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THE  
LEGISLATIVE ASSEMBLY DEBATES

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Volume V, 1936

THIRD SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY,  
1936



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# Legislative Assembly.

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**MR. M. S. ANEY, M.L.A.**

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# LEGISLATIVE ASSEMBLY.

*Friday, 27th March, 1936.*

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The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

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## MEMBERS SWORN.

Mr. Thomas Alexander Stewart, C.S.I., M.L.A., (Commerce Secretary); and

Mr. Noel James Roughton, C.I.E., M.L.A., (Central Provinces: Nominated Official):

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## SHORT NOTICE QUESTION AND ANSWER.

### ARTICLES OFFENSIVE TO MUSLIM SENTIMENT APPEARING IN JOURNALS AND MAGAZINES IN ENGLAND.

**Sir Muhammad Yakub:** (a) Are Government aware that certain articles offensive to the Muslim sentiment, appeared lately in certain journals and magazines in England, such as, those which appeared in the *Every Woman's Magazine* in May last year, in which was also published the picture of our Holy Prophet Muhammad (Peace be on Him)?

(b) Are Government aware that there is a great deal of resentment amongst the Mussalmans of India on account of the publication of such articles, and strong protests were made by the Mussalmans of Bombay and other places?

(c) Are Government aware that Mussalmans take great objection to the publication of the picture of their Holy Prophet?

(d) Will Government convey to the Secretary of State for India and the British Government the feelings of the Mussalmans of India and impress upon them the necessity of stopping the publications and pictures by bringing pressure upon the English Press and the Press Associations in England?

**The Honourable Sir Henry Craik:** (a), (b) and (c). Yes.

(d) The Secretary of State has already taken action in the matter, and, on the article being brought to his notice, wrote to the Editor of the paper in question drawing his attention to the objectionable features in it. He has further issued a circular to all British Editors through their professional Associations calling their attention to the offensiveness of such articles to Muslim feeling and warning them of the main points to be avoided when writing any articles on Islam. The Associations have conveyed this warning to their members.

MOTION RE APPOINTMENT OF A COMMITTEE TO EXAMINE  
THE WORKING OF THE OTTAWA TRADE AGREEMENT—  
*contd.*

**Mr. President** (The Honourable Sir Abdur Rahim): The House will now resume consideration of the motion moved by the Honourable Sir Muhammad Zafrullah Khan regarding Ottawa Trade Agreement.

**Mr. T. S. Avinashilingam Chettiar** (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, it is a matter of some regret to me that today I have to oppose my old Professor, Dr. John Matthai, by the very knowledge of economics which he has taught us. He told us amidst a great barricade of "ifs" and "buts" that he laid down certain principles by which the Ottawa Agreement could be reasonably judged. He said that the object of the Ottawa Agreement was nothing but diversion of trade in those difficult times, a trade which, when it was not responded to in other countries, could be reasonably diverted to Great Britain. We have absolutely no objection to the diversion of trade if it is really of good profit to India. Our whole complaint has been that where there has been some diversion of trade there has been greater loss in our trade with other countries. Secondly, he expressed his very great suspicion about figures. Honourable Members on the other side seem to blow hot and cold in the same breath. When it is to their advantage, they say, look at the Ottawa Pact, what advantages it has brought to us; but, on the other hand, when we point out the disadvantages due to the Ottawa Pact, they say, you must be very careful, there are other considerations to be taken into account. There are currency difficulties, the world is just now in a very bad state and so Ottawa ought not to be blamed. I cannot understand how they can adduce both the arguments at one and the same time. I would just say one word or two about my Honourable friend, Mr. Gauba. He, with a very great virtuous indignation said, "why burke an enquiry", and the answer to that is found in what one of our Front Benchers said that two and two make four, whether you have a Committee to go into that question or not. You do not want a Committee to prove that two and two make four.

Having said so much by way of introduction, let me come to the examination of the subject, namely, the Ottawa Pact. I shall not take the time of the House in examining the figures of each article over which preference has been given to us or given by us. My Honourable friend, Mr. Abdul Matin Chaudhury, has done that to some satisfactory extent. I shall try to confine myself to considering the effect of this Trade Agreement on our trade. First, I shall try to examine as to what exactly this preference to Great Britain given in the Pact has cost us. Secondly, it shall be my endeavour to examine somewhat as to how it has affected our foreign trade, both import and export, and, thirdly, I shall try to estimate how much we have been able to profit by the preference that has been given to us.

In these discussions, let me first make myself clear that I am dealing only with: so far as Great Britain is concerned. The Ottawa Pact presumes to give us some preference to the British colonies also. That portion of the trade being rather small, I have for the moment not taken it into consideration. Pages 178 to 189 of the Report on the Working of the Ottawa Scheme of Preferences, resulting from the Trade Agreement

concluded at Ottawa between the Government of India and His Majesty's Government which has been published by the Government of India and has been circulated to Honourable Members of the House, show the imports of articles in which the United Kingdom enjoys preference in this country. The amount of preference that each of these articles enjoy may be found in Appendix F of the Agreement. Now, we shall try to calculate the cost of giving this preference.

Preference is, in other words, protection to the articles of that country to which it is given against the competition of similar articles from other countries. Protection ordinarily means that, by the imposition of an import duty, the articles of our country are protected from competition of imports of articles of the same nature of other countries. But preference serves to discriminate the goods of one country over another and chooses to give a sort of protection to the goods of one country as against those of others. The Honourable the Finance Member, while replying to Sir Homi Mody in the recent budget discussions, laid down the way in which the cost of protection may be measured. He calculated the price which the consumer is paying for it now and the price for which he would get it without this duty and the difference, *i.e.*, the excess amount that he has to pay is the cost of protection that the consumer has to pay. The same thing happens in preference. If that is so, the preference that you give is the cost that you give for giving preference to a particular country. Judging from that standard, the total import of articles, under Schedule F imported from the United Kingdom, is 16,90,08 thousands. Of these, except about four items chiefly motor cars and connected things, all the rest get a preference of ten per cent. These latter things get 7½ per cent. preference and amount to 1,85.79 thousands. Thus, for articles costing 15,05,79 thousands we give a preference of ten per cent. and in these the cost of preference is 15.05.7 thousands. The cost of preference in these other articles is about 13 lakhs. That is the total cost of preference that the consumers in this country have to pay, that is roughly, not taking into account the prices, it is about one crore odd duty.

Now, Sir, it is not my purpose here to examine the amount that it might have cost us and compare it with the amount that it might have cost the United Kingdom, for the preference they have extended to our goods. Let us next see what this giving of preference to British goods has cost to our foreign trade. It was Sir Arthur Salter, one of the greatest economists of Europe, that said:

"The only true criterion of success, let us remember, for Ottawa, is whether or not it results in an increase of total volume of trade, imperial, internal and external together in the total mass of profitable interchanges. To change the direction without increasing the total of our trade is no success. To increase one section at the expense of greater loss direct or indirect elsewhere would be a failure".

This, the House will agree with me, is a very fair test by which the results of the Agreement in question may be tested.

I am sorry to note here that the author of the report on the working of the Trade Agreement has in his introductory remarks in that book suggested a somewhat misleading method of judging this matter. In page 2 he says:

"It must, however, be clearly understood that the effects of the preference in such a case can be judged truly only from the position of India in the United Kingdom market. If India has improved her relative position in the United Kingdom as disclosed by her percentage share in the total United Kingdom imports then, other things being equal, the preference must *prima facie* be deemed to be valuable".

[Mr. T. S. Avinashilingam Chettiar.]

This cannot be; and the effect of the Ottawa Trade Agreement should be judged on India's foreign trade as a whole. In this connection, I must say a word here about the propaganda done by Government through their publicity department. I have had the pleasure of going through all their press notes. I am sorry that the time at my disposal does not allow me to refer to them in detail. Many of my Honourable friends here will agree with me that they have been written on a partisan basis rather than furnishing material for a proper conclusion.

Now, let us look at a few figures regarding India's foreign trade. Page 123 of the Review of the Trade of India shows the total imports and exports of India. In 1931-32, *i.e.*, the year before Ottawa, the exports and imports were 161 and 126 crores, respectively, leaving a favourable balance of 35 crores. In 1934-35, the exports and imports are 155 crores and 132 crores, respectively, leaving a favourable balance of only 23 crores. Thus, considered as a whole, the favourable balance has deteriorated from 35 to 23 crores, *i.e.*, by 12 crores.

Now, let us consider the directions of our trade. Pages 128 and 129 of the same volume show the directions of our foreign trade. Table B shows the main countries whose goods are imported into India. As we look at this table the very first thing that strikes us is that the United Kingdom has improved her imports into India from 35.5 per cent. in 1931-32 to 40.6 per cent. in 1934-35. The other main countries who import goods into India are Germany, Japan, U. S. A., Belgium and Italy. Except Japan, all the other countries have suffered a set-back in their imports into India. Turning to Table C showing exports by India to other countries, we will see that our exports to the United Kingdom have improved, but we will also see that our exports to other countries have decreased, namely, Germany, U. S. A., France, China, Netherlands, etc. In effect if we are to consider our balance of trade with all these countries put together, our total balance of trade does not show a hopeful outlook. I am obliged to the Federation of Indian Chambers of Commerce and Industry for the following figures in page 15, which I think have been already referred to by other Honourable Members. I shall read only a few lines:

"The position in 1934-35 has changed materially and though her adverse balance with the United Kingdom diminished to 6.2 crores from 36.5 crores in 1929-30, her favourable balance with practically all the foreign countries got a set-back. Her dealings with Germany, which gave her once a favourable trade balance of 10.8 crores have in 1934-35 resulted in an adverse balance of 3.1 crores and so is the tale with every foreign country, particularly France and U. S. A.....India has now an adverse trade balance with Germany to the extent of three crores and substantially reduced favourable balances with the United States of America and France to the extent of 4.5 and 3.7 crores, respectively".

Now, Sir, I come to the much vexed and much disputed question of retaliation of other countries. We are obliged to the Government for the list of "Restrictive measures applied by various Governments against Imports since 1927". I have gone through this document somewhat carefully, and I find that, with the single exception of the Japanese prohibition on the import of rice except under license, all the other restrictions imposed by the various Governments in the years 1927 to 1930 were due to reasons of health and hygiene. In 1931, Turkey and Spain put some

restrictions on some articles of minor importance. It is in 1932 and after that year that restrictions against goods,—and we are concerned with Indian goods,—have grown in enormous volume. Germany, Japan, France, Belgium, Turkey, Persia, Italy and other countries have imposed restrictions on Indian goods.

We shall take a few of the important countries and see their relative position in their trade with India before and after Ottawa and see whether the Ottawa Agreement could have, in any way, contributed towards the framing of these restrictions against Indian goods. We shall take Germany, France, Belgium and Italy. The chief articles of imports of Germany into India are machinery, motor cars, liquors and artificial silk, in all of which Britain enjoys preference under the Ottawa Pact and so has been able to drive out Germany. The chief articles of imports into our country of France are motor cars and instruments in which also Britain enjoys a preference to the disadvantage of French goods. Belgium used to import machinery, instruments and chemicals, all of which have suffered owing to the preference given to British goods. Italy used to send motor cars, instruments and artificial silk, most of which have been affected by the preference given to Britain. In these circumstances, let Honourable Members think out for themselves what will be the most natural course of action for those countries. The palpable reason they give is to set right their balance of trade; certainly so, but this itself was caused by their being driven from the Indian market, which, therefore, is the final reason for these restrictions on Indian goods. In this connection I would like to quote just a little as to what you, Sir, in your dissenting minute to the report of the Committee appointed by this Assembly stated. After detailing the various restrictive measures taken by the foreign countries against imports, you say:

“These examples amply bear out the contention that if India is to export her products to foreign countries, she can do so only in exchange for commodities from those countries. It makes no difference in the result whether the motive actuating the action of foreign countries is retaliation pure and simple, or the adjustment of their trade balance. We strongly recommend to the Government and to the Legislature that if we are to retain our foreign markets, the question of trade agreements with countries like Germany, Italy and others should be seriously considered. Only the other day we entered into such an agreement with Japan with respect to cotton and cotton goods. The haphazard system of indefinite preferences such as those contained in the Ottawa Trade Agreement, is not going to help India; on the other hand, we feel convinced, it will if continued much longer, vitally injure our trade and industries and the country's finances”.

I shall touch upon another matter before I finish. Tea and linseed are two important articles of export which enjoy preference from Britain under the Ottawa Pact. My Honourable friend there has quoted from the official report as to how the International Trade Agreement and restriction on tea has virtually prevented this preference from coming into action. I shall draw the attention of the House to linseed. Much has been said about it. It has been pointed out and, if I may say so, very rightly, that the phenomenal rise in the exports of linseed to Britain in the year 1933-34 has been due to the failure of the crop in the Argentine. It has been said that linseed has been given a large preference in Britain. This is said by those who are not aware of the system of drawback working in London. Sir, I will quote an article in this matter from

[Mr. T. S. Avinashilingam Chettiar.]

the *Hindustan Times*. The Honourable the Commerce Member in answer to one of my questions has vouched for the correctness of the statements contained in this article: This statement is this:

“To many Indians not knowing the intricacies of the British tariff structure, the decision of the British House of Commons in approving an increase in the import duty on linseed oil from 70 shillings to 100 shillings per ton may come as a further proof of the Britisher's desire to offer preferential treatment to Indian linseed oil in the United Kingdom market, against imports from non-Empire countries. That the increase in the import duty is mainly required in the interests of the British crushing industry is evident from the remarks made by Dr. L. Burgin, Parliamentary Secretary to the Board of Trade.

It will be remembered that under the Ottawa Trade Agreement, a duty of 70 shillings on non-Empire linseed oil was levied and the Legislative Assembly, while ratifying the Trade Agreement, was not made aware of the existence of a system of drawback, under which goods manufactured in the United Kingdom from imported linseed oil on which a duty of 70 shillings was paid were allowed a drawback of 40 shillings per ton of linseed oil used in the manufacture thereof. This drawback of 40 shillings was further increased to 60 shillings per ton from November 22nd, 1934, during the currency of the Trade Agreement. Indian linseed oil, therefore, could not make any headway.

In the United Kingdom nearly 60 per cent. of the imported linseed oil is utilized in the manufacture of paints, enamel, varnishes, printers' inks and a number of allied products; it is also used in the manufacture of linoleum, ~~car~~ carpets, felt base, etc., etc.”

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more.

**Mr. T. S. Avinashilingam Chettiar**: No, Sir, five minutes. I began at 11-5.

**Mr. President** (The Honourable Sir Abdur Rahim): No, no.

**Mr. T. S. Avinashilingam Chettiar**:

“Even in case of imports of linseed from Argentine, a drawback of 18 shillings out of an import duty of 10 per cent. was allowed to British crushers, if the oil crushed from the Argentine linseed was utilized for the manufacture of the articles mentioned above. Both these drawbacks nullified the preference sought to be given to Indian linseed and linseed oil, under the Ottawa Trade Agreement”.

I have got to say one word more before I sit down. The Honourable Member, Seth Haji Abdoola Haroon, asked us yesterday not to reject the Agreement for political reasons. I would like to point out what has been already pointed out by so many Honourable Members, that not one Chamber of Commerce is in favour of prolonging this Agreement. It is not a few political agitators here and there who are crying against this Agreement; but not one Chamber of Commerce has said anything in its favour, and that I say is a very great argument in favour of the termination of the Ottawa Agreement. Sir, I support the amendment which has been moved by my Leader.

**Mr. A. H. Lloyd** (Government of India: Nominated Official): Sir, I do not propose, in the few remarks which I shall address to the House, to survey the whole field of the discussion, and in particular I shall leave those better qualified than myself to deal with what, after all, is

the essential point, namely, whether the Ottawa Agreement is or is not *prima facie* beneficial to the export trade of this country. But I have felt obliged to say something about one aspect of its effect upon the import trade of this country as a result of a certain argument which was used by Dr. Banerjea in his speech yesterday. I am sorry that the Honourable Member is not present here today, but I am afraid I shall have some hard things to say about him in his absence. Dr. Banerjea, among his arguments against the Ottawa Agreement, put forward the proposition that it had been detrimental to the finances of this country. He said that he had worked out that it meant a loss of approximately a crore of rupees in import duties. Now, most Members of this House, whether on the Official Benches or elsewhere, have had some experience of the practice of law—whether from the point of view of the bench or from the point of view of the bar—and all such will, I think, agree that there is an unfortunate tendency that is all too frequently met with for parties to judicial proceedings to weaken their cases, when they think that they are strengthening them, by producing false witnesses. I am going to attempt to show to the House that this particular argument put forward by Dr. Banerjea constitutes a witness that will not bear cross-examination. Dr. Banerjea based his calculation that there was a loss to British Indian revenues of one crore of rupees on the allegation that preference had been granted by maintaining the previous duty as the standard rate of duty and reducing the duty for preferential purposes by ten per cent. That is not the case. It is true that in the case of a certain number of items in the Ottawa Schedule which fell under the category of what we call for convenience luxury duties—on which the rates before 1932 were 50 per cent.—the Government of India put forward a proposal, which was accepted by this House, that the standard rate should continue to be 50 per cent. and the preferential rate 40 per cent. Apart from the fact that those particular items constitute only a small part of the Ottawa Schedule, I am in a position to say that it was deliberately with the object of avoiding a loss of revenue that that course was taken. Now my Honourable friend, in the career which I understand he has now given up, must have been familiar with the existence of a theory that is commonly called the law of diminishing returns. We had come to the conclusion, purely as a revenue proposition, that in the case of a number of "luxury" items a duty of 50 per cent. was too high for the safety of the revenue and that it was a very good thing that we had an opportunity of reducing that duty for this part of the trade, even though we retained it for the rest. I do not wish to say more about those particular items, because they are of relatively small importance. The great bulk of the articles which were covered by the Ottawa Schedule were liable to duty before the amendment at 25 per cent. *ad valorem*, and the great bulk of those were put in the new tariff with a rate of duty of 30 per cent. standard and 20 per cent. preferential. Now, it should be obvious to any one that there is no *prima facie* probability of that causing a serious loss of revenue or indeed any loss of revenue at all. If there is any swing over from foreign suppliers to British suppliers, it means that in those cases the Indian consumers had the opportunity of using an intrinsically more expensive article, in many cases a superior article, instead of a proportionately cheap foreign article, and, in many cases, an inferior article.

**Sir Gowaji Jehangir** (Bombay City: Non-Muhammadian Urban): But has it had any effect at all?

**Mr. A. H. Lloyd:** I think the Honourable Member has only to go to the market to see that there are more British goods than there were before 1932. There is no presumption, therefore, that there is any loss of revenue at all. So much for the change of the duty from 25 per cent. *ad valorem* to one of 30 per cent. standard and 20 per cent. preferential. What are the items in the 25 per cent. list of which it is true to say, as Dr. Banerjea was rash enough to say yesterday, that the preference was granted by a reduction by ten per cent. of the duty for British goods, while maintaining the duty at the same rate for foreign goods? The only ones I can find in the list are:

Asphalt, which is used in works of public utility;

Liquid gold and certain chemicals, used for glass-making, as a small contribution towards assistance to the glass industry; and

Cinematograph films (not exposed) that was done on purpose as a small contribution towards the demand for assistance to the Indian Cinematograph industry from the State.

There is another important class of goods where the preference is 7½ per cent. and where, again, the preference was granted wholly by a reduction of duty on British goods, but by maintaining the old rate as a standard rate for foreign goods. That is the class which comprises what I might compendiously describe as "Motor Vehicles". The former rates, in each case, were maintained for foreign goods, and the 7½ per cent. lower rates were imposed for British goods. In these cases again the Government of India had very definitely before them the interests of revenue in putting forward that proposition because they were satisfied that there was reason to believe that maintaining a high rate of duty was not in the best interests of revenue, and that it would certainly be detrimental to the revenue to give preference by increasing the duty on foreign goods by the whole amount of 7½ per cent. or by a share of it. In this case there were very important further considerations apart from the effect upon the returns of the import duty on motor vehicles themselves: we had to consider also the effect upon subsidiary revenue items, the most important ones of which are motor tyres and tubes and petrol. I submit that it was at least not to the detriment of the revenue that we proposed that the preference should be given in that particular way. . . .

**Dr. P. N. Banerjea** (Calcutta Suburbs: Non-Muhammadan Urban): What has been the effect?

**Mr. A. H. Lloyd:** The effect has been that the duty on motor cars which, in 1932-33, was Rs. 64 lakhs odd, rose to Rs. 1.02 lakhs odd in 1934-35. I do not say that is conclusive, but it is a very strong *prima facie* indication that we were not unwise in granting preference in that particular way. These are a few exceptions to the general rule that preference was granted by increasing the duty on foreign goods by part of the margin of preference and reducing the duty on the British goods by the rest of the margin of preference. Against them, I have to set equally important items, in which the preference was given by maintaining the former rate as the preferential rate and putting the whole margin

of preference on to the standard rate of duty. When that was done, it may be the case—I think perhaps Prof. Ranga would be entitled to suggest that we were toying with the danger of again hitting the law of diminishing returns; but it was done in those cases specially in the interests of various Indian industries, the most important case of which was that of woollen textiles. In that case, I think, I am right in saying, it was during the course of the sitting of the Select Committee which dealt with that Bill that certain interests strongly represented in Cawnpore urged upon Government that the former rate should be maintained as the preferential rate and the whole of the preference should be given by increasing the standard rate. In short, in the more easy-going atmosphere of the Select Committee, that particular industry secured a certain amount of the protection which they wanted, but which they were not prepared, at a later date, to ask for from the Indian Tariff Board by the production of regular evidence and submission to a regular enquiry. That is the most important item in which the preference was given in that particular way; but there were several others including vegetable oil, non-essential oils, toilet soaps, hosiery, haberdashery, etc., etc. I do not propose to go into these details at great length, because I think the fact that they are matters of detail is a strong argument in favour of relegating any enquiry on this subject to a committee and not attempt to come to formal conclusions in this Assembly. But I do submit with confidence that a *prima facie* case has been made out, which completely undermines the somewhat rash assertion of my friend from Calcutta that there must have been a loss of revenue because, in some cases, the duties were reduced. It is very difficult to draw an estimate of what would have been the trade in the absence of the Ottawa Agreement. It is impossible to make an exact calculation and the only way in which we found that anything can be done was when this matter was last raised in August, 1934; namely, the method illustrated in Appendix III to the report of the Committee appointed by this Assembly to examine and report on the working of the scheme. Now, that note divided the trade into three heads. . . .

**Mr. M. S. Aney** (Berar Representative): Am I right in understanding the Honourable Member that he maintains that there is no loss of revenue on account of the reduction of duty ?

**Mr. S. Satyamurti** (Madras City: Non-Muhammadan Urban): No loss of revenue whatever ?

**Mr. A. H. Lloyd**: What I maintain is that there is no evidence of any loss of revenue. I cannot be so positive as to say that there is no loss; that is incapable of proof. But I say there are *prima facie* grounds for saying there is no loss of revenue. If I may resume, that particular note which appears in appendix III to the report which I have quoted, divided the goods into three heads,—Tariff headings entirely affected by the Ottawa Trade Agreement, Tariff headings partially affected by the Ottawa Trade Agreement, and Tariff headings entirely unaffected by the Ottawa Agreement,—and that note showed that between 1932-33 and 1933-34 (that is, in a year nine months of which were under the old rates of duty and a year in which the new rates of duty were effective throughout) there had been an increase under head I of  $1\frac{1}{2}$  per cent., a decrease under head II of five per cent., and a decrease under head III of 23 per cent. Now,

[Mr. A. H. Lloyd.]

I recognise that the minority in the minute which they attach to that report questioned the validity of those conclusions largely on the ground that the headings under table II should show separately those items that were not affected by the Ottawa Agreement. We did not supply separate figures because such figures were not available as we did not keep our statistics before the Ottawa Agreement came into force in a form which exactly classified goods in accordance with a tariff which was not then in existence and which we could not foresee. That disability still remains, so far as the comparison between 1932-33 and any later year goes. But subject to that admission of that disability I do think it is fair to repeat the same sort of comparison: if we add the two tables together, tables I and II, we find that in 1932-33 they brought in Rs. 17,30 lakhs, while in 1934-35 the figure was Rs. 19,71 lakhs or a net gain of 14 per cent.: whereas table III, the head of items entirely unaffected by the preference, declined from Rs. 24,29 lakhs to Rs. 18,82 lakhs or a decline of 23 per cent. Table III, I admit, includes sugar which, because of the almost prohibitive character of the high protective duty, has had remarkably disturbing effects, but, even if we exclude sugar, we find that the items unaffected by the Ottawa Agreement declined from 17,45 lakhs to 15,02 lakhs, or a decline of 14 per cent. On the one side, the items wholly or partially affected by the Agreement show an increase of 14 per cent., on the other side items entirely unaffected show a decrease of 14 per cent. Sir, as I have said, for the reasons I have given, we cannot restrict our comparison strictly to goods in clause 2 which were affected by the Agreement, but we can do that as between 1933-34 and 1934-35, and I think that those figures are of value, because they show the continuance of a tendency which is illustrated in the other figures. For these later years, I am in a position to divide the items formerly described as "partially affected" between those which were affected and those which were not, and the figures are as follows. Adding together all the goods affected by the Ottawa preference, there has been a gain of 19 per cent. between 1933-34 and 1934-35, the actual figures being 11,29 lakhs and 13,47 lakhs. Adding together the items unaffected by the Ottawa Agreement, there has been a gain of four per cent. from 24,15 lakhs to 25,07 lakhs; or, if once again I exclude sugar from the items unaffected by the Agreement, there has been a gain of from 19,41 lakhs to 21,26 or a net gain of 12 per cent. only.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has only two minutes more.

**Mr. A. H. Lloyd:** I suggest that this does raise a strong presumption, at least, for the contention that the revenue has not been adversely affected by these changes. If I might, in the one minute that remains for me, just make one passing remark, it is with reference to what the speaker, who has just sat down, said about the effect upon the consumer. He said that the whole of the preference must have been a burden on the consumer. That, I think, presumes that the only effect of the preference has been to retain the volume of British trade at a figure at which it would have stood otherwise and put the margin of duty as a profit into the pockets of the British manufacturers. Surely, Sir, that is not the intention of the Agreement. The intention of the Agreement is to

allow the manufacturer to extend his markets, which he can only do by taking off a portion of the profits to reduce prices. I submit, therefore, on that ground it is fallacious to suggest that there is necessarily a burden on the consumer.

**Mr. F. E. James** (Madras: European): Sir, we are at some little disadvantage in connection with the discussion of this subject on the ground that the amendment, which has been tabled by my Honourable friend, Mr. Jinnah, was only available to Members of the House this morning, and up to this moment he has not enlightened this House as to the reasons which he has for moving this particular amendment. My friend, Mr. Jinnah, is, I suggest, not quite so considerate or courteous to the House as he usually is in this regard. It is difficult to discuss the three or four amendments when those Movers, with the exception of one, have already made their position clear to the House.

**Mr. M. A. Jinnah** (Bombay City: Muhammadan Urban): May I rise to make a personal explanation? I do admit that I gave notice of my amendment rather late, but I think the Honourable Member knows better than anybody else in this House that there were certain discussions going on, to which he was a party, and while those discussions were going on, I would not have been justified in tabling my amendment which I have sponsored now.

**Mr. F. E. James:** I am afraid I was not a party to any discussions which have been going on since the debate began, but I hope that my friend, Mr. Jinnah, will, at any rate, take the House very shortly into his confidence with regard to the real meaning of his own particular amendment. If he does not do so, then this debate will have a certain amount of unreality about it.

Now, my friend, the Honourable the Leader of the Opposition, suggested the other day that the European Chambers of Commerce had expressed no opinion on the Ottawa Agreement. That is not so. As a matter of fact, if he had listened to the views expressed here from time to time, he would have realised that when we speak from these Benches, we usually speak on behalf of the various commercial interests in our constituencies. Also, if he had taken the trouble to read from time to time the pronouncements on this subject made by the President of the Associated Chambers of Commerce and by various Presidents of European Chambers of Commerce, up and down the length of the country, he would have realised that we have expressed our views. I would say, Sir, that the general view of our Party and of those whom we represent, in regard to this Agreement has been most succinctly expressed by the President of the Upper India Chamber of Commerce, Sir Tracy Gavin Jones, in which he said: "I think that the Ottawa Agreement should be revised, certainly not terminated, as of no value".

**Dr. P. N. Banerjee:** Revision implies termination.

**Mr. F. E. James:** My friend suggests that revision implies termination. I understand his idea is first of all to terminate the Agreement, then examine it, and then revise. We prefer to examine it first, and then decide whether we are going to revise or terminate; but I shall come to that later. The quotation from Sir Tracy Gavin Jones went on to say:

"It is possible that without the ten per cent. preference India's export trade with the United Kingdom might have been still worse".

[Mr. F. E. James.]

I quite agree that we do not, as a rule, attempt to prejudice the issue on these matters, nor do we indulge in the publication of political pamphlets of somewhat doubtful economic value. Now, Sir, our own views in this Group are that, while in the past and possibly at Ottawa, exaggerated claims have been made on behalf of this Agreement, yet, Sir, India has certainly benefited, and there is no reason for any summary step to be taken in regard to termination. I am not going to weary the House with a large number of figures after the speech to which we have just listened, but I would remind the House that whereas in 1931-32 India's exports to all countries were 157 crores, the following year 133 crores and the following year 152 crores; in the same period India's exports to the United Kingdom rose from 42.88 crores to 48.07 crores. Over the whole period since Ottawa, the percentage increase of India's exports to the United Kingdom rose by 30.5 per cent. and to other countries by five per cent. We suggest, Sir, that that result is to an appreciable extent the result of the stabilising influence of this particular Agreement. Sir, we have been very careful to circulate to the Chambers of Commerce and trades and planting associations inquiries as to any specific commodities in which they are interested. We have received unanimous support for the principle of non-termination but revision. We have also received evidence for the suggestion that, in regard to certain commodities, those who are trading in those commodities have appreciably benefited; I may mention rice, teak, beans, and general produce, tanned leather, tea, woollen carpets and rugs, Indian cotton, paraffin wax, as well as a number of others. Yesterday, an Honourable friend from the Independent Party referred to the matter of coffee. I think he was misleading himself when he drew any analogy from the import figures into the United Kingdom. I represent interests which are greatly interested in coffee. We are not altogether satisfied with the present result of the Ottawa Agreement; but even on the present result, the effect of the Agreement is marked. It is necessary to take the consumption figures in the United Kingdom; and, although the total consumption of coffee in the United Kingdom has declined in the last four years by something like 6,000 tons, the consumption of Indian coffee has actually increased to the extent of 300 to 400 tons. In a falling market in regard to coffee India has more than held her own. The interests which my Honourable friend, Dr. DeSouza, and myself represent are at the present moment joining with the other Empire coffee producing countries in asking for an increased preference. (Interruption.) It frankly is not honest to say that no benefit has accrued as a result of the Ottawa Agreement. (Interruption.) I am quite prepared to admit that owing to various factors. . . .

**Dr. P. N. Banerjea:** Whom are you replying to?

**Mr. F. E. James:** I do not give way. May I ask for the courtesy which I gave to my Honourable friend yesterday?

**Dr. P. N. Banerjea:** Who said that there was no benefit?

**Mr. F. E. James:** It is quite true to say that in certain respects the results of the Ottawa Agreement are not as satisfactory as they might have been, due mainly to world causes, over which neither India nor the United Kingdom has a dominating influence. Industrial depression, the

rise, almost to its peak, of economic nationalism, monetary changes, exchange instability, price fluctuations, changes in the demand for and supply of individual commodities. We have to regard this Agreement not only from the point of view of the relationship between India and the United Kingdom, but also from the point of view of general world conditions. You cannot isolate the results of this Agreement from the other influences that are operating in the economic life of the world today. Then, it is not historically accurate to say, as has been suggested in this House, that the United Kingdom forced this Agreement upon India. Nothing is further from the truth, and those who know anything about the negotiations at Ottawa or who have even taken the trouble to read the report of the Indian Delegation at Ottawa cannot possibly make that statement. If that be the case, why, then, in the case of India was there a provision, which does not appear in any of the other agreements with the Dominions, for a six months' notice of termination at any time?

Now, Sir, I wish to say a word on the argument about retaliation. I would point out that a system of preferential tariffs has, in fact, been in operation within the Empire since the end of the 19th century and has never been challenged by any foreign country. I would also point out that French Colonial policy used preferences before the War and increased that policy during the years of the War. I would also remind the House that the nations which belong to the Scandinavian group used the preference system years before 1932. It is quite untrue to say that, because of the adoption of this system, therefore, other nations have been forced to take similar methods. This system of preferential Agreements adopted at Ottawa was the result of world forces, and not the cause of these forces. I would also point out in regard to measures for restriction on the part of foreign countries that India has never been singled out. Not only is India not singled out, but the British Empire is never singled out. Those measures, which are taken on the part of foreign countries to protect their exchange and trade position, are measures taken for economic and financial stability, and not measures of retaliation. The answer to that argument is best summed up in the words of *Indian Finance*, a paper which many of my Honourable friends read:

"Those who condemn the Ottawa Pact for retaliation on Indian imports in foreign markets are guilty either of ignorance or intellectual dishonesty".

I cannot conceive that intellectual dishonesty is the real reason. It is fair to ask those who are out for denunciation, what are their alternatives? The Congress Party have none. They are usually destructive, and in this case they have no definite alternative policy. I have waited in vain to hear some constructive suggestions from the other side as to what you should do after you have denounced the Agreement. My Honourable friend, Mr. Mathuradas Vissanji, talks about replacing this Agreement by another agreement based upon the principle of "perfect reciprocity". What does he mean by perfect reciprocity? How can you say, when you enter into negotiations for an agreement with another country, that such and such terms represent the basis of perfect reciprocity? I suggest that my Honourable friend does not know what he is talking about when he talks about perfect reciprocity in trade matters.

**Mr. Mathuradas Vissanji** (Indian Merchants' Chamber and Bureau: Indian Commerce): Better understood by yourself.

**Mr. F. E. James:** A further suggestion is that we should enter into bilateral trade agreements with other countries—I notice that in the amendment of my Honourable friend, the Leader of the Independent Party. He is prepared, of course, after denunciation,—that must come first, but he is prepared, after that has been done, to enquire into the possibility of examining the trend of the trade of India with various other important countries and the United Kingdom and investigate the possibility of entering into any such bilateral treaties, etc. Of course, the denunciation part must come first, otherwise we would not get the support of the Congress Party. . . .

**Mr. M. A. Jinnah:** I will get your support.

**Mr. F. E. James:** My Honourable friend is an adept in stealing Congress clothes. (Laughter.) But after that has been done, after walking into the parlour of denunciation, he will sit down and examine the various trends of trade and investigate the possibility of entering into bilateral trade agreements with other countries, so that, possibly the export trade of India, which in the meanwhile is probably going to ruin, may be expanded. My Honourable friend must know that bilateral agreement means an attempt to balance trade receipts between two countries. It is a well-known form of agreement. As a matter of fact, 72 per cent. of the merchandise trade of 22 countries in the world is of a bilateral type. But what happens? Bilateralism as a policy has contributed more to the recent fall in the value of world trade than almost anything else, and I suggest that it is an extremely dangerous policy for my Honourable friend, Mr. Jinnah, to commend to a debtor country like India. I am quite prepared to be asked, and, in fact, it is only fair that I should be asked, what is your alternative? Though we do not believe in bilateral agreements, here I may say quite frankly that I am prepared to sit down with Mr. Jinnah and examine that. Our alternative is the alternative of revision, revision of the Agreement. A note which I have received from the Upper India Chamber of Commerce refers to the Report of the Committee of the Federation of Indian Chambers and suggests that it has made out a good case for a revision of the preferences allowed by Great Britain to raw products from India. I myself formed the impression when I read that Report, that it was leading up to a plea for revision; but, unfortunately, the past history of the Federation made them insist upon denunciation. Now, Sir, on what lines might revision follow? First of all, in regard to export items. Here are some suggestions . . . .

**Prof. N. G. Ranga** (Guntur *cum* Nellore: Non-Muhammadan Rural): Tea and coffee?

**Mr. F. E. James:** Certainly I want an increased preference on coffee. So do my Honourable friend's countrymen in South India. 12 Noon. Secondly, the question of the drawback in the United Kingdom on manufactured products containing linseed oil requires examination. Then it would be a good thing if we can examine the question of the specific duty by weight on cigars; if we could obtain a duty on foreign fats, oils and oil seeds; if we could obtain a duty on non-Empire cotton seed; if we could secure the removal of Russian hemp from the free list in the United Kingdom; and if we can examine a more definite footing for Indian raw cotton sent to the United Kingdom from this country.

There may be many other things that occur to Honourable Members also. So far as the import items are concerned in Schedule F, an examination of that schedule is necessary with a view first of all to the necessity of safeguarding the position of Indian industries and secondly with a view to obtaining freedom of action in regard to trade with other countries in certain of those commodities. I would call the attention of the House to a very important interview which was given on this very subject by Mr. Nalini Ranjan Sarkar in which he pleaded, not for denunciation but for revision of the Agreement and for revision somewhat along these lines. As far as we are concerned in that matter, we are in agreement with him. The third point is that there should be close consultation with representatives of commerce and industry in this country either before or during the actual course of the negotiations. I suggest that that is a constructive line of approach to this question, which is not present in the Resolution of the Honourable the Leader of the Opposition. What are likely to be the effects of the denunciation? First of all, it would single out India from the rest of the Dominions who are at present and have for some time been talking not of termination but of revision of their Agreements. Secondly, denunciation plays straight into the hands of the British manufacturers. Let me, Sir, read from a report of a Committee of the Association of British Chambers of Commerce on the Ottawa Agreement. It is perhaps one of the biggest commercial bodies in the United Kingdom. It corresponds to the Associated Chambers of Commerce in India. This report has been adopted by the Executive Council of that body. After giving certain statistics, the Committee goes on to say:

"The statistics include in some instances considerable increases in the imports into this country of manufactured goods from particular Dominions. (*When they use the word 'Dominion', they include India all along.*) The provisions in the Ottawa Agreements granting free entry into this country to Dominion products have proved exceedingly beneficial to the Dominions. As a result of this concession, goods similar in character, made from the same raw materials, are treated differently by the United Kingdom Government and the Governments of the Dominions; when exported from this country to a Dominion, such goods are required to pay duties while they enter this country free when produced in the Dominion. In view of this apparent anomaly, the Committee recommend that the Government be asked to consider the effect of such imports of manufactured goods upon industries in the United Kingdom".

Sir, the effect of denunciation of this Agreement, without further consideration, will strengthen the hands of the British manufacturers who are already agitating for a removal of the special preferences given to certain Indian manufactured products in the United Kingdom.

**An Honourable Member:** Have you any objection to hand us a copy of that?

**Mr. F. E. James:** I will also refer to another illustration which only occurred this month. In the *Times*, the other day, there was published a report of a Company, called Crossley and Co., at Leeds, in which the Chairman of the Company pointed out that, during the past five years, the imports of Indian carpets into the United Kingdom had increased by over a million square yards, and he recorded with great pleasure that, in the last year under review, there had been a very slight diminution in that increase. Do my Honourable friends really think that if they are going to denounce summarily this Agreement, they are not going to play

[Mr. F. E. James.]

into the hands of those who are up against the imports into the United Kingdom of Indian manufactured goods? I may say, Sir, from my knowledge of my own country, that once these preferences or that free entry are lost, as far as our manufactured goods are concerned, they will never be obtained again in the United Kingdom. Then there is a further point which has not been touched upon in this House but which I believe it to be perhaps the most important point of all, and that is the effect which will be created by denunciation of the Agreement at the hands of this House upon those who will shortly be coming to this country to negotiate a further Indo-Japanese agreement. Everybody in this House knows perfectly well that as far as the Ottawa Agreement is concerned, Great Britain is not likely to be in a position to negotiate for a new agreement until 1937. Therefore, the news that this country has denounced the existing Agreement will be received, I have no doubt, with the greatest delight by our Japanese friends. The result will be that India will, to some extent, be isolated during the time of these negotiations and will be without the friendly backing of the United Kingdom which is so important, and which was available at the time of the last negotiations with Japan. One can almost hear the Japanese industrialists sharpening their knives in preparation for the scalping of the Indian industrialists. Then the fourth effect of the denunciation of the Agreement is that it will strengthen the position of the Dominions *vis-a-vis* the United Kingdom at our expense. That has already been touched upon by a previous speaker, and I will not, therefore, go into details on that matter. The final point, which has already been made by Seth Haji Abdoola Haroon, is that denunciation will undoubtedly unsettle trade and commerce. That is the evidence we have received from practically every Chamber of Commerce throughout the country. Now, Sir, I would like to ask my Honourable friends on the other side, 'Why denounce?' What is the real point about denunciation? I would like my Honourable friend, Mr. Jinnah, to explain to me why it is that he is so anxious to terminate the Agreement without delay, before even inquiring into other alternatives? What is the real point? Has the United Kingdom said that she would not negotiate? Has she shown any unwillingness to meet Indian demands? Why, on two occasions during the last 18 months, the United Kingdom has taken action to increase the effect of the preferences in regard to rice and one other commodity which finds its way into the United Kingdom market. This does not show on the United Kingdom side that there is any disinclination to negotiate with this country. What is the real reason? I will tell the House what the reason is. The Congress motion is a clenched fist, and the object is the face of Great Britain. Make no mistake about that attitude. Remember the history of this question. When the Ottawa Conference was originally called, the Federation of Indian Chambers boycotted it and refused to send any representations to the Government of India in regard to any negotiations which might take place in Ottawa.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): They were not asked. That statement is wrong.

**Mr. F. E. James:** Then, my Honourable friends may remind themselves of the speeches which some of them delivered during the last election on this Ottawa question. The merits of the question were not discussed. It represented to them something in the realm of Imperialism

which must be smashed at whatever cost to the country's trade. Then, we have the present boycott of the proposed Committee by the Congress Party. It has always been the principle followed by the Congress Party, that although they may not necessarily agree with a particular piece of legislation and reserve to themselves the freedom to fight it, yet when it comes to the committee stage, they would propose names to Government in case the Select Committee stage was carried. What have they done on this occasion? They have refused even to give names. They won't have any inquiry. They must straightaway denounce. Why? Because they dare not have an enquiry. They know that the result of the inquiry would be to prove that there is absolutely no justification for this termination. It is true that I have not had the advantage of hearing Mr. Jinnah: yet, and, in a way, I am speaking without having heard the star speaker on the Congress side. But my Honourable friends on that side have so far advanced no arguments against an inquiry by a Committee. They have not even dealt with that problem at all; they have advanced no argument against the policy we have laid down, that we should seek revision and not denunciation: and I would appeal to the House not to commit itself to a summary rejection. That is what my Honourable friend Mr. Jinnah's motion means; that is what the Congress motion means, and I have a shrewd suspicion that Mr. Jinnah's motion will come before the House with Congress support. The only difference in the amendments is that the Congress are not even willing, after denunciation, to inquire into anything; whereas, Mr. Jinnah is much more reasonable. (Hear, hear.) My Honourable friend is perfectly prepared, after denunciation, to sit down and inquire. Whereas, my Honourable friends opposite want to sink the ship: Mr. Jinnah, while he also wants to sink the ship, wants to keep for himself the lifebuoy on which he will be found sitting in the middle of the ocean. (Laughter.) I would ask this House—is it wise, when there is such desperate competition in the world to secure what is left of international trade, to throw away the one great market in the world where Indian goods, instead of being restricted and cut down, are actually welcomed and encouraged? Sir, I suggest that, to do so would not be wise statesmanship, would not be good politics, would not even be clever tactics, but, on the contrary, would be incredible folly. (Loud Applause.)

**Mr. S. Satyamurti:** Mr. President, after hearing my Honourable friend from Madras, the Honourable the Commerce Member may well exclaim: "Save me from my friends!" Yesterday morning, he was all sweetness; he only wanted the help of a Committee to examine the whole question, and he therefore, invited us to co-operate with them. But here there is fire and thunder. My Honourable friend has made up his mind,—and he is a member of the proposed Committee! He says, those who talk about denunciation do not know what they are talking about, and if the Honourable the Leader of the Independent Party agrees with us, it is not because of intellectual conviction or of patriotic fervour, but mainly on account of a desire to steal other people's clothes! And he ended up by holding up a threat: "the United Kingdom will not give us these preferences"! Sir, I know his countrymen a little better, and I suggest that those gentlemen will do business with any body of persons for the sake of thrupence, and if there is anything to be got out of this country, the mere fact of denunciation won't prevent them from falling at my feet, in order to get this thrupence. Sir, to talk of Britain withdrawing any of these preferences

[Mr. S. Satyamurti.]

after our denunciation of the Agreement is talking through his hat, although he does not wear it just now. Sir, my Honourable friend referred to the last elections. I am glad he did. Sir, to the extent to which the electorate gave any verdict on Ottawa, it gave a decisive verdict in the commerce constituency of Madras where the valiant Knight of Ottawa was sent to take his rest in Cochin by my Honourable and esteemed friend, Mr. Sami Vencatachelam Chetty. (Hear, hear.) Therefore it seems to me that to talk of public opinion being behind the Ottawa Pact is talking nonsense. Sir, my Honourable friend referred to the history of this Agreement. I am glad he did. In the Council of State, Sir, in 1932 it was stated:

"The question to be considered is not merely whether the United Kingdom and India should enter into a mutually preferential trade agreement. The question is whether, knowing as we do that the United Kingdom has already entered into preliminary tariff arrangements with the Colonies and Dominions, we can possibly afford to stand outside that circle, and allow our goods to be subjected to duties which in some cases will be very heavy duties in the great United Kingdom, and in the lesser, though still important markets of the non-self-governing Dominions and protectorates, where the goods of our competitors are admitted free of duty".

Sir, we have been told that public opinion boycotted the first Ottawa inquiry. Sir, you brought out one fact—I am not quoting your opinion now—I want just to bring out a fact which you mentioned. The Indian Delegation, when it went to Ottawa, did not take with it a list of the goods on which Indian commercial opinion wanted preference, as all the Dominion representatives did. The Government of India prepared a list over the head of Indian public opinion. I challenge them, Sir, to deny it. Every Dominion had over a dozen merchants or traders who prepared its list. When my friends went to Ottawa, the Government of India prepared the list for this country, and you, Sir, stated that on the floor of this House and Sir Joseph Bhore did not deny it. The Assembly Committee later went into the report of the Delegation, but you, Sir, pointed out in the minority report of the Assembly Committee that the Committee had no time to look into the Import Schedule. They said:

"We have examined the Export Schedule, but not the Import Schedule, which is the most important thing."

That is the work of my friends on that Committee; that is what they say, viz., they had no time to examine it.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): We did examine it.

**Mr. S. Satyamurti**: But they admit that:

"They had no sufficient time to examine fully that part of the Agreement which deals with preferences on imports into India, yet this is at least as important a part of the Agreement as the preferences on our exports, and one which was causing a great uneasiness in commercial and industrial circles, as well as amongst the general public throughout the country."

I think, Sir, that was not denied in the House on that occasion,—and here my Honourable friend says, "we did examine it",—in his usual way!

**Dr. Ziauddin Ahmad**: On a point of personal explanation, Sir. If my friend will read the report on page 18, he will see that all these items are given.

**Mr. S. Satyamurti:** That is no explanation. No doubt, the items may be printed, but a man may read the items, but may yet never examine them. My Honourable friend's contention is no contention. The minority of the Assembly Committee recommended a certain action to be taken. The Government have done nothing. You recommended a re-examination of the Trade Agreement. For the last three years, what did they do? Here my friend comes and tells me, "England is prepared to negotiate, why not negotiate?" Every Tom, Dick and Harry has come forward and says: "His Majesty's Government wants to negotiate with us"! I want to know whether His Majesty's Government really wants to negotiate with us, as my friend, Mr. James, says they are. What arrogance on the part of any Honourable Member to steal other people clothes! Then, Sir, you raised another important point in your minute of dissent, with regard to the price levels of Indian produce. I want to put it to you, Sir, that whenever we talk about this Trade Agreement, tears gush forth from the Treasury Benches for the unfortunate primary producer. They are all anxious, with their capacious minds, to protect the primary producer from the cataclysmic fall in prices. What have they done to try and raise those prices? Sir, Sir George Schuster, now a *pariah* in the Treasury Benches of the Government of India, said at that Conference:

"We need, above everything else, a substantial and early rise in prices."

Have you done anything for that? And yet you sit over there, and shout: "Ottawa must be renewed"! Sir, the extremely low level of the prices of Indian commodities is as definite a proof as one can desire if the fact that such an Agreement as the Ottawa Trade Agreement cannot help, and has not in the least been able to help India, towards an economic recovery.

Then, my Honourable friend, Mr. Lloyd, told us, with an air of papal authority, that there has been no loss in customs revenue! I make the allegation that we have lost three crores in 1933-34, and four crores in 1934-35, in Customs Revenue. Will he undertake to place all the relevant figures before an Expert Committee? I will take its verdict. Will he do so, instead of airily talking here?

**Mr. A. H. Lloyd:** I undertake to place all the relevant statements before the Committee.

**Mr. S. Satyamurti:** I will accept their verdict.

**An Honourable Member:** He says he will place the relevant papers before the Committee proposed by the Honourable the Commerce Member.

**Mr. S. Satyamurti:** I am not referring to that Committee which has already made up its mind against denunciation of this Pact. I want the papers to be placed before an efficient and honest Committee of experts, which would go into the whole question fairly and squarely. Now, Sir, I do suggest that we have lost all that money.

In the minority report, which you, Sir, brought out in 1934, there was another fact. What is that fact? I am glad to see my Honourable friend, Sir Frank Noyce, sitting there. What is the effect on the small industries of the country by these 163 kinds of preferences? My Honourable friend, then humble Mr. Mody, now Sir Homi Mody, then anti-Ottawaite, now

[Mr. S. Satyamurti.]

pro-Ottawaite, in a very brilliant speech, which I have read and re-read carefully, pointed out that there were many industries in this country which were likely to be affected by these preferences given to all these various articles. I will name only a few of them: soap, toilet requisites, woollen manufactures, toys, etc. I am sorry to see that my Honourable friend, the Finance Member, is not here. Every time any Honourable Member on this side talks of protection, his heart expands towards the poor consumers and he wants to destroy protection. I wish to give an effective answer to that. My suggestion is that the future of this country depends not merely on a few large industries, but on the development of a large number of small cottage industries. (Hear, hear.) It is only on the lines of the progress of these small cottage industries that we can bring more money to the agriculturist, and fight foreign competition on more equal terms, without giving constant preferences to my Honourable friend, Sir Homi Mody, and his friends.

Then, Sir, I want to know whether Government have examined the results of these preferences on the prices of articles, in the interests of the consumer. This kind of Imperial Preference is the ugliest feature of so-called protection. Either this Government is free trade, or protection, or discriminating protection, but discrimination in the case of this country has meant continual Imperial Preference, whatever the cost may be.

My Honourable friend, Mr. James, made great play of the word "termination". He is far too clever in not noticing it, but he was interested in not mentioning it, and I am interested in mentioning it. Neither my Honourable friend, Mr. Jinnah's motion nor the motion of my Honourable friend, Mr. Bhulabhai Desai, contemplates termination. Let me repeat for the 'nth' time that their motion simply means notice of termination which has to follow. There are six months, Mr. President, between now and the actual termination of the Agreement. Why should not my Honourable friend, Mr. James, as the self-decked representative of His Majesty's Government, use the wireless, and tell the Prime Minister, Mr. Stanley Baldwin, in England: "I am your representative here. They talk of denunciation. Please authorise me to negotiate on behalf of His Majesty's Government"? If he gets such an authority, I will negotiate with him. Therefore, it seems to me to put before the House the bogey of denunciation of the Pact, and no renewal of the Pact is not honest. The alternative placed before the House by the two motions I just referred to now is this, denounce the Agreement, give notice of the denunciation, let Great Britain get into a negotiating mood, let us then sit down and get the commercial opinion in the country on our side, and then let us say, what we want, give what we can afford to give for the benefit that we can get from the United Kingdom. My Honourable friend, Mr. Jinnah has given notice of that exact amendment.

Now, Sir, my Honourable friend talked of an open mind. I want to ask him why are these experts here? Have they all got open minds? If, after all these inquiries, they have got an open mind, then God help those experts! I submit it is pulling our leg, putting up these experts against us, and at the same time saying, "we have an open mind". If these experts have open minds, then they should be doing their work in their respective offices. Why should they come and waste their time here? I suggest, Mr. President, that Government want to have the best of both

the worlds. To get votes, they say they have an open mind, but to confound us, they bring these experts. The charge laid by my Honourable friends, Mr. James and Mr. Gauba, that we shirk an enquiry is certainly not fair. We are not in favour of an enquiry, because we have had enquiries galore. We have got all the information we want. We have gone into the matter carefully and thoroughly, and we are convinced that denunciation of the Agreement, giving notice of the termination, and then starting, if the Government are so advised, fresh negotiations for further bilateral trade agreements with all countries of the world, including Great Britain, is in the interests of India. I say that such a position is perfectly consistent with the higher interests of India. What is wrong with that position? I should like to say here and now that we do not shirk any relevant and necessary enquiry. We refused to give names for the Select Committee not out of want of courtesy, but out of a mere feeling that there is nothing to enquire.

Sir Joseph Bhowe in his speech, in this House, four years ago, in favour of this Agreement, said that the real test of the Agreement is the net increase of our trade. My Honourable friend, Dr. Matthai, who was also my tutor at the College many years ago . . . .

**An Honourable Member:** Was he also your tutor?

**Mr. S. Satyamurti:** And that is why I am talking sense. My Honourable friend, if he were talking in my position, would talk the same sense. I suggest that all this talk of diversion of trade being irrelevant is a thing which we cannot take seriously. India has got only one thing to count in this Agreement, and that is whether she gets any net increase in trade. My submission to the House is that India does not get net increase in her trade. We are paying heavily for these so-called benefits of the Ottawa Agreement. Sir, exports have increased from 136 crores in 1932-33 to 154 crores in 1934-35, imports have remained practically the same at 132 crores, but the balance of trade which in 1933-34 was 34 crores has now fallen to 22 crores and for seven months in this year it remained at 13 crores. Can anybody deny that this is a very serious state of affairs? Not very long ago, in 1913-14, our balance of trade was as high as 66 crores, but today it has fallen to a third of it, with the help of this Ottawa Agreement. It seems to me that the statement of my Honourable friend, Mr. Matthai, published in his Volume about the results of the working of the Ottawa Agreement is not correct:

"If India has improved her relative position in the United Kingdom as disclosed by her percentage share in the total United Kingdom imports then, other things being equal, the preference must *prima facie* be deemed to be valuable. Whether India's other customers have taken relatively more from her than the United Kingdom is not quite relevant to the issue".

Perhaps not to a lawyer, but to a patriot, to a merchant that is the most relevant consideration. It is true that Great Britain's share of our import trade increased from 40 per cent. in 1932-33, to 46 per cent. in 1933-34, but fell to 44 per cent. in 1934-35. But, India gains no advantage from the preference to Great Britain; Great Britain, on the other hand, has gained great advantages, for the British imports would have been very badly affected but for these preferences.

[Mr. S. Satyamurti.]

If the only consideration is India's trade, I suggest that the figures about the balance of trade which I have given are conclusive proof against this Agreement being beneficial to India. My Honourable friend, Sir Muhammad Zafrullah Khan, referred to India's export trade in preference articles to United Kingdom being 41 crores and imports only 17 crores. But, on this matter, I would invite his attention to the staggering figures given at page 344 of Dr. Matthai's report. He will notice that the exports, from India to the United Kingdom, of articles enjoying preference has gone up from 36 crores 48 lakhs to 36 crores 71 lakhs, that is 23 lakhs more, but to other countries it has fallen to the extent of 5½ crores and the net result is we have lost to that extent—taking other countries—and of the imports they have gained to the extent of nearly two crores. Therefore, taking the balance, it seems to me that we have lost on the whole. Keeping these figures in mind, my Honourable friend, the Commerce Member, gave up the major key of net advantage to export trade, but merely struck the minor key yesterday of negative advantages, such as insurance against positive loss, etc. And he mentioned various articles. I do not want to go into these detailed facts of exports to various countries, but it does seem to me, Sir, that, so far as the various articles are concerned, I will simply run through them very quickly and point out that in the case of wheat, this preference is not necessary. In the case of rice, there is a slight improvement, but a decrease of percentage share. In the case of oils, except linseed, preference useless. In the case of linseed, the matter has been thoroughly argued about the bad effects of drawbacks. In tea, there is no important change but the United Kingdom's share from India was much less than last year. In coir yarn, coir mats, and tanned hides there is no scope for the substitution of Indian for foreign produce. Raw cotton comes in a separate category altogether. The general position in 1934-35 was very much what it was in the preceding year. The percentage of share into Great Britain of export trade and import trade fell to .6 and .7, respectively. Taking the imports into the United Kingdom of articles enjoying preference, India's share continued to be the same while that of other countries increased, thus showing that India did not gain. The position in 1934-35 was worse than in the year 1933-34. Dr. Matthai said that, if there was reasonable success within the limits of the Agreement, there was no cause for the denunciation. I do not agree. I am not here as an advocate of the Agreement, I am here as an advocate of my country. Therefore, I want to judge whether the Agreement has on the whole worked for the benefit of the country. My friend deprecated statistics. We know there are white lies, black lies and statistical lies. My friend quoted Omar Khayyam the other day. I shall also quote him:

“Myself in doubt did eagerly frequent,  
Mody and Matthai and heard great argument,  
Theories galore, and evermore,  
Came out by the same door, as in I went.”

I suggest, Sir, that we must take this fact that preference on Indian goods has been given by Great Britain only to the extent of four to five per cent. of all her imports, whereas the preference we have given to British goods is 40 per cent. of our imports. I suggest, Sir, that the sacrifice is too great, and is wholly unequal. Dr. Matthai said that you

cannot isolate one influence and attribute results to it. What about Ottawa then? I, therefore, suggest that, if the object of preference is increase of trade, this Ottawa Pact has not benefited us. On the other hand, it has brought in its trail Imperial Preference again and again. And, although we recognise that the poverty of our millions is so great that we will support the addition of one pice to the average income of the Indian agriculturist, even if it means stomaching our political feelings towards England, still we feel that the working of this Agreement has shown that we get nothing out of it for the real producers of India. On the other hand, what has happened? Take the iron and steel agreement. I think that Agreement has really reduced Tatas to the production of raw products for helping British manufacturers,—Sir Hormusji Mody may be satisfied with it, but we are not. The Mody-Lees Pact is another concession to us! It has immortalised the author, but it does not benefit the country very much. In addition to all this, we had the Indo-British Agreement last year, supplement to the Ottawa Agreement, which you entered into in spite of the vote of this House. We are often told of bias. I will answer that. The only bias that we have is against giving preference to British interests over Indian interests. We plead all of us guilty to that bias, and I suggest that the proviso to Article 14 of this Agreement which gave power to Government to negotiate for changes in the preference, wherever they are found to be necessary, has never been acted upon. I charge this Government with an absolutely cavalierly attitude towards the Agreement. Once it was signed, they forgot all about it, and they merely bring it up now because the Assembly said that three years later they must come to this House.

My Honourable friend, Mr. Gauba, said very theatrically yesterday that if Government will undertake that they would abide by the verdict of this House, we should vote for his committee. I say even this Government dare not go against that position. They said three years before that they would abide by the verdict of this House. Therefore, I suggest that there is no need for any fresh promise to be given by Government on this matter. Therefore, examining the Agreement from the relevant point of view, that is, the only relevant point of view whether we have benefited by this Agreement in any real sense, I have no hesitation in coming to the conclusion, and I beg of the House not to have any hesitation in coming to the conclusion, that the Agreement, although it has increased the export trade to the United Kingdom, has, on the whole, resulted in a net loss to that export trade, in regard to other countries, against us,—especially Germany, Italy and France. There is no use in Government's blinking facts. They circulated to us notes in which they gave a history or a resume of the various restrictions imposed against Indian imports into their countries, and there they come to the column of "reasons",—to redress balance of trade, which simply means, to redress Ottawa. Therefore, there is no use saying that the other countries are not retaliating against us. We believe they are, but, at the same time, we feel that even if Ottawa had not been concluded, Great Britain dare not have retaliated against India alone. After all we owe her 50 crores a year and if she shuts out all our imports she will have to suck her thumb in order to get that money. She knows it perfectly well; and, moreover, there are many articles which England requires and which we alone can supply. England has every motive not to impose import duties against Indian products. Government might well have waited to give them an ultimatum; instead of that they

[Mr. S. Satyamurti.]

readily succumbed and the result is the Ottawa Agreement. Having entered into that Agreement, they have not carried out any serious investigation into the matter. They give us books which run through many pages which really give us dry-as-dust figures, and give us no conclusions whatever. They come now and say, "Now appoint a Committee, go into the whole matter and then we shall decide what to do". Therefore, from the point of view of India, Indian producers, Indian consumers, Indian taxpayers, Indian merchants and Indian Chambers of Commerce, we on this side of the House, and I hope all non-official sections of the House excepting the Europeans, are unanimously of opinion that this Agreement has not worked for the industrial or commercial benefit of India. We, therefore, want that this Government should give immediate notice to the United Kingdom of the termination of the Agreement. There are six months; let us sit down and if the United Kingdom sends any delegation here to negotiate with us, we are perfectly willing to place our cards on the table and enter into a fair bargain in consultation with the relevant commercial and industrial opinion of the country. We do not want any longer to send our men to far-off Canada where in mists and sunshine they burst into poetry and sold their country. We want the Britishers to come to this country and to sit down with our own men, hard-headed business men, who will be able to give facts and figures to negotiate with them. What do they do in their own country? The Board of Trade dare not negotiate any agreement without consulting the Chambers of Commerce. Why do you not do it in this country? I suggest that the only honourable way of dealing with this question is for the Government to accept our decision, give notice of denouncing the Agreement and start, if they like, with fresh negotiations for agreements, not only with the United Kingdom but with all countries with whom we have trade relations.

I conclude, Sir, as I began. There is no political bias or motive in this matter. We are anxious to do the best for our country, as anxious as my friend, if not more. I, therefore, suggest that we have examined this matter most carefully, anxiously, and prayerfully, we are convinced that the Agreement has not benefited the producers, the consumers, the taxpayers, or the merchants of this country. We feel that India's trade relation is such that, if she ties herself up to the United Kingdom, she renders herself weak, almost perilous with regard to other countries. We are deeply interested in this matter; it is because we feel that this Agreement is a clog on the wheels of Indian industry and Indian commerce and Indian progress that we want notice to be given of denunciation and fresh negotiations started, if and when the Government feel that they ought to do that. Therefore, Sir, I ask the House, to support the amendment which seeks to give notice of denunciation.

I am sorry that my friend, Dr. Matthai, who made an excellent speech, trespassed on the ground of goodwill. It is not a matter for economic experts, and the less we hear about goodwill here, the better. We do not want to get angry, we do not want to retaliate, but our patience has been sorely tried. Please do not talk of "goodwill", we are trying our best to suppress our emotions and to do business. Deal with us as businessmen, deal with businessmen. To talk of goodwill serves no purpose. Therefore, I do hope that the Independent Party, the Congress Nationalist Party and the Congress Party will, as one man, walk into one lobby against

the motion of the Government; and, as regards other Members, who understand the interests of Indian trade and Indian trade alone, and who are not willing to be middlemen and brokers and foreign traders, but want to build up Indian trade on self-reliant lines, who do not want to seek crumbs out of the European dining table, but want to spread rich leaves before Indian workers, capitalists, and Indian commercial men—I invite them all to join with us in the lobby, and tell this Government and, through them, Great Britain: "Enough of this Imperial Preference, let us now do hereafter honest, independent, patriotic business". (Loud Applause.)

**Mr. President** (The Honourable Sir Abdur Rahim): 'Today being Friday, the House is adjourned till a Quarter Past Two.

The Assembly then adjourned for Lunch till a Quarter Past Two of the Clock.

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

**Dr. F. X. DeSouza** (Nominated Non-Official): Sir, I am thankful to you that I have caught your eye in this debate, because, when this Ottawa scheme of preferences came up for discussion for the first time in this Assembly in 1932, I strongly supported the scheme by vote and by speech, firmly believing that it was in the interests of India. I served on both the Committees appointed by this Honourable House to inquire and report upon the working of the scheme, and for three years I have had experience as coffee planter, as grower of rice and as grower of cocoanut, of the working of that scheme. I have arrived at certain conclusions which I should like to place in all humility before the House for their consideration.

In the supplementary minute which I appended to the majority report of the Committee, which sat in 1934, I made the following observations:

"The Ottawa Pact is having a disastrous effect on agriculture in South India. The cocoanut industry of Malabar is threatened with ruin and the entire countryside is demoralised by the crash in prices of its staple products, rice, coffee, cocoanut and pepper. What prevents the Government of India from denouncing the preference to Ceylon or placing an embargo on the importation of bounty-fed rice from Siam and Indo-China? Is it because the industrialist has obtained such an overmastering influence in the councils that the interests of agriculture have been sacrificed? Or was Lord Curzon a true prophet when he opposed Imperial Preference for India on the ground that in negotiations for implementing it India would not be given fiscal freedom? Either possibility is fraught with danger to the political and economic future of India."

Sir, these forebodings were uttered, not as my Honourable friend, the Finance Member, would say, sitting on the tripod of Cassandra, but after a careful study of the evidence placed before us, at my desk, and also, alas, after a study of my steadily dwindling balance in the bank. The fall in prices which I have noticed in my note is not due merely to the depression, but it is due to a fall in overseas demand for which I consider

[Dr. F. X. DeSouza.]

that the Ottawa scheme of preference is partially responsible. The main question this House has to decide is whether the total volume of our export trade has increased. If that is so, certainly the scheme is beneficial to this country. If that is not so, the scheme is certainly not beneficial. Taking the figures of 1931-32 as the basic figures, we find that in 1933-34 we gained 3,18 lakhs of trade with the United Kingdom, but lost 14,77 lakhs in non-Empire countries. (These are your figures, Dr. Matthai: you cannot challenge them.) In 1934-35, we gained 3,41 lakhs with the United Kingdom, but lost 18,93 lakhs in foreign countries. Obviously, Sir, we are not in a position to compel foreign countries to buy our goods. But we can and we ought to make an effort to compel the United Kingdom market to take more from us than she has been taking. Unfortunately, there are some almost insurmountable difficulties in making the United Kingdom take off from India more than she has been doing. A careful study of the figures will show that whenever there is competition between agricultural produce from the Dominions and Colonies and South American Republics developed by British capital on the one hand, and the agricultural produce of this country, India, on the other, you will find that a preference granted to this country is merely a paper preference. The United Kingdom market invariably prefers to buy from the Dominions and Colonies and from the South American Republics which are developed by British capital, for reasons, to which I shall advert presently. What are those reasons? I have been able to discern four tendencies in the United Kingdom market which I shall in all humility place before this House.

In the first place, the United Kingdom has to support a vast export trade with the South American Republics, with the Colonies and with the Dominions, and it is necessary to balance that trade by buying extensively from those countries: whereas, with regard to India, the United Kingdom has a sheltered market, sheltered by the preferences which have been imposed upon us by the scheme of preferences. That is the first consideration.

The next reason is that with regard to the articles from the South American Republics the preferences have been fixed regardless of the differences in their currencies in the exchange parity with gold. Thus, you will find that with regard to Argentine, the Argentine Republic has an advantage of 13½ per cent. in exchange, in spite of the ten per cent. preference in favour of India. What chance has India against the Argentine Republic in spite of the so-called preference?

The third reason is this. Australia, Canada and New Zealand, who are all parties to this Pact, have deliberately depreciated their currency, with the result that the Australian pound and the New Zealand pound also, I think, is about fifteen shillings, whereas the moment we mention that our currency should be depreciated, at once we are told, you will be monkeying with the ratio, and that can never be done. Then, Sir, we come to the fourth reason. The fourth reason is, that there are very powerful capitalist interests, which I shall discuss presently, arrayed against us in the United Kingdom market, who have access to the Board of Trade and they do their level best to push us out of the field in the United Kingdom's market. Those, Sir, I humbly submit, are the four reasons why we can never have a fair field in the English market. In

these circumstances, can you honestly say that it is a preference given to us? Is it a mutual preference? I know that when the Honourable the late Commerce Member, with his silver tongue, advocated the introduction of the Ottawa preferences in 1932, he boasted of the United Kingdom's market being the only open market—subject only to the revenue and the McKinley duties, while all the other markets of the world were closed to us by tariffs, by subsidies and by exchange restrictions. I admit, Sir, it is open,—to whom? It is open only to the allies of British capital, and not to the humble Indian producer. Sir, within the short time that is at my disposal, I am unable to prove what I have said by statistics, but I am quite prepared to prove it outside to anybody who doubts my statements; here I wish to refer to four commodities as clear indications of the truth of my observations.

Tobacco. In the year 1934, the United Kingdom increased her total imports of tobacco by 28 million pounds. She took all her excess from Rhodesia, from Nyassaland and from the United States of America, while she took three million pounds less from India. That is what we have got by way of preference.

Pepper. The imports of pepper in the year 1934 increased by 2,25,000 cwts., but while excess was taken from British Malaya, Dutch East Indies and other British countries, India showed a loss of 700,000 cwts. That is what we have got by way of preference given to us.

Take, again, linseed. Linseed, Sir, I remember the late Commerce Member introduced to us as being a most important item there being no other competitor in the Empire, and it was stated that there was a market worth about 2½ crores in the United Kingdom. It is true, that owing to the shortage of crop in the next year, we certainly were able to send out a large quantity of linseed, but what happened the next year? In 1934-35 India could not face the competition with Argentine; the United Kingdom taking 65,000 tons less from India but ten thousand tons more from Argentine, and in the nine months ended 1935—I am very thankful to the Honourable the Commerce Member for so kindly supplying us with the latest figures, relating to Indian exports to the United Kingdom,—in 1935 our exports were 36,000 tons as compared with 110,000 tons in the previous nine months, while Argentine exports were 136,000 tons as compared with 42,000 tons. With regard to linseed, Sir, I have a great deal to say, but the time at my disposal is short. However, I should like to draw the attention of the House to the insidious attempts made by what I call the powerful capitalist interests in England, by powerful magnates in order to belittle and nullify the effect of the preference. What did they do? They first introduced the system of drawbacks of £3 on duty of £3-10-0 on oil and drawback of 18 shillings on £1 on linseed which was increased after Ottawa, with the object, obviously, of nullifying or minimising the preference to India. Only last September, when a Bill was introduced in the House of Commons for raising the duty on linseed oil from 70 sh. to 100 sh. Major Hill, Member of the British Parliament, who is one of the Argentine magnates in the British Legislature, stated bluntly—'As the preference was not appreciated in India, the Argentine should have the preference and her goods should enter duty free'. No wonder he said preference was not appreciated in India. At this rate, no preference will ever be appreciated in India, when virtually all the preference will in practice be given to Canada, Australia and Argentine.

[Dr. F. X. DeSouza.]

Sir, now I have to come to a painful subject which touches me very painfully, and that is coffee. With regard to coffee, India's total exports to the United Kingdom in 1932-33 was 52,000 cwt., in 1933-34, it was 50,000 cwt., and in 1934-35 it was 36,000 cwt., while nine months ending September, 1934, it was 49,000 cwt., and nine months ending 1935 it was 29,000 cwt.

**Mr. F. E. James:** There has been increased consumption in the country.

**Dr. F. X. DeSouza:** Sir, my friend, Mr. James, reminds me that in spite of the reduction in the imports, the consumption figures show that there is an increase in the consumption. The domestic consumption in 1932 was 1,269 tons, while in 1934 it was 1,509 tons. All the comment that I need make about this is, that while it shows the good taste of the British housewife, it certainly does not show any goodwill on the part of the British merchant. What has the British merchant done? Sir, the British merchant is rendering a distinct disservice to the coffee grower in India. I never make a statement unless I can substantiate it. Only two months ago, I received copies of two pamphlets written by a broker interested in coffee.

**Mr. Deputy President (Mr. Akhil Chandra Datta):** The Honourable Member has only two minutes more.

**Dr. F. X. DeSouza:** . . . . under the ægis of the respective Governments. This merchant tried to belittle the quantity of the Indian coffee as compared with Costerica and Kenya coffee. This was mere propaganda. Here turning to my friends of the European Group on my right, may I remind them that the produce of the European planters in India is included in this denunciation. We all come in the same category, and so it is up to them to ask in this case for safeguards against their own countrymen, for fairplay in the United Kingdom's markets and join us in this campaign.

**Mr. F. E. James:** Have we not joined you in asking for increased preferences? I think we have done everything that we possibly could for Indian coffee.

**Dr. F. X. DeSouza:** I do not deny that for a moment, but if the High Commissioner for India and if the Indian Trade Commissioner had taken as much interest in Indian coffee as the High Commissioners in their respective countries have done, then certainly we should not have been in such a mess as we are in today. With regard to Kenya, the British East African imports into the United Kingdom markets rose by leaps and bounds from 178,000 cwts. in 1929-30 to 324,000 cwts. in 1930 and 280,000 cwts. in 1933. Meanwhile, while the British market is being gradually closed against us, we are losing the market in Germany, Netherlands, Belgium, Italy all registering a decline—Germany by 10,300 cwts., Netherlands by 7,000 cwts. and Belgium by 3,800 cwts.

**Mr. Deputy President (Mr. Akhil Chandra Datta):** The Honourable Member's time is up.

**Dr. F. X. DeSouza:** I shall finish in a minute. When the late Commerce Member made his speech, we were invited by him to go to London and capture the market of 4½ crores. We are finding now that we are losing a few lakhs that we had, and if things are not improved, I assure this House that no planter, whether English or Indian, will be able to keep up his plantation going; he will have to abandon it for good, writing Ottawa at the gate. Same is the fate of those unfortunate members of my community on the West Coast of Malabar. They have invested all their life savings in coffee, and they find that they are now reduced to a state of pitiable misery which is impossible to describe, and it is on their behalf that I am speaking today. Although, forsooth, I am a Nominated Member, and as much I owe a divided loyalty,—loyalty to the Government which has nominated me and loyalty to the community whom I represent in this House—by the terms of my appointment, when the interests of my community or the interests of my constituency are in conflict with the views of the Government, it is my right and it is my duty to vote for the interests of my community. (Hear, hear). I have got a great deal more to say, I do not know if you will stop me. If so, I will sit down.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Honourable Member must conclude his speech.

**Dr. F. X. DeSouza:** I will cut it short. I will take one minute more. The next thing I should like to mention is the position of India in the foreign markets in consequence of this Ottawa Agreement. I have already said that the gates of the United Kingdom market are unwillingly opened to us as if we were the Cinderella of the Empire. But in a foreign market what do we find? We stand there fettered, by fetters imposed upon us by the Ottawa preferences. I do not for a moment say that foreign countries are retaliating against us. Retaliation is an action of anger and no great country will retaliate in anger for long. But in this case, it is a question of a policy of equalising trade by compensation agreement, and what is the result of such a policy? I will just read one sentence from the report made by Mr. S. N. Gupta, His Majesty's Trade Commissioner in Hamburg, as to the result of this policy in Germany. He said:

“Germany is now obtaining large quantities of raw materials which she formerly bought from India, from countries with whom she has clearing agreements. She is getting cotton from Brazil, Peru, Egypt, Turkey, etc., hides and skins from many of the European countries, but chiefly from the Argentine, Brazil, South Africa, Turkey, Spain, Dutch and French India, Mexico, etc., oilseeds from European countries, Argentine and the French Colonies, and so on. We have it on the good authority of such a high authority as Dr. Schacht that the present abnormal conditions in Germany are likely to continue for a decade. This view is not held by him alone; it finds an echo in other countries. If, then, (*writes Mr. Gupta*) Germany continues for ten years to purchase from other countries raw material which she had in the past bought from India, she will become accustomed to these new sources of supply. When normal conditions eventually reappear in Germany it is extremely problematical whether she will return to her old customers and purchase from them to the same extent as she did in the past. This is a very serious danger and one which must receive due consideration.”

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Chair hopes the Honourable Member will now conclude.

**Dr. F. X. DeSouza:** One word, Sir. You will remember—if the Honourable the President was in the Chair, but you could convey my message to him—if the Honourable the President was in the Chair, I should have reminded him . . . . .

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Honourable the President is not in the Chair.

**Dr. F. X. DeSouza:** You will then convey the message to him.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Chair does not think it can allow the Honourable Member time to talk such things. The Honourable Member should finish within one minute.

**Dr. F. X. DeSouza:** I will certainly obey your orders. With uncanny prescience, in the stern and unbending opposition with which he offered to the Ottawa scheme—he prophesied the result of the Ottawa scheme almost in the words of the Hamburg Trade Commissioner. I have got a great deal more to say. I have not been able to indicate what attitude I am going to adopt or I can adopt, but I shall obey your decision and I shall take some other opportunity to continue my speech.

**Sir Bryce Burt** (Government of India: Nominated Official): The last speaker has given us an excellent reason why a Committee should be appointed as proposed in the motion before the House. He has referred to two or three commodities which are definitely difficult and which require very careful examination. The first of these is coffee. Now, Sir, in regard to many commodities, the export and import returns are a very fair guide to trade, but that involves a certain assumption, *viz.*, that when the article is exported it is sold. Now, in the case of coffee, whether exported from India or whether exported from Kenya, this is not always the case. A large proportion of the coffee which goes to London, and of that which goes to the other large markets of Europe, is sent on consignment for subsequent sale. Secondly, we have in coffee one of those commodities where there is a duty on the Empire product—there is Empire preference but still a duty—and with very large unsold stocks in bond, it is obvious that even the United Kingdom import figures are not a safe guide to the volume of trade. What is of importance is the actual figure for the clearances from bond for home consumption. Those figures are published for coffee, and were mentioned by Dr. DeSouza but his comparison was rather spoilt by the fact that he stated the imports in cwts. and to consumption in tons. But if we compare the clearances from bond for Indian coffee and coffee of all kinds and Costa Rica coffee for a series of years, we find that actually India has improved her position in the United Kingdom market. These are the figures: In 1932 the total clearances from bond of all kinds of coffee were 20,315 tons, Indian coffee, 1,269, Costa Rica, 8,226. In 1933, the clearances were total 19,203, of Indian 1,334 and of Costa Rica, 7,727. That is to say, there was a small rise in the clearances of Indian coffee, a fall in the clearances of Costa Rica coffee, and a fall in the total. Coming again to 1934, the total figure is down to 18,451, the Indian figure has gone up to 1,509, Costa Rica as compared with 1932 has gone down, to 7,866. If we take the percentages, the percentage of Indian

coffee went up from 6.2 in 1932 to 8.2 in 1934, whilst the figure for the first half of 1935 is 9. Comparative figures for Costa Rica coffee are 40, 40, 43 and 37. Now, I do not contend that the coffee preference has worked as we expected, but I do say, it has been of some value and there is a very definite pointer as to what we ought to do about it. Other Empire producers, in particular Kenya, which is one of our biggest competitors, are equally conscious of the fact that the coffee preference has not worked as well as it ought to have done. As Mr. James told us this morning there is a representation now before His Majesty's Government, from all the coffee producers of the Empire, representing that the coffee preference ought to be increased.

I should now like to turn to tobacco. This again is one of those commodities in regard to which neither import nor export statistics by themselves provide a complete test. Here, the reason is that leaf tobacco is invariably stored in bond for maturing purposes for a minimum of two years. Whether it is to be made into cigarettes or pipe tobacco, that is the invariable custom and you will find in any commercial return of tobacco stocks in London warehouses that they run up to four years supply of certain kinds. What we are concerned, therefore, with are the clearances of Indian tobacco from bond. We also have to remember that this is not a new preference. It is a preference which is much older than Ottawa and which has been continued by virtue of the Ottawa Agreement for a period of ten years to all parts of the Empire. The total clearances of Empire tobacco from bond have been as follows: in millions of pounds for 1931, 37, for 1932, 33, for 1933, 41 and for 1934 the same figure. The clearances of Indian tobacco has been 9.1, 9.4, 9.5 and 9.6, all in millions of pounds. But for a slight increase, clearances have been practically stationary. As I have already said this is an old preference the special value of which is that we retain a valuable trade. Now, there is one important point which we have to take into consideration and that is quality. The Imperial Economic Committee in 1932 classified tobacco somewhat as follows: Total clearances from bond of the United Kingdom of all tobaccos 150 million pounds, Empire tobacco (all kinds) 37 million, Empire pipe tobacco 32 million and Empire cigarette tobacco 5 million and Indian tobacco 9 million pounds as I have already said. Now, we are supplying practically nothing but pipe tobacco at present and until we increase our cigarette tobacco production greatly, it is not likely that we shall increase our exports of tobacco to the United Kingdom but it is of very material importance to us to retain this very valuable preference on nine million pounds annually, because the preference is 2s.  $\frac{1}{4}$ d. per pound.

I now come to a more general point. The Honourable the Leader of the Opposition said that if a business man wished to improve on an agreement, I hope I am quoting him correctly, he would first give notice of termination in order that there might be an impetus to practical negotiations. I trust that I have summarised his point correctly. I would suggest that there is an earlier stage to be gone through before we can think of giving notice of the termination of an agreement. First of all we have to decide what variations we want to secure. Any prudent businessman would do that. Now, there is nothing in the report which was commended to the House by the Opposition which gives us the

[Sir Bryce Burt.]

slightest lead as to what variations are required in the Agreement. Mr. James made some suggestions this morning. Dr. DeSouza has suggested that we might denounce the preference on *copra*. Mr. James wanted a larger preference on coffee and he also suggested that we want one or two new preferences. That is precisely the kind of thing which I submit ought to be discussed, in a committee of the House, because there are a variety of factors which have to be taken into consideration. I do submit that the Federation Committee's report, careful as it is, is nothing like a safe guide to this most important matter. I would emphasize the importance of the issue. I can find no warrant for the light assumption that whether we have an agreement with the United Kingdom or not, we shall continue to enjoy this privilege of free entry. I cannot conceive how the United Kingdom, in agreement with half a dozen countries of the Empire, could possibly say to one of them 'Never mind about the preference which you ought to be giving us and don't. We will continue to give you the preferences which you used to enjoy in our market'. What would the other Dominions say? I do suggest that we ought to examine this document, the report of the Committee of the Federation of Indian Chambers, most carefully. One of the general conclusions, and it would be important if correct, is to be found on page 73, when the general statement is made:

"India's export trade in agricultural produce with the United Kingdom does not show any substantial advance owing to the fact that the British dominions securing similar preferences obtained a better and stronger footing in the United Kingdom market."

Now, Sir, I will not limit myself strictly to agricultural produce but I will take the first dozen of the export commodities on which we have a preference in order of magnitude. I shall also refer to cotton as it is included in the Agreement. These are the large items of our preferential exports to the U. K. Tea 18 crores and tanned hides and skins 4.85 lakhs of rupees, cotton 3.42 lakhs, groundnuts 1.70 lakhs, linseed 1.28 lakhs, jute manufactures 1.60 lakhs, rice 50 lakhs, oil cake 1.05 lakhs and there are also lead, woollen carpets, teak, tobacco and coffee. Now, if we examine these commodities I think you will find that in practically every case the statement that other Empire countries have been able to benefit more greatly than we have is incorrect. In tea, we have no Dominion competitors. The only Empire competitor of importance is Ceylon and Ceylon has not increased her imports into the United Kingdom any more than we have. Like Ceylon, we have enjoyed the price benefit of two pence per lb. as a result of the preferential duty. Without that preference, our tea would have to sell two pence lower in level competition with Java and China.

Take tanned hides and skins. This is an extremely valuable preference because it is a preference on a semi-manufactured article. The whole world takes our raw hides and skins but the United Kingdom is our only big customer for the semi-manufactured article. In the report on the Ottawa scheme of preferences issued by the Committee of the Federation, there is an imperfect table on page 31 which is unintentionally misleading, because it is incomplete. Now, Sir,

let us examine the quantities. The imports into the United Kingdom of tanned hides and skins from India in 1932, were, 305,000 cwts., and, for the succeeding years, they were 347,363 and 372 thousands of cwts. There is a steady rise in a very valuable trade, where we have no Empire competitor. Now, Sir, I come to cotton, and the Honourable the Leader of the Opposition suggested that it was not right to mention cotton because the special clause in the Agreement which deals with cotton does not give us a tariff preference. In fact he said that this clause was no agreement at all. Now, Sir, from an ordinary business point of view, I would suggest that the value of an agreement is what flows from it and that this clause has been of very great value to us. It has meant an increase in our trade of nearly a couple of crores of rupees a year. The Honourable the Commerce Member yesterday gave us the figures for the imports of Indian cotton into the United Kingdom and I will not repeat those figures, but I would like to bring out the comparison with other Empire countries. In the calendar year 1932, the United Kingdom imported from India 133,000 bales of cotton; in 1933, 273,000; in 1934, 382,000; in 1935, 414,000—a rise during the period of the Agreement from 133,000 bales to 414,000 bales! I may say, Sir, that I have been watching the cotton trade of India with the United Kingdom for a matter now of something like fifteen years, and there is no record throughout that period of anything like such large shipments of cotton to the United Kingdom as we have seen in 1934 and 1935. Though some years ago we approached the 1933 level. Now, Sir, let us compare the imports from the rest of the Empire, as shown in the United Kingdom trade statistics. The figures are: 1932—202 thousands of bales; 1933—218; 1934—218; 1935—232 thousand—practically stationary.

**Prof. N. G. Ranga:** What about their production?

**Sir Bryce Burt:** I will give all the figures required for production in the Committee. It is quite clear that our share of the United Kingdom trade in cotton has gone steadily up while that of the rest of the Empire has remained practically stationary. That again disproves the general conclusion which is raised in the Federation's report, to which so much importance has been attached—and naturally considering its origin. Now, I come back to linseed. A good deal has been said about that commodity and this is an extremely important preference. Everybody admits that in the first two preferential years there was a big increase in our linseed trade with the United Kingdom. But an attempt has been made to belittle that preference by saying that you can explain it in a different way, that the real reason was the shortage of the Argentine crop. If we compare our imports into the United Kingdom in 1932, a year in which the Argentine had a bumper crop to ship with those of 1935, when the Argentine has again been shipping a bumper crop, it will be found that we still derive a very steady advantage from the preference and that it cannot be explained away by changes in the Argentine crop. Now my Honourable friend, Dr. DeSouza, referred to the fact that the Argentine had an exchange advantage of 13½ per cent. over India and that that discounted our preference. Sir, I do not for a moment admit the validity of comparing a tariff preference with an exchange advantage of that kind. In any case, the fact of the matter is that it is India, and not the Argentine, which enjoys a price advantage in the United Kingdom.

[Sir Bryce Burt.]

Here are the average prices in London of Indian linseed and Argentine linseed for the three relevant years:

	Indian (Bombay).			Argentine.		
	£	s.	d.	£	s.	d.
1933 . . . . .	11	7	6	9	15	0
1934 . . . . .	11	17	6	10	2	0
1935 . . . . .	11	18	0	9	8	0

And those are years in which we supplied large quantities of linseed to the United Kingdom market. Sir, there is no possible doubt that the advantage to us has been very great indeed both in regard to the volume of our trade and in regard to the prices which we have realised. Reference has also been made to the linseed drawback, and there I think there is some misunderstanding. It must be remembered that the linseed preference is of special value to us because the United Kingdom is such a large purchaser for their own consumption. We do not, as a matter of fact, send to the United Kingdom anything like enough linseed for domestic use in that country. Therefore, the suggestion that this drawback is discounting the value of our preference appears to me to have a theoretical rather than a practical basis.

Now, Sir, to turn to another important commodity, jute manufactures. India's exports to the United Kingdom of raw jute amount to about Rs. 2½ crores every year. Our exports of jute manufactures amount to about Rs. 1,60 lakhs. The duty on jute manufactures of foreign production in the United Kingdom is 20 per cent. Our jute manufactures go in free, and they, therefore, compete directly with the home production of the United Kingdom. The position, therefore, is that we have no Empire competitor, and have supplied practically the whole of the United Kingdom's imports of jute goods since the scheme of preferences came into operation.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Honourable Member has got two minutes more.

**Sir Bryce Burt:** Before the preferences began, foreign countries supplied 14 million yards. Sir, I do not wish to detain the House any further on these points of detail. I would submit, Sir, that we have not before us the information on which we could proceed to give notice of termination of this Agreement. We have plenty of information which justifies a reference to a committee. My conclusion is that several of the preferences—and they account for 70 per cent. of our trade in these preferential articles—have been of very real benefit to India. The loss of these preferences would be a serious blow to Indian export trade whilst the loss of the privilege of free entry into the United Kingdom, which would place Indian produce on the same level as foreign produce and at a disadvantage with other parts of the Empire, would be a great disaster. Some of the preferences have not yet been fully developed; their immediate value is small, but their potential future value is considerable; these

merit a detailed examination. In regard to some commodities it is now clear that neither India nor other Empire producers have been able to capture the United Kingdom market to the extent which they expected and the question of negotiating enhanced preferences will arise. Finally, suggestions have today been made for new preferences. Sir, we have five excellent reasons why this matter should come before a Committee of the House. (Loud Applause.)

**Mr. B. Das:** Sir, I should have expected that the debate on this Ottawa Agreement question would have taken place in a free and fresh atmosphere, but, somehow or other, old stagers like my friend, Seth Haji Abdoola Haroon, and my old friend, Dr. John Matthai, who has inherited the *masnad* of Dr. Meek, cannot forget the Ottawa spirit and the Ottawa atmosphere. When my Honourable friend, Dr. Matthai, pleaded and pleaded with a very plaintive tone that we must go back and create the Ottawa atmosphere on the floor of this House, how can you create that atmosphere, I ask, when everyone of those who were misguided to sell the birth-right of this country has vanished from this side of the House; with the exception, perhaps, of my Honourable friend, Seth Haji Abdoola Haroon,—to whom, although he has not yet been knighted, I hope Government will give the consolation prize of being a Knight when the next Birthday or any other honours list will be published. (Hear, hear.) My Honourable friend, Seth Haji Abdoola Haroon, was at one time a member of the Executive Committee of the Federation of Indian Chambers of Commerce, but he doubted the *bona fides* of the Federation of Indian Merchants' Chambers when my leader, Mr. Bhulabhai Desai, referred yesterday to the conclusions reached by that body. I am sorry, my Honourable friend is not here, but I should like to know that last year, being a member of the Committee of Indian Federation, which Chamber did he represent in his views? Even my Honourable friend, Dr. Matthai, pleaded that he is a statistician and he knows nothing about politics, but all the time he was talking in terms of "ifs" and "buts", and there were no statistics in his speech, rather there was an indirect attack on the memorandum which the Federation of Indian Chambers of Commerce has produced. My Honourable friend, Mr. James, from Madras, had also the temerity, and, with his usual bravado, challenged the Federation about the utility of bilateral agreements and quoted Sir Gavin Jones of the Upper Indian Chamber of Commerce. I would have liked him to quote, if at all, the Associated Chamber of Commerce and their views on the Ottawa Agreement. I do hope, when my Honourable friend, Mr. Buss, rises to speak, he will say what the Associated Chamber of Commerce thinks about this Agreement, and whether the European vested interests in India want the continuance of this Agreement. May I ask one question? Why is it that the Government are so anxious that the Ottawa Agreement should continue? Why is it that important European friends and European Chambers of Commerce, barring the one solitary Chamber of Commerce, the Upper India Chamber of Commerce, have so far remained silent?

**Mr. F. E. James:** May I correct my Honourable friend. They have not kept silent. They have gone on record, in private and in public, that they are in favour of the continuance of the Agreement subject to modifications.

**Mr. B. Das:** Continuance in the interests of the British and their trade generally, of course! I will reply to my Honourable friend soon. My Honourable friend, Mr. James, and even my Honourable friend, Seth Haji Abdoola Haroon, thought that the Federation of the Indian Chambers of Commerce non-co-operated with the Ottawa Delegation in 1932. I may state for the information of this House that the Federation addressed letters to the Government of India of that time—I do not blame my Honourable friend, Sir Muhammad Zafrullah Khan, he was not then in office—but the Government of India never sent any reply to those letters. When the Delegation was sent by the Government, the Federation wrote to the Government asking them as to why they did not consult the Federation about the personnel and whether the Federation would be allowed to send Advisers to the Delegation. The Government of India wrote to say that the Federation, if they liked, could send Advisers to Ottawa, but that Government would not give them any such status. Yet the British Chambers of Commerce from United Kingdom sent Advisers to their own Delegation. The British Chambers of Commerce sent from England a commercial delegation and it was in close consultation with the Premier, Mr. Baldwin, and others that visited on behalf of the British Government. Yet, on the floor of this House, my Honourable friend had the temerity to utter those statements which are not based on truth that the Federation of Indian Chambers of Commerce non-co-operated with the Delegation. The Government forced us to non-co-operate. Not only as a Member of this House, but as a signatory to this note, which has been prepared by the Executive Committee of the Federation of Indian Chambers of Commerce, I will confine my remarks to the justification of this note that has been prepared by cool and hard-headed Indian businessmen. There is no Congress politics, there is no non-co-operation politics which my Honourable friend tried to establish on the floor of this House this morning. My leader, Mr. Bhulabhai Desai, has already quoted some of the extracts from the conclusions of the Federation which my Honourable friend, Sir Bryce Burt, just now tried to refute regarding their comments about the export trade of agricultural produce. Figures are figures, and, in the words of my Honourable friend, Dr. John Matthai, figures can be mal-interpreted. Therefore, I do not pay any attention to what my Honourable friend, Sir Bryce Burt, mentioned just now. But I would quote the summary of the main recommendations which have not been quoted till now from the memorandum of the Federation of Indian Chambers of Commerce:

“The Committee are not averse to any trade pact between India and any of her customers; on the other hand they would welcome such pacts on purely reciprocal basis. They, therefore, suggest that the Government of India should forthwith terminate the present trade treaty and should open up fresh negotiations, not only with the United Kingdom, but with all other foreign countries for trade treaties, in consultation with representatives of commerce, agriculture and industry in India.”

I am grateful to my Honourable friend, Mr. Jinnah, the Leader of the Independent Party, for incorporating these very recommendations of the Federation of Indian Chambers of Commerce. My Honourable friend, Mr. Jinnah, coming as he does from Bombay, is keenly alive to the situation, and he always registers the feeling of the mercantile community, and he has incorporated in his amendment that portion which the businessmen want. My Honourable friend, Mr. James, began to say this morning that Mr. Jinnah's amendment is nothing but the Congress amendment. No; Mr. Jinnah's amendment has got the entire confidence of the business

community in India barring those who hobnob with my Honourable friend, Mr. James, and with semi-European Chambers of Commerce or with entirely European Chambers of Commerce constituencies.

I want to address one question of my Honourable friends on the Treasury Benches. Why this anxiety on their part not to terminate this Agreement? Will the Honourable the Commerce Member give out pertinent extracts of certain communications which they must have received from England? What is the view of the British Government? Why should we not know the views of the British Government over this matter? My Honourable friend, Mr. James, waxed eloquent and said "if you terminate this Agreement, if you denounce this Agreement, no discussion can take place". I say, why not? The Articles provide that six months notice should be given. Six months is ample time to apply fresh minds to any future negotiations. But what India objects to and what India does not want is to be tied to British commerce. India's exports to foreign countries have deteriorated. My Honourable friend, Sir Bryce Burt, just now gave figures. I want to refer him to page 17, Table 10 of the Memorandum, issued by the Federation of Indian Chambers of Commerce, which gives the percentage share of some important countries in the import trade of the United Kingdom:

	1929.	1934.
India . . . . .	5.1	5.8
United States . . . . .	16.1	11.2
Canada . . . . .	3.8	6.9
Australia . . . . .	4.6	6.8
Argentina . . . . .	6.8	6.4
New Zealand . . . . .	3.9	5.5
Germany . . . . .	5.6	4.2

The above figures show that it does not mean that if India backs out of this Agreement and if India terminates this Agreement with England, India will be loser. The Dominions have profited today to a much larger extent than any other country. Yet the Dominions today are as free as England to negotiate bilateral treaties with other sovereign nations which India is debarred from doing. Will any of my Honourable friends of the European Group enlighten me on this point? Why has England, in the face of this Agreement with India, gone back on this Agreement and entered into so many bilateral treaties with so many foreign countries? Why did Canada enter into a treaty with the United States? Why did South Africa enter into a treaty with Germany? My Honourable friend, Sir Muhammad Zafrullah Khan, will be only carrying out the dictates of the British Board of Trade and the British Foreign Office. Even today he cannot put his signature to a treaty between India and any other country, as happened when Sir Joseph Bore was not allowed to put his signature to that Indo-British Trade Agreement. That is our unfortunate position; it is no use talking to us and quoting statistics; and Dr. Matthai, as a statistician, has proved that statistics can be changed in any way they like. What the business community want and what India wants is that we do not want our trade with foreign countries to be handicapped as it has been done with Germany. Germany has entered a bilateral agreement with England, but Germany controls her foreign exchange, and thereby the Indian trade is handicapped. That is not a new thing; this House has heard very often about it. There have been questions, short

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notice questions, discussions, etc., that India's trade with Germany has been handicapped owing to the control of the exchange. I will quote what the Federation says:

"Germany has been fully utilising the power vested in her executive to so control the foreign exchange as to adjust her balance of trade with her foreign customers".

Did my Commerce Member extract from Germany a quota by which India's trade with Germany would increase? But yet England has done it. And what is the opinion of the Indian Trade Commissioner in Hamburg: I will quote an extract from his report for 1934-35. He is alarmed that:

"the trade between India and Germany has since October, 1934, been almost exclusively on the barter basis."

And, he further says:

"The natural course of trade between Germany and India has in the past, both pre-war and post-war, always been that Germany has bought far more from India than she has sold to India. The German statistics for the period of October-December, 1934, showed for the first time in the history of Indo-German trade, a trade balance unfavourable to India."

And, then, he further says:

"The second danger which is more sinister from the viewpoint of the future, is that Germany as a result of compensation trade and clearing agreements, is obtaining large quantities of raw materials, which she formerly bought from India."

If England has negotiated a similar arrangement with Germany, did my Commerce Member negotiate? And, yet, we are asked to live in the stinking atmosphere of Ottawa!! We are to be tied down under England to British Commerce, and, then, we are to plead here to the Commerce Member for expansion of India's trade. Why do you not open up negotiations with Italy, Germany and Belgium, where our trade has completely deteriorated? Sir, the other day, the Commerce Member waxed eloquent about the insurance value of the preference. Everybody knows that Sir Abdur Rahim and Mr. K. C. Neogy, in their minority report, which the Government of the time and the Commerce Member of the time had not the courage to bring up for discussion in this House, proved that the insurance value of the preferences is not convincing. They said:

"It is noteworthy that Ceylon enjoys the same preference though she is not a party to the Ottawa scheme."

Sir, I may be a Congressman, but Sir Abdur Rahim was not, and Mr. Neogy was not, and that cost him a seat in this House.

**Sir Cowasji Jehangir:** How was that?

**Mr. B. Das:** If he had joined the Congress, he would have been a Member of this House.

**Sir Cowasji Jehangir:** That is certainly not a fact. He simply did not want to come in.

**Mr. B. Das:** I am not casting any aspersion, and probably Sir Cowasji Jehangir knows that Mr. Neogy is one of my best friends. But I was just asking my Honourable friend, Mr. James, to bear the recommendations of Sir Abdur Rahim and Mr. Neogy in mind:

"Having regard to the economic policies adopted practically by all other countries, trade agreements on the basis of mutual interests seem to be inevitable"

And, therefore, Sir Abdur Rahim and Mr. Neogy, in their minority report, recommended negotiation on a system of quota basis. How can the Government of India, being only a subordinate branch of the British Government, negotiate with any sovereign country in the world when they are handicapped by this Ottawa Agreement which has worked to the best advantage of England? Even just now Sir Bryce Burt challenged, but I will just read two lines from a statement of Sir Thomas Ainscough, the Trade Commissioner of England in India. He summarised that the preferences granted by India to certain articles of the United Kingdom proved generally beneficial; of course not to India. Sir Thomas Ainscough never bothers his head about India, he only concerns himself about British trade in India. He says:

"It is most encouraging to note that where the Ottawa preferences have operated, the United Kingdom's relative position has been improved, and in many cases shipments of United Kingdom goods have actually increased in face of a greatly reduced trade."

Government spokesmen argue that India has profited and England has lost. I think that is idle talk. I have only to ask the Commerce Member one question. How is it that the Commerce Department is now in close touch with the Indian Merchants' Chamber about the renewal and ratification of the Indo-Japanese Trade Agreement? If that is their policy with regard to that Trade Agreement, how is it that the Government of India did not address the different Indian Chambers of Commerce to intimate their views as to whether the Ottawa Agreement should be continued or not? Sir, they did not consult the Indian Merchants' Chambers in 1932, and they have not consulted us even now. They do not want to recognise the existence of the Indian Chambers of Commerce. And, yet, people get up in this House and say that the Indian merchants are non-co-operators. Sir, they have got equal vested interests as the European merchants, and they cannot non-co-operate; they are always willing to co-operate. It is Government that shun them, because the Indian mercantile community always looks to the interests of Indian capital and Indian interests which are at times opposed to the European capitalist interests and the interest of the Government of India which is a subordinate branch of the British Government.

**Mr. N. M. Joshi** (Nominated Non-Official): Mr. Deputy President, at the outset, I propose to deal with some of the difficulties which I feel in accepting the principles underlying the Ottawa Agreement. The Ottawa Agreement is based upon the principle, first, of Imperial Preference, and, secondly, of organising the British Empire as one separate economic unit. I consider that both these principles are undesirable and fraught with mischief. The Ottawa Agreement was negotiated as a measure for the recovery of inter-imperial trade. When the world's trade began to suffer on account of the post-war depression, it was generally agreed that the only solution for the recovery of international trade was the lowering of

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trade barriers through international co-operation and through international agreements. Most countries of the world paid lip-sympathy to that doctrine, but most of them raised trade barriers higher and made international co-operation difficult. Great Britain, which is responsible for an Empire, could not obviously accept the policy of self-sufficiency on a restricted national basis. On that account, Great Britain devised the plan of inter-imperial preference and organised the Empire as a separate economic unit. I feel that if the world is organised into separate blocks of nations either for economic or political purposes, the jealousies between the different nations will increase, the tensions become greater, and embitterments deepen. I feel there is a great danger not only to the economic prosperity of the world but to its political peace on account of the formation of these organised blocks. Even if the world is organised into economic blocks such as the British Empire economic block, political complications are bound to arise. It is on account of this reason that the Economic Customs Union between Austria and Germany was defeated. It is for this reason that the attempts to form a European Economic Union were defeated. I, therefore, feel that the very foundation of the Ottawa Agreement is a wrong one.

Sir Samuel Hoare, in a speech which he made as the Foreign Secretary of Great Britain, stated very clearly that a proper distribution of raw materials of the world is necessary for the establishment of peace among the nations of Europe. I feel that the Ottawa Agreement is an attempt to keep the raw materials of the Empire within the Empire. May I ask you why India should be involved in this political entanglement due to raw materials? It has been said that the Ottawa Agreement may lead to the lowering of trade barriers and may also facilitate international co-operation. The trade barriers have been raised higher everywhere. Soon after the Ottawa Agreement was signed, the World Economic Conference was held in Great Britain in the year 1933. May I ask whether the signing of the Ottawa Agreement was not one of the reasons why that Conference failed to achieve its object? It has been said that although the British Empire has organized itself into one unit and tried to keep the entire trade of the Empire within itself, there has been no retaliation as was foreseen by the Government of Lord Curzon when that Government opposed Imperial Preference. Retaliation may not have actually been undertaken, but it is a fact that our trade with foreign countries has suffered. Yesterday, my Honourable friend, Dr. Matthai, said that diversion of trade may not be a loss, but does he know that the best interests of India require that our trade should be based upon a wider market than upon a restricted market of the Empire? I feel that from the point of view of the recovery of the world from economic depression the Ottawa Agreement is completely undesirable and fraught with mischief. Even considering this Agreement from the national point of view of India, I feel that there is great risk and great danger in this Agreement. Lord Curzon's Government was very wise when it opposed Imperial Preference on the ground that in negotiating preferences between Great Britain and India there was a great risk of the interests of India being sacrificed for the interests of Great Britain. If the Ottawa Agreement had been negotiated by a free Government of India, may I ask if that free Government of India would not have taken advantage, for bargaining purposes, of the preferential or—what Government Members call—differential duties on textiles and on iron and steel? Would that bargaining advantage have

been sacrificed by a free Government of India? My Honourable friend, Dr. DeSouza, told us only a few minutes ago that while negotiating the Ottawa Agreement the Governments of Australia and New Zealand devalued their currency in order to get the fullest benefit of that Agreement.

**Sir Darcy Lindsay** (Bengal: European): Sir, may I explain to the House that the Honourable Member is entirely wrong? The Australian currency since 1930-31 has remained the same as it is now.

**Mr. N. M. Joshi:** It is a fact that the currency has been devalued. May I ask whether the Government of India under the present circumstances can undertake the devaluation of our currency in order that we should get the fullest benefit of the Ottawa Agreement? Not only is our Government a subordinate government, and, therefore, unable to negotiate a treaty with Great Britain on terms of equality, but there are obvious other difficulties in the way of the Government of India. The Government of India consists of British members and Indian members; and I feel in asking them to negotiate a treaty with Great Britain we are putting them in a very wrong position. The Indian members have to reconcile their position as citizens of India and true sons of India and as the subordinates of the Imperial Government of Great Britain. The European members of the Government of India have to reconcile their position as true sons of Great Britain and faithful servants of India on account of the subordinate position of the Government of India to the British Government in Great Britain. Not only that. But even in small matters like the publication of the report on the working of the Ottawa Agreement difficulties are bound to be felt. British member of the superior service, Dr. Meek, could be given the responsibility of publishing his report over his signature and allowed to express opinions and conclusions on that Agreement. But, Sir, when his position was taken by a poor Indian, my Honourable friend, Dr. Matthai, he could not assume the responsibility of publishing that report over his signature. There are serious difficulties in the way in accepting an agreement negotiated between a subordinate Government and their overlord the British Government . . .

**Prof. N. G. Ranga:** But he was made to speak yesterday . . .

**Mr. N. M. Joshi:** Yesterday, my Honourable friend, Dr. Matthai, told us that as the Trade Agreement had been in existence for three years, let us not disturb the arrangement which has been brought about in the imperial trade relations on account of that Agreement. One of my arguments for opposing the Trade Agreement with Great Britain is that it creates vested interests. This Agreement has created not only vested interests of some sections of Indians, but British vested interests are also created in India. We are allowing British trade to be built up in India by means of the Ottawa Agreement. The British people insist upon laying down safeguards in the Constitution for safeguarding and protecting every vested interest they have in this country. If we allow further vested interests to be created by allowing their trade to be built up under the shelter of a treaty, they will ask for further safeguards for the protection of the further vested interests that may be created under the shelter of this Agreement. It is true that they have got some safeguards for the vested interests that were created in former times; and when those vested interests were created we were not consenting parties for the growth of

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those interests; but if we allow vested interests to be created by means of a treaty to which we agree, we shall be a consenting party for the growth of British vested interests in this country; and we shall be regarded to be also consenting parties for the laying down of safeguards in the Constitution for the protection of those vested interests. I, therefore, feel, that from the point of view of international co-operation and the recovery of the world trade and from both the economic and political point of view of India, there are serious difficulties in the way of our accepting that Agreement. It may be said that as practical men whatever may be the difficulties of principle and policy, let us for the sake of expediency accept the Trade Agreement. We may modify one's principles and policy for the sake of expediency as practical men if the benefits which we get are positive and large in extent. But if you have followed the speeches in this House during the last two days, Sir, I am sure you have come to the conclusion that there is hardly any whole-hearted supporter of this Agreement in this House. Even the speeches of the members of the Government Benches were the speeches of apologists rather than of supporters. (*Opposition Cries of "Hear, hear"*.) The Honourable the Commerce Member, while recommending the appointment of a committee to consider the Ottawa Agreement in detail pleaded that the Ottawa Agreement, if it does not possess any positive virtue . . . .

**The Honourable Sir Muhammad Zafrullah Khan** (Commerce Member): I never said that. It is entirely wrong. Can the Honourable Member point to a single sentence in my speech from which that inference could be drawn, if his conclusion is honest?

**Mr. N. M. Joshi:** The Honourable the Commerce Member will at least permit me to say that he appealed to the House to accept a committee on the ground that the Ottawa Agreement possesses a negative advantage—that was his word—a negative advantage of insurance that the trade of India in Great Britain . . . .

**The Honourable Sir Muhammad Zafrullah Khan:** I put forward the plea that it had both a very considerable insurance value as well as a positive value. I never said that though it had no positive value, it had a certain amount of insurance value. That is an absolute distortion of what I said.

**Mr. N. M. Joshi:** Whatever positive advantages the Honourable the Commerce Member may have seen in the Ottawa Agreement, he has not placed them before us . . . .

**The Honourable Sir Muhammad Zafrullah Khan:** I did.

**Mr. N. M. Joshi:** The argument which made an impression on my mind and on the minds of the House was that the Ottawa Agreement has the negative value of insurance (*Opposition Cries of "Hear, hear"*). If the Honourable the Commerce Member appeals to us to accept the Agreement on the ground that it has the negative value of insurance, we cannot do so: we cannot modify our objections in principle and policy to the Ottawa Agreement....

**Mr. Deputy President** (Mr Akhil Chandra Datta): The Honourable Member has got two minutes more.

**Mr. N. M. Joshi**: I shall not speak at length regarding the details of this Agreement. I have pointed out that even Government themselves are unable to put forward the positive advantages of this Agreement. But the Honourable the Commerce Member in recommending this Agreement to us for consideration in committee asked us, "What shall we do in order to secure free entry for our goods if we terminate this Agreement?" I feel that if we study our exports to Great Britain, Great Britain will not retaliate against India or refuse free entry for the goods of India in Great Britain. Can Great Britain retaliate against the export of tea to Great Britain which forms the biggest single article of our export to that country? The Indian tea trade is built up by British capitalists. If Great Britain retaliates against the tea trade, they will be retaliating against their own countrymen.

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

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair understands the Honourable Member has already exceeded his time limit.

**Mr. N. M. Joshi**: I shall not exceed my time limit: I was told that I had two minutes more. I am sorry—I shall not detain the House for more than a minute. I feel that from the point of view of international co-operation and the recovery of world trade, the Ottawa Agreement is undesirable and fraught with mischief. From the point of view of economic and political interests of India, this Agreement is full of risk and danger. I therefore hope, Sir, that the House will agree to terminate this Agreement, and by so doing, we shall be serving the interests of India and the interests of international co-operation and the recovery of world trade. Sir, I have done.

**Dr. Ziauddin Ahmad**: Sir, before I make any observations on this subject, I may be permitted to relate a very small story. Two persons were fighting on a very small issue. Their talk became very hot, and one of them suddenly gave a very severe blow to the opponent; and the opponent quietly said, "don't use physical arguments". But I said that it was the case of *argumentum ad hominum* which I am going to use in my arguments.

**An Honourable Member**: No physical arguments?

**Dr. Ziauddin Ahmad**: Sir, there is one point which I should like to mention, and it is this. Unfortunately, our economists are divided into two classes. In the first category can be put what are called academic economists; they still live in the last century without any familiarity or knowledge of what is taking place around them in these days; while, in the second category, I put down another class of economists, who, like *Mufties*, in the declining days of the Abbeside Dynasty, were ready to give their version in favour of any side that the King wanted them to give. It is the same case with this second class of economists, who

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are willing to write a pamphlet for any side which asks them to write; they take the conclusions for granted; they put down certain major premises which can be questioned. From this point of view, therefore, I consider it is really an advantage not to be an economist, but it is better to rely more on common sense than on all the books of the economists put together.

Now, Sir, coming to the subject of the debate, to my mind, the issue is an exceedingly simple one. We asked the Government in 1932 to prepare a report for the benefit of the House about the working of the Ottawa Agreement. The question now before us is not whether the Ottawa Agreement should be terminated or not. The real issue before us is whether we should consider the report which has been placed in our hands written by Dr. Matthai, or whether we should non-co-operate with the report, and, without considering it straightaway, tell the Government that we must terminate the Agreement. The issue before us is whether the promises held out to us in 1932,—and, I personally took not an unimportant part in the discussion at that time,—have been materialised by the experience of the last three years or not. If they have not materialised, then we really have no other alternative but to terminate the Agreement, but if those promises have materialised partially, then it is our duty to see how the Agreement can be modified and what further action we should take in the matter. The issue is, whether we should consider this report and examine whether we should see how far the expectations held out in 1932 have materialised, or say that we are not going to co-operate with this report, and that we have nothing to do with any kind of agreement in which the British Government has a hand, in which Imperial Preference comes in. Sir, I have great respect for those who hold such a view, but, at the same time, I honestly believe that by this attitude we are not advancing the interests of India, we are not pushing forward the real and genuine interests of this country. Several speakers have brought forward certain points, and my friend, Mr. Abdul Matin Chaudhury, gave certain figures relating to linseed and tea. The figures which I have before me, however, differ from those which were quoted by my Honourable friend, and this can only be settled if we can sit down together in a meeting, examine those figures in detail, and see whether all the advantages and hopes which were held out to us have materialised or not. If they have materialised, then we should stick to the Agreement, otherwise we will have to modify the Agreement or terminate it altogether, but, I think, before considering the matter in all its aspects, it is premature to say that we should reject the Agreement.

Sir, my friend, Mr. Joshi, has given us a novel picture today. I am sorry he has discovered it rather late, because he never mentioned it in all the discussions in 1932. He said that the whole object of the Ottawa Agreement is to keep the primary products of the British Empire within the British Empire. This is really an entirely novel theory which Mr. Joshi probably never thought of in 1932 when he took part in the discussions then. Sir, I put this question entirely from a different point of view, and my proposition is this, that India pays 70 crores of rupees every year to the United Kingdom on account of our commitments, interest and private remittances. Where is this money to come from? There is only one reply. It can only come from the balance of trade, and here I find that the balance of trade is really going down. The

balance of trade before the War was 78 crores in 1913-14. Then, it dwindled to 76 crores. In 1931-32, it came down to 34 crores; in 1932-33, it came down to 9 crores; in 1933-34, it came down to 33 crores; and, in 1934-35, it was only 21 crores. This fall in the balance of trade has recently been made up by the export of gold. For example, last year, we exported 61 crores worth of treasure against 21 crores of merchandise, but gold is really not a commodity. Gold is really an article which can only be adjusted to equalise the two balances, but unfortunately we have been using gold as a commodity in order to equalise our balance of trade. This is a very unhealthy state of affairs, and it ought to be remedied as early as possible. Therefore, the real problem before us is how to secure a favourable balance of trade equivalent to 70 crores of rupees to meet our own commitments. One method which was thought of in 1932, which was expected to improve the balance of trade was this Ottawa Pact. There have been some improvements since this Ottawa Agreement came into force, but the hopes have not been fully realised. We have now to enter into details of these questions, and details can only be discussed in a Committee, and not on the floor of this House. One argument has been brought forward by the speakers on various sides of the House—and it was also brought out in 1932—that is, that this increase in the trade is only a diversion from foreign countries to the United Kingdom. It may or it may not be, but the position today is that every country in the world is trying, on account of exchange difficulties, to have a favourable balance of trade. Germany has got one method, Italy has got another method, France has got a third method, Turkey has got a fourth method, etc. Some of the countries have got quota system, and France is notably a prominent example. Germany has got the clearance house system; she says that if she buys anything, she must find out some person who is going to buy from Germany. If a person in Calcutta wishes to sell hides and skins to Germany, he must come to an agreement with Siemen and Company who are introducing electrical things from Germany, so that the two bills may balance each other. Unless there is a clearance, she is not going to buy. It is impossible in these days to have any balance of trade with Germany, and, in fact, our balance of trade with Germany has been going down steadily. Some countries are having quotas, and under that system it is very difficult for us to have a favourable balance. Under the system that is being adopted now a days by other countries, it is very difficult for us to have a favourable balance of trade, unless we devise an entirely new method. My Honourable friends may be giving advice to us, but they should not forget that, whatever advice they give us, they should also give advice to other countries. If the other countries follow one method and we follow a different method, then certainly we will not succeed.

Coming to the prospects that were held out to us at that time, in the note of dissent I wrote at the time, I calculated the value of preference given to India. We got six million pounds worth of preference, and, as against that, we gave a preference of about 12 million pounds. We calculated preference on each commodity separately. I ask, whether it is or it is not desirable that we should sit down and judge for ourselves how far those expectations have been realised. - I sat down myself and went through these figures supplied in this report, and I find that in some cases we had a partial realisation of our hopes, and they were,—linseed, rice, tea, tanned hides and tanned skins, oilseeds

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and castor, woollen, carpets, castor seeds and groundnut—I do not want to go into all the figures given in this particular book. But I would draw the attention of my friends from Madras about tanned hides and skins. The preference is valuable for them at present. If this preferential duty is removed, the position of tanned hides and tanned skins will be very bad in Madras. The other day, they pressed on the floor of this House that there should be an export duty on raw hides and raw skins, but they took the wrong end of the stick; in fact, they should have pressed that there should be a better preferential duty on tanned hides and tanned skins in the United Kingdom. These are articles to my mind where the Ottawa Agreement has done good to our export trade, and I think it is not desirable that, when there is a *bona fide* case for it, we should refuse even to study the question in detail and come forward with definite suggestions. There is a proposal also that we should have some kind of negotiation with other countries which will be favourable to us. I very much welcome that, but why should we leave the whole burden to the Government? Why should not a Committee of ours go into details and make preliminary suggestions to the Government for their consideration? No doubt, we have little responsibility in this House, but whatever little responsibility we have, why should we not make use of it? We should invite the evidence of commercial people and important and influential persons before the Committee, and formulate our suggestions to the Government. These are important things which the Committee can do, instead of leaving the whole thing entirely to the Government. We should take a little initiative in the matter and suggest what should be done. If we consider in detail the various steps taken by the different Governments in order to equalise their balance of trade, we may be able in suggesting the form of agreement we should formulate with different countries. Evidently, we cannot have the same form of agreement with every country, and I think we should sit down and make some suggestion or gesture to the Government as to what they should do. I may submit once more that we on this side of the House do not commit ourselves as to the intrinsic importance of the Ottawa, but I think that a *bona fide* case has been made out that we should at least sit down and consider how far the hopes have materialised, because, certainly, in the cases which I have mentioned, the preference has been to our advantage.

**Sir Girja Shankar Bajpai** (Secretary, Department of Education, Health and Lands): Nothing is more difficult to contend with in debate than atmosphere. It is clear from the course of the discussion since yesterday morning that there is a good deal of suspicion and hostility—unconscious is the phrase that has been utilised by the Federation of Indian Chambers in another connection, and I may apply that to this particular feature of the discussion—there has been a good deal of suspicion and hostility manifest against this Agreement. Now, Sir, one explanation of that is the literature—my Honourable friend, Dr. Matthai, characterised it as emotional literature, and there is a great volume of it—that has been published and circulated on the subject . . . .

**Mr. N. M. Joshi:** By whom?

**Sir Girja Shankar Bajpai:** By the Federation of Indian Chambers of Commerce, by Mr. Nalini Ranjan Sarkar, by a gentleman calling himself Mr. Gadgil, so on and so forth.

**Mr. B. Das:** By Professors who have no work.

**Sir Girja Shankar Bajpai:** If my Honourable friend would like me to consume my time in dealing with the different interruptions, I am quite prepared to do it.

**Mr. B. Das:** You alluded to the Federation of Indian Chambers of Commerce.

**Sir Girja Shankar Bajpai:** But if the Honourable Member would allow me to proceed, I hope I shall be able to indicate to the House that I am not entering into the discussion in any spirit of controversy at all. My one anxiety and desire is to place before the House certain economic considerations which may help Honourable Members to come to a conclusion in consonance with the ideal that they have placed before themselves, an ideal which I venture to say that we on this side of the House also have before us, the ideal of serving the best interests of India.

I was speaking of the atmosphere of suspicion and distrust that has been worked up . . . . .

**Mr. M. A. Jinnah:** Tell us what your views are.

**Sir Girja Shankar Bajpai:** My friend, Mr. Jinnah, wants me to cut short my preliminary remarks. I have no objection to that, but, even confining myself to the subject matter of what I wish to say, there are two courses open to me. One is to parody Milton, the great English poet, to—

“Invoke the aid to my adventurous speech..’

—(and in this atmosphere, any speech from this side is a very adventurous enterprise indeed)—

“Of linseed and raw jute, of groundnuts whole  
And decorticated, of undressed skins,  
Of oil seed, cake and meal, pollard and bran,  
Of pleasant oil of sandal, and its dread  
Opposite, oil of castor, of thing of  
Liquid sound but meaning full obscure,  
Myrobalans, or of hemps, Manila,  
True and *Crotalaria juncea*.”

I apologise for this parody of Milton, for this excursion into poetry, but the example has been set only this morning by my friend, Mr. Satyamurti. However, Sir, I shall not expend any more time on what my Honourable friend, Mr. Jinnah, looks upon as mere trivialities. I shall get on to the serious part of such observations as I have to make.

Now, there are three main questions which it seems to me this House has to consider before making up its mind, either in favour of the motion which the Honourable the Commerce Member has placed before the House, or the motion which the Honourable the Leader of the Independent Party has put forward before the House and in favour of which, if I understand aright, my Honourable friend, Mr. Satyamurti, the Congress Party, are prepared to vote. Now, Sir, these are the three questions. Has the Ottawa Agreement inflicted on India actual harm or is it potentially harmful? That is Question No. 1. Question No. 2—How has the

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Agreement failed to confer on India advantages commensurate with her needs or expectations. And the third question is one relating specifically to the amendment or the specific proposal of the amendment of my Honourable friend, Mr. Jinnah,—will bilateral agreements help India to attain the ideal of an adequate and increasing balance of trade? Now, Sir, let me take the first question. Has the Agreement inflicted on India actual harm or is it potentially harmful. I shall deal first with the first part of this question, namely, whether India has had actual harm inflicted on her by reason of this Agreement. There is, Sir, one important and in fact the only important allegation made in this connection which one has to consider, the charge of retaliation by foreign countries. This is what Mr. Nalini Ranjan Sarkar says:

“The genuine trade demand for India's commodities was, notwithstanding the tendency towards recovery, to a great extent restricted by discrimination made against non-Empire countries, and the consequent restriction of the Indian market for imports from these countries.”

Mr. Satyamurti has stated the argument in a different way. He says that discrimination has had the effect of reducing the capacity of foreign countries to buy Indian goods. The Federation of Indian Chambers of Commerce and Industry are a little more positive. They say:

“Under the compulsion of finding the means of balancing their international accounts, there has begun a process of sub-conscious retaliation by Germany, Italy and France towards India.”

They even go further and say:

“France and Italy have been following, since the Ottawa Agreement, a policy of developing their colonial possessions on lines similar to the British schemes.”

Now, Sir, if these criticisms were valid, they would undoubtedly be a very strong argument against the continuance of the Ottawa Agreement. I concede that at once, but the question is, whether those arguments are valid or whether there are other circumstances such as currency instability and so on which have been responsible for the great limitation that has taken place in our export trade with countries other than the United Kingdom. That, Sir, is the important question which we have got to consider. Now, let me take first the case of Germany, because that is the country which has been most prominently mentioned in the course of the discussion that has proceeded so far. There are then other countries, France and Italy. I shall deal with them also but I shall take Germany first. Now, Sir, I am not quoting what I have to say from any compilation of a bureaucratically tainted mind, emanating, as it were, from the archives of the Government of India. I am not doing that. I am not quoting from any note which has been prepared by any of our experts who are suspect in the eyes of a number of Honourable Members opposite. I am quoting from the report of the League of Nations Economic Survey for 1934-35.

**Some Honourable Members:** Oh, oh.

**Sir Girja Shankar Bajpai:** I admit that even the League of Nations is suspect in the eyes of my Honourable friend, Mr. Satyamurti. This is what it says:

“The policy of debt default, import restrictions and redirected trade, has, in effect, eliminated Germany from the chain of normal trade and financial transactions connecting the debtor raw material countries with their industrial creditors.”

The chronology of this sad, indeed tragic, sequel may be briefly traced. Germany started her career of restrictions on imports soon after the War by progressively closing her markets to the producers of other countries in an attempt to protect her agriculturists. In 1929, she imposed a much more drastic range of duties. The whole movement in favour of tariff restrictions was accentuated by discussion of the Hawley-Moot tariff (1929-1930). The suggestion for a tariff truce made in 1929 by the Assembly of the League led to further raising of tariffs in order to gain advantageous bargaining positions. Now, I am coming to a somewhat important sequence of events. In 1930, as a result of the circumstances to which I have referred, even more prohibitive rates were introduced by Germany into her tariff. In the following year, exchange control had to be introduced. The position went on steadily deteriorating.

Attention has been drawn in the Federation's Report on page 15 to the marked decline in the value of India's exports to Germany in 1934-35. It might interest the House to know that in May, 1934, German reserves of gold and foreign exchange had dwindled to 4.5 of her liabilities. In June, 1934, the allotment of foreign capital was ten per cent. of what it had been in 1930-31. It seems to me that the import restrictions which Germany has had to introduce are adequately and abundantly explained by the position in which she found herself as a result of the currency instability and other burdens that she had upon herself. I do not think it is necessary for anybody to probe the sub-conscious mind in order to come to a conclusion, in order to explain, why it is that Germany has reached the very unfortunate position which I have ventured to describe in the language of the Economic Survey of the World for 1934-35. Now let us take the other countries,—France and Italy. There again, Sir, if you will look at the table at page 12 of the Federation's Note, you will observe that the greatest measure of fall in the exports of this country to continental countries, *e.g.*, Italy and France took place in the year 1934-35. What is the explanation of international economists of that particular phenomenon? I will read out what they have to say on the subject:

"Many of the outstanding economic events since the middle of 1934 have been incidents in the battle fought by the countries still adhering, normally or in fact, to the gold standard, to maintain the official parities of their currencies faced by the heavy strain on their balance of payments arising from the return flow of capital to the United States and from the trading advantage conferred by the under-valued dollar, . . . those countries which endeavoured to operate a free gold standard found their difficulties aggravated . . . The technical monetary position of the gold bloc countries was strong but their economic situation was weak and became weaker . . . By tightening their trade restrictions, imports could be *heavily* reduced and the strain on their balance of payments relieved."

Now, in this connection, it is interesting to draw the attention of the House to the drop that took place in the percentages of imports into these countries. Take France. Imports into France fell by 19 per cent., into Belgium by seven per cent. Compared with the preceding year, those of the Netherlands fell by 14 per cent. I am referring to the year 1934-35 which is the year in which our exports to these countries have been most marked. And I would say this, that if my Honourable friends would like, I could give them statistics of import and export percentages for these different countries which will conclusively prove that these restrictive measures have had to be taken, not because of the balance of trade with

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India because—I am simply stating the thing in general terms now—into none of those countries are the imports from this country more than 3·1 or 3·2 per cent. of their total trade. These measures have had to be taken as a measure of protection against a country such as the United States of America with which the balance of imports was very much higher—12 per cent., 15 per cent. or 10 per cent. as the case might be. Well, Sir, I feel that in the light of the statements which I have made of the financial difficulties of these countries, and of the instability of the exchange and the currency situation, it is not right to say that such restrictions, as have been imposed upon imports from this country, have been imposed because of Ottawa. As I have tried to explain, in the case of Germany her restrictive policy began in 1929—three years before Ottawa. Similarly in the case of France and Italy. The figures for one year, 1934-35, show that that is the year when the fall in the exports from this country to those countries became most marked but actually the regime of restrictions of quota, of exchange and so on began in 1929 and have gone on intensifying ever since because of the factors which I have already mentioned, namely, the instability of currency and exchange. My Honourable friends will probably say that this by itself is not a sufficient explanation of everything. The point I wish to submit for the consideration of the House is that those who have drawn attention to what they consider to be actual acts of retaliation by these countries have not been able to point out one single measure which is either discriminatory against India or which can be conclusively or by implication related to the effect of the Ottawa Agreement. What I maintain is that if the point of view which I have put forward before them is not considered by them to be either convincing or conclusive, the alternative is, not to say that we should reject this Agreement; the alternative is to enter into an investigation of the effect on our trade with these countries of this very important and very flexible factor, shall I say, that has been operative for some time. Now the second question which I had set out to answer was:—why is it that our expectations in regard to the revival of trade have not come up to expectations? There again, Sir, the best way I think of dealing with the matter is to give the House a few quotations from those who have criticized the Agreement: Says Mr. Nalini Ranjan Sarkar:

“The Pact has not ensured to India the balance of trade that she vitally needs to meet her annually recurring foreign commitments.”

Mr. Satyamurti has expressed the same criticism before and he repeated it this morning practically in these words:

“Has Ottawa resulted in an increase of India's export trade?”

Well, I say you cannot give an answer to that question without first considering what exactly has been the nature and the extent of the recovery in relation to which you wish to judge the effects of the Ottawa Agreement.”

Now, here is some information, not extracted from the archives of the Government of India but from international publications which seems to me to be very relevant:

“The textile industries which lean most heavily on agricultural materials did not expand as rapidly as other branches of production.” (*Indeed to quote the language of the League of Nations World Economic Survey for 1934-35*) “the characteristic feature of the recent revival has been its concentration in certain branches of heavy industry and building construction.”

The same compilation says of the recovery in the United Kingdom:

"At the beginning of 1935, it was becoming very clear that the recovery stimulated by cheap credit was rather dangerously dependent upon the construction and home-consumption industries, without a corresponding expansion of the industries catering for export markets."

That being the position, Sir, it is rather difficult for anybody to expect the results which it has been contended ought automatically to flow from Ottawa. That cannot be, unless there is a revival of international trade. Now what is the suggestion that has been offered for the purpose of achieving that revival of international trade? The suggestion that has been offered is bilateral agreements. Now, Sir, to a common-sense individual and one who, like myself, is not an expert, the first question is—how are you going, by entering into a bilateral agreement with a country which has a weak currency or a weak exchange position, how are you going, by that expedient, to improve your balance of trade, for that is what the Honourable Members opposite desire and that is what we also desire. Reference has been made to bilateral trade agreements which have been entered into by Germany with the United Kingdom, by Turkey with the United Kingdom. I mention the two cases that have come up in the course of the debate. As regards Germany the position is that Germany insisted that the United Kingdom imports into Germany shall at no stage exceed 55 per cent. of Germany's exports to the United Kingdom. In the case of Turkey the figure was 70 per cent. In other words, where certain countries have entered into these bilateral agreements with countries whose exchange position is weak, they have had to reconcile themselves to an adverse balance of trade. At the best such an arrangement would mean an even balance of trade. It means you take more from them than you are doing at the present moment in order that they may take from you as much as they have been doing so far. Now, Sir, we have heard a good deal of condemnation of diversion of trade from the Continent to the United Kingdom as a result of the Ottawa Agreement. The question that I ask is this. If by entering into bilateral trade agreements with Germany, France, Italy and other countries, the only result that you secure is that you get more manufactured goods from these countries in order to meet your requirements, but in lieu of what you have been so far importing from the United Kingdom, well, then all that happens is that your trade in manufactured commodities is diverted from the United Kingdom to the Continent. It does not mean that you take more because, after all, that cannot happen until your purchasing power goes up; consequentially, it does not necessarily mean that you will send more to those countries and at the same time you will continue to sell to United Kingdom what you have been doing so far. It seems to me that on that view of the problem so far as your relation with weak exchange countries are concerned, bilateralism is not going to help you. On the contrary, it is going to be restrictive of your trade unless there is that general revival of trade which we all desire. But the general revival of trade is not to be expected from bilateral agreements. Take the case of countries whose exchange position is not weak, but whose exchange position is strong. I am talking of a country like the United Kingdom. Reference was made by one of the speakers today—I think it was my Honourable friend Mr. Joshi—that one of the objects of the Ottawa Agreement was to convert the British Empire into a self-contained economic unit for the purpose of consuming all the raw materials that are produced within the Empire.

**An Honourable Member:** Within the British Empire.

**Sir Girja Shankar Bajpai:** Yes, within the Empire. Now, the question as regards that is this: What is the United Kingdom, which is the principal manufacturing unit within the British Empire, going to do with the raw materials that it buys from these other countries unless the constituent parts of the Empire are prepared to take up all that she manufactures. She must find an outlet elsewhere. In other words, there is no possibility of the United Kingdom being able to exist as a self-contained unit unless all her industrial output is consumed by the British Empire or by the British Commonwealth of Nations. I am not aware of a single person in the United Kingdom of any authority declaring that so far as the British Empire is concerned she either has the opportunity to consume all that she produces or holding the ideal that all that she produces is to be consumed there. On the contrary, the United Kingdom desires, as all manufacturing countries desire, that she should have the widest possible international market for her goods. I have presented to the House the view of an ordinary person who is not an expert. It happens that this particular problem has been studied by a Committee which was appointed at the instance of the Government of France, not the Government of the United Kingdom, by the League of Nations. I will read to the House an extract from the report which they presented on the working of bilateral trade agreements. The reference is to page 16 of the report:

*"They", (that is to say, these bilateral trade agreements), "are liable to create artificial channels of trade running contrary to price levels. They reduce mutual exchanges to the level of the party for the moment, less qualified to carry on export trade. They tend to lower the level of world prices, they have a restrictive effect on trade; limit possibilities of sale. Faced with the partial or complete closing of these outlets the countries which are not parties to them are gradually led to reduce the prices of their goods in order to sell them. These agreements thus reduce the volume of trade and the prices at which trade is conducted. They reduce the ability of debtor countries."*

It is rather important that the House should note these particular words:

*"to meet those financial obligations which gave rise to exchange control and subsequently to introduction of clearing agreement."*

I submit, Sir, being a debtor country, faced as we are with the authoritative pronouncement that I have quoted to this House now, we cannot face the prospect of multiplying bilateral agreements with equanimity.

**Pandit Govind Ballabh Pant** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Is the Ottawa Agreement a bilateral agreement?

**Sir Girja Shankar Bajpai:** My Honourable friend asks whether the Ottawa Agreement is a bilateral agreement. Certainly it is.

**Pandit Govind Ballabh Pant:** Is it not self-condemned?

**Sir Girja Shankar Bajpai:** Because the Ottawa Agreement is a bilateral agreement, are you going to begin the illogical process of denouncing one bilateral agreement in order to conclude bilateral agreements with all countries? To continue a bilateral agreement with our biggest market in the world, namely, the United Kingdom, which actually takes 25 per cent.

of our exports in preferred commodities, is really advantageous to India. I had a calculation made this morning and I found that these other countries, that is to say, France, Germany, Italy and Belgium, they between them in 1933 took 19 per cent. So we are going to denounce Ottawa because we do not want bilateralism only with the United Kingdom; we think of terminating our agreement with the United Kingdom which is a bilateral agreement, but we propose to improve the shining hour by entering into bilateral agreements with other countries.

**Mr. S. Satyamurti:** With all.

**Sir Girja Shankar Bajpai:** If your agreements are with all, then if it means anything, I submit that the transaction ceases to be bilateral, it becomes multilateral or polygonal which is really the aim of international trade.

**Mr. M. A. Jinnah:** I do not think that is my amendment. If you read it carefully, you will know what my amendment means.

**The Honourable Sir Muhammad Zafrullah Khan:** Several Honourable Members have said so.

**Mr. M. A. Jinnah:** My amendment speaks for itself.

**Sir Girja Shankar Bajpai:** I happen to be in the unfortunate position of not having had the opportunity of hearing from Mr. Jinnah's lips as to what kind of bilateral agreement he desires.

**Mr. M. A. Jinnah:** Wait till Monday.

**Sir Girja Shankar Bajpai:** Whatever my Honourable friend and other speakers might say I am merely trying to explain what an authoritative body had to say on the subject of bilateral agreements.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has spoken for more than half an hour.

**Sir Girja Shankar Bajpai:** I will conclude presently. I have tried to show to the House that what has been said on the subject of retaliation has not been proved. I have tried to show to the House that what is attributed to retaliation, conscious or sub-conscious, that is due to exchange and currency restrictions which have operated independently of the Ottawa Agreement. I have tried to show to the House that bilateralism far from being a beneficent panacea is a maleficent malady. My Honourable friends will be entitled to ask what exactly is it, that is likely to get us out of the slough of despondency and depression in which we find ourselves today. For that, there is an answer and that answer, let me say, is not from any publication of the suspect League of Nations. No, Sir, that has been suggested by the Central Bank for International Exchanges that exists in Europe for the regulation of international payments. This is what the Bank says:

"With the passage of time it becomes more and more clear that no fundamental durable recovery can be hoped for unless and until a general stabilisation of the leading currencies has been brought about."

[Sir Girja Shankar Bajpai.]

Now, Sir, are we, a debtor country, in a position to bring about that stabilisation of currencies?

**Mr. S. Satyamurti:** We can help.

**Sir Girja Shankar Bajpai:** Yes, we can help, but the initiative must be taken by a creditor country. And which is the creditor country that stands closest to us in these matters? The United Kingdom. (*A Voice: "Your masters."*) My Honourable friend says they are my masters; I say they are my friends, and that is quite different. That, Sir, if I may venture to say so, is the objective that we have to put before ourselves. My Honourable friend, the Leader of the Opposition, who is always easy, always elegant of diction and always adroit, said to us yesterday, "My dear Sirs, what is the good of your saying that there can be no termination of agreement or notice of termination of agreement between partners?" Well, Sir, it may be,—and I am not saying that in any spirit of disrespect or offence,—it may be that legal advice favours a termination of agreement as likely to lead to litigation, and, therefore, to profit. But ordinarily I should have said that before the stage of terminating an agreement was reached, the parties should get together, should exchange views and if that exchange of views pointed to a termination notice might be given. That, my Honourable friends may say, is a dialectical point and I do not desire to deal in dialectical points. I have also exceeded my time. But I do wish to submit this to the House that in the study of this particular Agreement there are more points of view than one; that the point of view which has been put forward by the Opposition is not the only possible point of view; that there are other honest and varied points of view; and that if you wish to reach a patriotic decision which is at the same time impartial and a sound decision, then the best way to do that is not to decide the thing by the counting of heads here without proper examination and scrutiny but to go to a committee. (Applause.)

**Mr. Sami Vencatachalam Chetty** (Madras: Indian Commerce): Sir, I am not an expert, much less a person so quick-witted as to be misguided by emotion. I have listened with great respect and attention to the speech of the Honourable the Commerce Member in making this motion. It is a speech of moderation and frankness and also it is very conscious of the impending fate that awaits his motion. We have also heard the speeches of a few Honourable Members who spoke in support of his motion, and particularly those gentlemen who are nominated to this Assembly as expert Members for this debate. Sir, it is more than ten years since I had the pleasure of listening to the sweet voice of Dr. Matthai in the Madras Legislative Council. He had been a professor of economics before he was drafted into the Government service proper. I, therefore, dare not question his pontifical admonitions to the Honourable Members of this House that most of the discussion has been irrelevant, that the speeches had been more actuated by emotion than by reason, and that the motive was misdirected enthusiasm. Sir, a charge of that sort I can only expect the Honourable the Leader of the Independent Party to answer. But when consigning my friend, Dr. Matthai, to the tender care of my Honourable friend, Mr. Jinnah, I would only request him to remember that he comes from my country, and, therefore, to deal with him rather smoothly.

Sir, there have been three experts who spoke on this matter. And I am reminded, Sir, of a story of three experts. There was one logician, one musician and another expert in finding out different values of nutrition. These three gentlemen went to a picnic excursion to a wayside station with only a little money and with practically no utensils. The musician thought that he must keep the money with him so that he might be frugal. So, on alighting at that station, where they expected to spend some time, he doled out a few annas to the logician and to this expert in nutrition whom I will call Mr. Vitamin. Mr. Vitamin went to the vegetable market and perhaps the mutton market also; and the logician went to fetch ghee. Mr. Vitamin went to the market and began to examine the nutritive value of each vegetable that was for sale and did not for a long time come to any decision as to what should be bought. Therefore, he was returning without buying anything. But the logician was a more reasonable man; he bought the ghee in a small earthen pot, and as he was coming somebody accosted him asking what he was carrying. He said he was carrying ghee. The person who had accosted him said, "I do not think so; you are really carrying an earthen pot". Then, doubt arose whether he was really carrying an earthen pot or ghee. Then he revolved in his mind in so many ways and found he could not come to a conclusion unless he had a practical demonstration by turning the cup upside down. When both these people returned to their musician friend, they found him listening to the pot boiling without any rice in it. The music that came out of that bubbling water did not suit with the timing of the musician, and, therefore, he broke the pot. That will be the fate of those persons who depend entirely upon the wisdom of these experts. Apart from that, Sir, we expect experts to confine their attention and their discussion to the mere production of arguments and statistics and figures to be helpful to any person who would like to use a particular argument. It is not for them to characterise a discussion in this House in one manner or another.

Now, Sir, it seems to me that Dr. Matthai was also the author of the report which has been sent to us on this Trade Agreement, for the year 1934-35. What he wrote seems to me very much better and more reasonable than what he spoke. The Honourable the Commerce Member asked us to judge this matter as divorced from politics. If any declaration is necessary, barring, of course, my Honourable and redoubtable friend, Mr. James, I declare on the floor of this House, on behalf of my Party and myself, that there is no other consideration which influences us to object to this Trade Agreement than the purely commercial and economic one.

Now, Sir, the Honourable the Commerce Member has told us that this Trade Agreement was entered into in the belief that it would be of positive benefit to our country. I stand by that statement, and I challenge Honourable Members taking the other view to substantiate that statement. I propose to refute that claim and to prove that there has been no positive benefit to our country—by the remarks of Dr. Matthai who has come here to support the motion for a Committee.

There are about eleven articles of importance which enjoy preference under the Trade Agreement. I shall quote the very words of the Report. In regard to rice in the Report, the preference is said to be of some importance, in regard to vegetable oils, of considerable value, in regard to magnesium chloride, of enabling value, in regard to linseed, of great

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value, in regard to coffee, of improving value, in regard to tea, of maintaining value, in regard to coir yarn, of insurance value, in regard to cotton manufactures, of little value, in regard to hides of gaining-ground value, in regard to jute, of insurance value, and so on. There is not a single article which has been of positive value, (*Cries of "Hear, hear."*) Apart from that, let us take the three articles in regard to which it is said there has been considerable or great value. One is vegetable oils. In the opinion of the author of the Report, the preference on vegetable oils is of considerable value. What really is the position with regard to vegetable oils? India lost seven million gallons in export. This is an article in regard to which it has been said that we have considerable value. With regard to linseed, more than one speaker laid great emphasis upon the large increase in export of linseed to the United Kingdom. Sir, I thought, it was confined to my friend, Sir R. K. Shanmukham Chetty, to issue a manifesto mentioning the large increase in export of linseed as sufficient ground for justification for signing the Ottawa Trade Agreement—only to the gullible public of the Madras Presidency. I never knew that expert Members, Members who should have known things better, would be addressing this argument to a House so distinguished and so honourable as this is.

Now, with regard to linseed oil. In the first place, was not the increase due to the fact that there had been a failure of the crop in Argentine? In the second place, was it not due to the lower parity of price so far as Indian linseed was concerned? Why repeat an argument which you know to be thoroughly fallacious and which you know would only be substantiated by concealing the truth about it? With regard to coffee, which in the opinion of the author of this Report is of improving value, I suppose the argument has been met by Dr. DeSouza, my Honourable friend from South Canara, and others. So far as gaining ground and insurance values are concerned, it is impossible for me to meet them, because they do not require refutation//

My Honourable friend, Mr. Gauba, laboured hard and indeed voluntarily underwent that pleasing pain which women alone can bear to produce children—and produced the great question "why burke the issue?" I suppose he has conveniently forgotten that the most convenient device and the most commonly resorted device of burking an issue is to appoint a Committee. When the experts have advised Government, when Government officers are ready to put forth arguments for upholding this Trade Agreement, why should they ask the House to consider it over and over again? Sir Girja Shankar Bajpai in his inimitable style of elocution and verbiage of words has reduced the whole of his arguments to three heads:

first, has the Agreement inflicted any injury or is it potentially harmful;

secondly, why has it failed to attain the expectations formed of it; and

thirdly, will bilateral agreements help?

As regards the first, I do not know why he has put the question in the manner in which he has put it. Does it mean that everything that does not appear to be injurious, whether you want it or not, should hang on our heads and be removed only when it proves injurious? On the other

land, only if an agreement could be beneficial to our country, shall we want it. It would appear that it is our business to point out that the Agreement has inflicted an injury, and, therefore, is not necessary. No. It is their business to prove that it has not become prejudicial to us and ask for its continuance. The mere fact of his propounding the question in this manner proves that he has no positive case to put for continuing the Agreement.

With regard to the second question as to why it has failed to attain the expectations formed of it, it is again a frank admission that it did fail in the expectations formed of it. It so, why continue that which has failed in expectations on the ground that it would be fulfilled a few years hence?

With regard to the third question "will bilateral agreements help", as has been very pertinently interrupted by my Honourable friend, the Deputy Leader of my Party, this itself is a bilateral agreement. An agreement which is entered into between countries is a bilateral agreement. Probably, in one sense it is a unilateral agreement, because the advantages are all on one side, and the disadvantages on the other. Normally speaking, it is a bilateral agreement: therefore, when we say that this Agreement should be terminated, it does not mean that we do not want to enter into agreements with anybody. We are perfectly open to deal with such persons who want to enter into agreements with us. But why do we want to denounce this Agreement just now? The reason is this: the existence of this Agreement is acting as a warning against us to other countries that they should not approach us: the other countries are of opinion that we are bound to one party and that we are not free persons to act in the matter of these trade agreements with those countries. It is this hindrance to our entering into trade agreements with other countries that is sought to be removed by denouncing this bilateral trade Agreement.)

With regard to the restrictions which other countries have imposed upon India along with other countries in respect of their imports, my Honourable friend, Sir Girja Shanker Bajpai, has very cleverly avoided tackling the question directly. It is undoubtedly true that in order to strengthen its own economic and commercial position each country, irrespective of whether it is India or some other country, imposed restrictions. It is exactly in that atmosphere that we are further handicapped. But I do not know if the Honourable Sir Girja Shankar Bajpai will trace from what date this process began. I suppose he mentioned 1934. Even before 1934 each country was preparing to impose restrictions upon others. The whole thing began in 1930; and as a matter of fact this Ottawa Conference is a result of each country trying to strengthen its economic position. Now, if it is true that each country would like to import only such articles of the value and volume of those articles corresponding to articles which they sell to other countries, it is all the more necessary that we should be able to sell to that country so much of goods as it will be possible for us to buy their goods. Now, it is said, "Supposing you enter into a trade agreement with Germany, France or Italy: what you will have to do is you will have to divert the trade from the United Kingdom to those countries. And what is the benefit?" The benefit is that we get their imports cheaper than the British goods. We are today

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paying higher for imports than what we should be paying, if this restriction is not there. Therefore, far from this Agreement being a positive benefit to us, it has become positively harmful. After all, who are the persons who have got to judge this matter? Are they not the merchants who have got to do it? Why should the Government unnecessarily take up the side of merchants who do not belong to this country and plead against the merchants of this country? When I am speaking of merchants of this country, I am not confining my phraseology to Indian merchants alone . . . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has exceeded his time.

**Mr. Sami Vencatachelam Chetty:** I am aware the guillotine will come very soon. Sir, both Indian commercial men and European  
5 P.M. commercial men have suffered on account of this trade agreement. But if English Chambers of Commerce are not so very emphatic and so very pronounced upon this matter, it is there that the politics come in. So far from our introducing politics, it is the other side which is introducing politics. Both of us have suffered; both of us are suffering. The mere fact that they have not been quite emphatic either way shows that it was not merely commercial considerations that have induced them to keep silent over this matter. My Honourable friend, Mr. James, cannot finish a speech without throwing a fling against the Congress and its acts. That has become second nature to him. We are always destructive, he says. Now, where is the destruction? The destruction is the mere issue of notice of termination of agreement. What prevents him and his countrymen to come to India and negotiate another treaty which would be positively beneficial to this country? I do not want that this country should benefit at the expense of any country. Let there be an equal treatment: let there be really reciprocal preference which was the real motive at any rate in the beginning of this Ottawa Conference. From Imperial Preference it became inter-reciprocal conference . . . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has already had more than his share of time.

**Mr. Sami Vencatachelam Chetty:** I will close my remarks by drawing the attention of this House to the magnificent words of the Government of India of Lord Curzon's days:

"The Government would not be justified in embarking on a new policy which might involve reprisals by foreign nations unless assured of benefits greater and more certain than any which at that time present themselves."

This was no doubt mentioned in a somewhat milder form by the Honourable the Commerce Member, namely, that any agreement must be positively beneficial to this country; but the mildness of the language is due to the increasing association of Indians in the progressive realisation of responsible government in which is implicit dominion status!

The Assembly then adjourned till Eleven of the Clock on Saturday, the 28th March, 1936.