agra?

Pandit Govind Ballabh Pant: I withdraw Agra, I think you have something like that in Bombay, so I will say Bombay.

Sir Cowasji Jehangir: I do not understand you.

Pandit Govind Ballabh Pant: So there could be no defence whatsoever for the proposal as it was originally placed before this House. I may also state here that it is doubtful—I will put it at "doubtful" only because I do not want to build any argument on that point at the present stage—whether the Ottawa Agreement in any way permits of any preference in the case of non-cotton goods. But I do not want to examine the terms of that Agreement meticulously today. It is no use, and it is certainly not chivalrous to give a kick to a dying creature that is gasping for breath. In the present circumstances Ottawa is no more than a corpse you are going to bury, so why should we be more cruel than is absolutely necessary? In this view of the matter I do not propose to examine the terms of the Ottawa Agreement. Sir, I am prepared to acquiesce in the proposal that has been put forward by Mr. Gauba. I have only one word to say on that. It is this. I am not on principle very much in favour of protection if I can induce the State to carry out a policy of vigorous industrialisation. But that not being available, protection has to be accepted. But let not the consumer be ground down between the two mill stones of protection on one side and Imperial preference on the other. These days whenever any suggestion is made for extending protection to any Indian commodity, the practice of the

Government is to meet that demand with a counter-proposal to the effect that the Government would be prepared to meet the Indian industrialist provided the latter agreed to facilitate things further for the United Kingdom! Thus the poor consumer is sought to be exploited by both countries simultaneously at one and the same time. This will not be tolerated by us and we here are determined to see to it that it shall not be so. That is the reason why we have laid emphasis on this matter today, though it was not of very great importance by itself considering the nature and the extent of the stuff that was involved on the present occasion: but on former occasions our countrymen here had generally succumbed to such a threat, and this had emboldened Government further. We on our part want to make it unequivocally clear that we will have protection of Indian industry on its merits and we know how to force the hands of the Government. We have enough of confidence in ourselves and if the Government will not yield and respond to our wishes, we know what to do. We do not consider ourselves helpless in any matter, whether political or economic; but we will not take anything for a mess of pottage, and we warn them that protection will have to be given to the Indian industry for its own sake and not in lieu of any concession made in favour of the United Kingdom. Then I will insist on this that whatever revenue is raised out of protection, it should be used to a certain extent at least—I do not say to the last pie for the promotion of industries in the country; and in the case of protective duty that is being levied on waste silk yarn, I wish and hope that part of the proceeds will be utilised for the assistance of the handloom weaver and the sericulturists in the village. I also hope that so far as fents are concerned, there will be an attempt to help textile industries in this country in such a way that they may soon be able to undersell fents that we import from abroad. Above all, I lay emphasis on this point, that there will be no Imperial preference now or hereafter, and in any case it will never be supported by us.

The Honourable Sir Muhammad Zafrullah Khan: On a point of order, Sir: I heard Mr. Gauba move both portions of his amendment, but I think you have put to the House only the first portion: I do not know what the exact position is: he has got two amendments, both to the same clause.

Mr. Deputy President (Mr. Akhil Chandra Datta): The impression of the Chair is that he has moved only one.

The Honourable Sir Muhammad Zafrullah Khan: No: he read out both.

Mr. K. L. Gauba: I moved both.

Mr. Deputy President (Mr. Akhil Chandra Datta): Both cannot be moved at the same time.

The Honourable Sir Muhammad Zafrullah Khan: They relate to the same clause.

Mr. Deputy President (Mr. Akhil Chandra Datta): That was the Chair's misconception, then. If really both were moved, then the Chair will now declare the second one moved.

[Mr. Deputy President.]

Amendment moved by Mr. Gauba along with the last amendment:

"That in sub-clause (c) of clause 2 of the Bill, for all the words occurring in the fourth column of the proposed Item 49 (1) (b), the figures and words '35 per cent *ad valorem*' be substituted and in the fifth column the figures and words '25 per cent *ad valorem*' be inserted."

The debate will now proceed on both the amendments.

Sir H. P. Mody: Sir, I desire to say a very few words, purely in order to define my attitude towards this amendment. During the last six years that I have been a Member, every time a Tariff Bill has been brought before this House, it has been suggested by some one or other that it has been the result of some unholy conspiracy or intrigue between me and the Government; my Honourable friend, Mr. Satyamurti, expressed some such idea when he stated in the House this morning that the Government were in my pocket and that I had only to go and buttonhole a Member of the Government in order to get what I wanted. If I were in that extremely happy position, then it would not be 50 per cent. duty that I would have on textiles, but something much more substantial and much more effective.....

Mr. S. Satyamurti: How much?

Sir H. P. Mody: Anything; 500 per cent. if you like! And I would see to it, besides, that anybody who tried to evade such a duty would receive very short shrift at my hands. No, Sir. It is not any intrigue or secret understanding between the Government and myself, but the sheer justice of my cause (Laughter) that is responsible for whatever little success I may have achieved in securing relief for the interests which I represent. My principle is to get what I can and to press for more. I gently tap at the door of Government. More often than not, the door is only opened an inch or two: I peep in and walk away and I come back after a little while and try to force the door a little more open, and it is because of this severely practical attitude of mine that I am supporting the amendment which has been placed before the House by my Honourable friend, Mr. Gauba. Half a loaf, as is well known, is better than none. There are some very high-souled people who would rather starve than have the half loaf, because taking the half loaf would probably go against some principle of theirs. I am not such a high-souled person, and I am prepared to take half a loaf I am prepared to take, as in this instance, even a quarter loaf.

Mr. M. S. Aney: Even crumbs. (Laughter.)

Sir H. P. Mody: Even crumbs: I am glad my Honourable friend has put these words in my mouth, because, if I were to analyse very strictly what this amendment means, it means merely crumbs for the interests which I represent. What do we get? Instead of a fifty per cent. duty against foreign countries—and I have in mind principally Japan—in respect of cotton fabrics, which form a considerable proportion of the fabrics which come into this country, the present scale of duties is retained, namely, 85 per cent., and the length of fabrics which has been fixed at

four yards under an arrangement arrived at at the time of the Indo-Japanese Agreement is maintained. In other words, I get no relief whatever in respect of cotton fents. In respect of silk and art silk fents, I get some relief, that is to say, in the direction of a reduction of the length which will be permitted. But the scale of duties which was proposed by the Bill and endorsed by the Select Committee I have not been able to obtain. My Honourable friend, Pandit Govind Ballabh Pant, talked of two mill-stones, the upper and the nether. Here is the Government on the one hand and the Congress Benches on the other, and, pressed between the two, what was I to do except to take what I could get; and that is the only reason why I am supporting this amendment. But, Sir, I am not going to give up the fight. Just as I have tried to persuade the Government, I may occasionally attempt the same methods with my friends on these Benches. After all, they are very reasonable creatures (Laughter from Congress Benches), and I am not going to assume that they will shut their eyes and ears to reason. I am going to show them that what they condemn, is not Imperial Preference. I am going to show them some day that a differentiation in duties is required not because of the interests of Great Britain, but because of the interests of the poor consumer which I have looked after with so much solicitude all these years. (Loud laughter.) That task, Sir, I propose to attempt very shortly, and the occasion will arise in the very near future, and I shall be able to convince my friends that if there is a differentiation in duties, it is not out of regard for the interests of Great Britain or of any other country, but because of the poor consumer. This is high economics or politics, however, and I don't want to detain the House with that. I merely thought it my duty, in view of the fact that this amendment does not by any means meet my point of view, to explain why I was accepting it. But, Sir, I repeat my intention of returning to the attack at a very early date.

Pandit Nilakantha Das: Sir, I merely want to get one or two doubts cleared, I find that this amendment means only a little change in the Tariff Act to the extent that it will bring down the maximum length to artificial from 4 to 2½ yards in case of fents of silk and artificial silk fabrics and their mixture and no other change is going to be made in the existing provisions. What I don't understand is this. Will this preference of 10 per cent. be considered to continue under the Ottawa Agreement, or from today it will be considered to be a new preference accepted by this House? Then again in the Ottawa agreement, so far as fents are concerned, only cotton fents have been mentioned. I don't understand whether fents mentioned in (b) and (c) is fents of silk, artificial silk and other textile materials are included in the Ottawa Agreement.....

Mr. Deputy President (Mr. Akhil Chandra Datta): Is the Honourable Member making a speech?

Pandit Nilakantha Das: I am merely asking a question so that I may decide my vote.

The Honourable Sir Muhammad Zafarullah Khan: I hope Mr. Gauha is in his seat to explain the implications of his amendment.

Pandit Nilakantha Das: I want to know, Sir, before I make up my mind, if this 10 per cent. preference will remain a part of the Ottawa Agreement, or it is intended to give fresh sanction to a 10 per cent. preference today which, even though the Ottawa preference will go after six months, will not go. In the latter case, it is a different situation. Then again, if the 10 per cent. preference is a mistake in the case of (b) and (c) and it is not included in the Ottawa preference, then the position comes to this, that even though the Ottawa preference goes, preferences in these items will still remain on the Statute Book. I want that these doubts should be removed before we can make up our minds to vote on this amendment.

Sir Cowasji Jehangir: Sir, as one deeply interested in the mill industry, I am certain, no side of the House will except me to wax eloquent on the amendment moved by Mr. Gauba which I am prepared to accept. It gives us practically nothing, and we accept it with our eyes open. We complained, so far as cotton fents were concerned, that they are being smuggled into this country to compete with our piecegoods, and we felt that the protection given to us was not having the desired effect. Government saw the reasonableness of our complaints and brought forward a Bill to give us further protection, by raising the duty from 35 per cent. to 50 per cent. Mr. Gauba's amendment wipes that out.

Again, with regard to artificial silk fents, we felt that the protection that was given to us was not effective, because these artificial silk fents came into the country in large quantities and affected the sales in our markets. The Bill provided for a 50 per cent. protection or a rise of from 35 per cent. to 50 per cent. That has been wiped out by this amendment of Mr. Gauba. All that we get, as my friend Sir Homi Mody said, is that the length of those fents has been reduced from 4 yards to 2½ yards. Now, Sir, that may be a very small advantage, but I trust that Government will see their way to make even this advantage really effective. Our competitors from Japan are known for their extraordinarily clever methods with which we are unable to compete, and I have a suspicion in my mind that it is possible they may get over this little obstacle that we are trying to place in their way of importing fents into this country. I only hope, Sir, that Government will make this 2½ yards restriction effective, and if it cannot be made effective, Government will come to our assistance, and my friends who sit on our right who are agreeing to the small assistance we are getting, will agree to a further amendment of the Act should the cleverness of our competitors in Japan make the small assistance we are getting ineffective. I have very grave doubts whether it is not possible to make this 2½ yards length restriction ineffective. If it is possible for them to do so, it is up to Government to see that the little assistance that they give us today is really to our advantage and is not frustrated by, may be legitimate methods, but methods which are possible of adoption. I don't think the mill industry has very much to thank, let me honestly and frankly say, this Honourable House for the amendment moved, which we are accepting and which is not giving us anything like what we expected from the Bill as moved by the Honourable Member.

Sir, circumstances sometimes force one into a position which one has to accept. That is exactly the position today. Due to very high politics into which I do not desire to enter today.

Mr. F. E. James: They are no politics.

Sir Cowasji Jehangir: We are being deprived of protection which Government desire to give us and which my friends on my right desire to agree to, but unfortunately we are deprived of this on account of very high politics which we may have to discuss at great length in this House on some other occasion. Under the circumstances, Mr. Deputy President, I feel sure that when we get back to Bombay, many of our constituents will turn round upon us and say that we were not able to effect very much. Well, we shall take that blame from them as we have taken blame, undeserved blame, from many quarters (Cries of "Oh, Oh!") But let the Honourable House realise, both Government and our friends on our right, that we are not satisfied with what we are getting today.

The Honourable Sir Muhammad Zafrullah Khan: Sir, at this stage, I will not attempt to meet all the theories that have been sought to be ventilated in connection with the question of protection and preferential tariffs by some Honourable Members. It is enough to say that I do not accept either the validity of those theories or some of the figures that have been quoted in support of them. With regard to the figures, I shall give only one instance. It was sought to be established by one Honourable Member that the United Kingdom did not have much of a trade in fents before and that it has developed a considerable trade in fents now, which it is maintaining. Let us look at the figures. In 1932-33 the United Kingdom exported to India 10,713,179 yards of cotton fents, in 1933-34 11,080,915 yards, in 1934-35 7,286,193 yards, and in the seven months April to October of 1935 3 million yards, which means that the total quantity for the completed year 1935-36 might be considerably less than the quantity for the previous year.

Pandit Govind Ballabh Pant: We have got figures for eleven months now. What were the figures for 1930-31?

The Honourable Sir Muhammad Zafrullah Khan: They were lower than those in 1932-33, those I have accepted.

Pandit Govind Ballabh Pant: Then where is the incorrect figure? You are giving certain figures which nobody questions, but there are certain figures given for previous year, you said they were much less.

The Honourable Sir Muhammad Zafrullah Khan: Let me amend what I said. I should have said that I did not admit the correctness of the conclusion sought to be drawn from the figures quoted. As regards Japan, the figures for the same period are 1,285,599 yards in 1932-33, 8,181,500 yards in 1933-34, 23,204,476 yards in 1934-35, and for the seven months April to October of 1935, 11,800,000 yards. There is no doubt that the United States' trade in cotton fents has gone down considerably, but during the current year it has shown a considerable revival. For 1934-35, for cotton fents, the figure was 5,277,468 yards, and for the seven months April to October of 1935 it was 3,100,000 yards. So that my point is . . .

Pandit Govind Ballabh Pant: But for eleven months the figure is much less than what it was last year. I can give you the figures. It was 58 lakhs last year and 55 lakhs this year.

The Honourable Sir Muhammad Zafrullah Khan: I am willing to accept that. The point that I was seeking to make was that whereas Japan has shown consistent progress, and more recently progress at a very accelerated pace, the United Kingdom trade in fents having increased up to 1982-83, had since consistently declined. I am not trying to build any theory on the basis of that, but I did want to correct the impression that may have been left upon the mind of Honourable Members from the figures that were quoted. As I have said, I shall not pursue these theories, I shall come to the actual amendment itself. On the material that Government have before them, Government feel that the amendment does not go far enough to check the tendencies which must be checked if the measure of protection that has been sought to be given to the textile industry is to be maintained. On the other hand, it does go some way to check the evil inasmuch as it seeks to reduce the permissible length of silk and artificial silk fents and fents of silk mixtures and artificial silk mixtures, from a length of 4 yards to 2½ yards. Government think that this will not prove effective, but let us hope that so far as that aspect of the question is concerned the Government view might be proved to be wrong. If it is proved to be wrong, no further action may be necessary, but, if, statistics continue to show that the evil continues, though let us hope it will continue at a very much lower level—then it may be necessary to come back to this House for some further measure in order to implement the protection that has been guaranteed to the textile industry. With these words, Sir, I am prepared to accept the motion that has been moved.

Pandit Nilakantha Das: What is the effect so far as the ten per cent. preference is concerned? How long will it last? Will it go with the Ottawa Agreement?

The Honourable Sir Muhammad Zafrullah Khan: I am not prepared to enter into a discussion of questions connected with the Ottawa Trade Agreement or the consequences that might flow from denunciation of the Agreement. May I suggest to Honourable Members that there will be opportunities of considering what has been the effect of the denunciation of the Ottawa Agreement and that this will not be the only question which will have to be considered. I far prefer not to give any reply to hypothetical questions at this stage.

Pandit Nilakantha Das: That is not my question. My question is whether this ten per cent. goes with Ottawa or not, or it is a separate measure of preference.

The Honourable Sir Muhammad Zafrullah Khan: After notice has been given and towards the end of the period of notice when the notice is about to become effective, it will be necessary to undertake a certain amount of legislation to give effect to the termination of the Ottawa Agreement, and I suggest that that will be the time for considering to what extent readjustments of tariffs can be made.

Pandit Nilakantha Das: There will not be a technical bar then for this being included in the Ottawa Scheme.

An Honourable Member: No, no.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair].

Mr. President (The Honourable Sir Abdur Rahim): The question is:

"That in sub-clause (c) of clause 2 of the Bill, for all the words occurring in the fourth column of the proposed Item 49 (I) (a), the figures and words '35 per cent *ad valorem*' be substituted, and, in the fifth column, the figures and words '25 per cent *ad valorem*' be inserted."

The motion was adopted.

Mr. President: (The Honourable Sir Abdur Rahim): The question is:

"That in sub-clause (c) of clause 2 of the Bill, for all the words occurring in the fourth column of the proposed Item 49 (I) (b), the figures and words '35 per cent *ad valorem*' be substituted, and, in the fifth column, the figures and words '25 per cent *ad valorem*' be inserted."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 23rd April, 1936.