

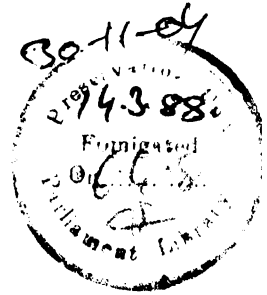
Friday, 20th April, 1934

THE
COUNCIL OF STATE DEBATES

VOLUME I, 1934

(8th February to 27th April, 1934)

SEVENTH SESSION
OF THE
THIRD COUNCIL OF STATE, 1934



PUBLISHED BY MANAGER OF PUBLICATIONS, DELHI.
PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, NEW DELHI.
1934.

	Pages.
Thursday, 29th March, 1934—	
Indian Finance Bill, 1934—Considered and passed	609—31
Salt Additional Import Duty (Extending) Bill—Considered and passed	631—35
Statement of Business	630
Thursday, 12th April, 1934—	
Members Sworn	637
Questions and Answers	637—45
Short Notice Question and Answer	645—46
Statements laid on the table	646—47
Bill passed by the Legislative Assembly laid on the table	647
Motion for the election of six non-official Members to the Central Advisory Council for Railways—Adopted	647
Motion for the election of one Muslim non-official Member to the Standing Committee on Pilgrimage to the Hejaz <i>vice</i> the Honourable Mr. Hossain Imam, resigned—Adopted	648
Indian Trusts (Amendment) Bill—Considered and passed	648—49
Statement of Business	649
Monday, 16th April, 1934—	
Member Sworn	651
Short Notice Questions and Answers	651—52
Ruling re putting of questions standing in the names of absent Members	652—55
Statements laid on the table	655—56
Motion for the election of one non-official Member to the Standing Committee on Emigration <i>vice</i> the Honourable Sir Kurma Venkata Reddi—Adopted	656
Motion for the election of three non-official Members to the Standing Committee for Roads—Adopted	656
Indian States (Protection) Bill—Motion to consider, adopted	656—58
Election of one non-official Muslim Member to the Standing Committee on Pilgrimage to the Hejaz	658
Nominations for the election of six non-official Members to the Central Advisory Council for Railways	658
Tuesday, 17th April, 1934—	
Member Sworn	699
Questions and Answers	699—700
Bill passed by the Legislative Assembly laid on the table	701
Indian States (Protection) Bill—Considered and passed	701—32
Statement of Business	732
Friday, 20th April, 1934—	
Questions and Answers	733—45
Statement laid on the table	746
Bill passed by the Legislative Assembly laid on the table	747
Election of a non-official Member to the Standing Committee on Emigration <i>vice</i> the Honourable Sir Kurma Venkata Reddi	747
Election of three non-official Members to the Standing Committee for Roads	747
Election of six non-official Members to the Central Advisory Council for Railways	747

Friday, 20th April, 1934—contd.

Congratulations to the Honourable Sir Joseph Bore on the successful termination of the Indo-Japanese Agreement	748
Indian Tariff (Textile Protection) Amendment Bill—Motion to consider, adjourned	748—803
Appendix	804—06

Saturday, 21st April, 1934—

Questions and Answers	807—09
Bill passed by the Legislative Assembly laid on the table	809
Indian Tariff (Textile Protection) Amendment Bill—Considered and passed	809—27
Resolution re Road Development Fund—Adopted	827—35
Statement of Business	886
Appendix	887—36

Thursday, 26th April, 1934—

Question and Answer	839
Congratulations to the Honourable Sir Harry Haig on his appointment as Governor of the United Provinces	889
Death of Sir Sankaran Nair	840—44
Statement laid on the table	844—46
Result of the election of six non-official Members to the Central Advisory Council for Railways	847
Trade Disputes (Extending) Bill—Considered and passed	847—50
Sugar (Excise Duty) Bill—Considered and passed	851—907
Sugar-cane Bill—Motion to consider, adopted	907—30

Friday, 27th April, 1934—

Questions and Answers	931—34
Death of the Right Honourable Sir Dinshaw Mulla	934
Sugar-cane Bill—Considered and passed	934—55
Matches (Excise Duty) Bill—Considered and passed	955—63
Motion re Committee to enquire into and report on the working of and results achieved from the Ottawa Agreement—Consideration adjourned	964—68

COUNCIL OF STATE.

Friday, 20th April, 1934.

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

QUESTIONS AND ANSWERS.

COMPARATIVE RENTS OF QUARTERS IN SUMMER HILL AND BEMLOE.

133. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) With reference to the answer given on the 14th December, 1933, to question No. 219 in the Council of State, does the fact that the rents of "F" bungalows of types "C" and "D" at Bemloe are slightly lower than those of an "A" class quarter in Summer Hill, mean that officers who are in receipt of larger emoluments pay less towards rental? If so, do Government propose to remove the anomaly?

(b) With reference to the same answer, will Government be pleased to say if rents of houses in Simla have been revised? If so, will they please lay on the table a copy of the revised rules?

THE HONOURABLE MR. D. G. MITCHELL: (a) Government do not admit that any real anomaly exists, because clerks of the Attached Offices pay rent subject to the ten per cent. limitation, while Secretariat clerks on the new rates of allowance occupy their quarters rent free. A Secretariat clerk on the old rates of allowance might pay a higher rent for an "A" class quarter at Summer Hill than would be paid by an officer for a "C" or "D" type bungalow at Bemloe. I would remind the Honourable Member that a Secretariat clerk on the old rates of allowance has certain advantages—*e.g.*, he is not required to occupy Government accommodation, and Government see no reason to make any change in the rules.

(b) The rents of houses for officers whose emoluments are Rs. 600 and over per mensem have been revised, and a statement showing the existing and revised rents for "C" and "D" type houses on the Bemloe Estate, Simla, is placed on the table. The rents of houses for officers drawing less than Rs. 600 per mensem are still under revision, which, it is anticipated, will be completed early in June next.

Statement showing the existing and revised rents of "C" and "D" type houses at Bemloe, Simla.

Name of building and locality.	Existing rents per annum.					Revised rents per annum.				
	Building.	Furniture.	Occupier's taxes.	Boilers.	Total Rs.	Building.	Furniture.	Occupier's taxes.	Boilers.	Total Rs.
"C" type houses (12).	621	198	34	28	881	628	196	28	29	881
"D" type houses (4).	615	180	37	28	869	622	188	33	29	872

SIMILARITY OF TREATMENT TO SECRETARIAT AND ATTACHED OFFICE CLERKS IN CALCULATION OF RENTS OF NON-ENTITLED QUARTERS.

134. **THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): With reference to the answer to part (b) of question No. 222, do Government propose to consider the desirability of according to the Secretariat men the same treatment that is given to those from the Attached Offices so far as the calculation of the rental of higher types of quarters, that is, quarters other than those to which there is title, is concerned? If not, why not?

THE HONOURABLE MR. D. G. MITCHELL: I understand that the Honourable Member refers to "out of class" allotments under Supplementary Rule 317-E. IV (i) "Sixthly", and that he considers that Secretariat clerks drawing house rent allowance at the old rates should pay rent subject to the ten per cent. limitation, like clerks of the Attached Offices who draw no allowance. I would point out that rents are charged strictly in accordance with the Fundamental Rules, and that it would be neither equitable nor practicable to reduce the rent payable by a Secretariat clerk who is not entitled to rent-free quarters, but is given the Simla house rent allowance.

OPERATION OF RULES FOR THE ALLOTMENT OF UNORTHODOX QUARTERS IN THE CASE OF SECRETARIAT AND ATTACHED OFFICE CLERKS.

135. **THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) Has it been represented to Government that so far as allotment of unorthodox quarters in Simla is concerned there is a considerable feeling among the Secretariat men that the existing rules discriminate in favour of the men in the Attached Offices? If so, do they propose to revise the rules suitably? If not, do they propose to ascertain from the men concerned direct or through the Imperial Secretariat Association the facts and take necessary action?

(b) Is it a fact that when the allotment of unorthodox quarters in Simla and Delhi during any one year, say 1933-34, is taken into account, it will be found after due regard is paid to the enjoyment of Simla House Rent Allowance and Delhi Camp Allowance by the members of the Secretariat and Attached Offices, respectively, that the incidence of house rent is greater for the former, *i.e.*, Secretariat men, than for the latter. If so, will suitable steps be taken to remove this state of affairs?

THE HONOURABLE MR. D. G. MITCHELL: (a) No. It is open to the clerks concerned or to the Imperial Secretariat Association to submit their views to Government for consideration.

(b) Government have received no complaint in this respect. I would suggest that it is for any individual who is aggrieved or for the Secretariat Association to apply to Government if they think fit.

DIFFERENTIATION IN PAY LIMITS FOR THE PURPOSES OF TITLE TO UNORTHODOX AND ORTHODOX QUARTERS IN SIMLA.

136. **THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) Is it a fact that the pay limits for the purpose of title to particular classes of unorthodox quarters in Simla are different from those fixed for orthodox quarters? If so, will Government be pleased to state the reasons therefor?

(b) Has it been represented to Government that the higher limit fixed for unorthodox quarters has meant hardship for men who have chosen the unorthodox style of living and that the existing rules have therefore the effect of penalizing them ?

(c) Do Government propose to consider the desirability of prescribing uniform principles of classification for orthodox as well as unorthodox quarters in Simla as well as in Delhi ? If not, why not ?

THE HONOURABLE MR. D. G. MITCHELL: (a) Yes. The pay limits were fixed in order to secure an equitable distribution of quarters so that the clerks in each class would secure the same proportion of quarters. The Imperial Secretariat Association were consulted before the existing pay limits were introduced.

(b) No case of hardship has been represented to Government.

(c) Government see no reason to change the rules.

DESIRABILITY OF REVISING EXISTING RULES FOR THE ALLOTMENT OF "A" TYPE QUARTERS IN SUMMER HILL.

137. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) With reference to part (a) of the answer to question No. 224, have Government considered the desirability of revising the existing rules so as to ensure that in future "A" class quarters in Summer Hill are not allotted to several Attached Office men on practically nominal rental ? If not, why not ?

(b) Have they considered in this connection the desirability of achieving this object by prescribing the same pay limits as are fixed for orthodox quarters ?

THE HONOURABLE MR. D. G. MITCHELL: (a) The allotment of quarters, including these which may be surplus after the needs of eligible applicants have been met, is made strictly in accordance with the allotment rules, and Government see no reason to depart from the existing principles which were prescribed after very careful consideration.

(b) Does not arise.

DESIRABILITY OF REVISING EXISTING RULES GOVERNING ALLOTMENTS OF HIGHER CLASS QUARTERS IN SIMLA TO PERSONS NOT ENTITLED TO HOUSE RENT.

138. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): With reference to the answer to part (a) of question No. 226, will Government consider the desirability of so revising the rules as to secure that no person who is not entitled to house rent allowance is allotted, in preference to those who are entitled to it, a class of quarters higher than that to which he has title on the basis of his emoluments ? If not, why not ?

THE HONOURABLE MR. D. G. MITCHELL: I would invite the Honourable Member's attention to the reply I have just given to part (a) of his question No. 137.

PREFERENCE TO SECRETARIAT CLERKS OVER ATTACHED OFFICE CLERKS IN THE ALLOTMENT OF QUARTERS SO LONG AS THE RENT RECOVERABLE FROM THE FORMER IS GREATER THAN THAT RECOVERABLE FROM THE LATTER.

139. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): With reference to the answer to question No. 229, is it a fact that the rent realized from eligible rent-paying officers of the Attached Offices is much less than what would be recovered from officers in the Secretariat? If so, will they consider the desirability of making a provision in the rules that whether entitled or not, the Secretariat officer will be shown preference in the matter of allotment whatever the class of quarter may be so long as the rent recoverable from him is greater than that recoverable from an officer of the Attached Offices? If not, why not?

THE HONOURABLE MR. D. G. MITCHELL: Yes. But I would invite the Honourable Member's attention to my reply just given to his question No. 137. Government have received no complaints from either the clerks or the Imperial Secretariat Association against the operation of the rules in force and see no reason for altering them.

QUANTITY AND CLASS OF TIMBER PURCHASED BY STATE RAILWAYS.

140. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: (a) Will Government be pleased to lay on the table a statement showing the quantity and classes of various timbers purchased by the various State Railways during the last year for which figures may be available with minimum and maximum rates in case of each class of timber at which they were purchased?

(b) Will Government be pleased to lay on the table a similar statement with regard to the various Military Commands?

(c) Do Government prescribe any rates for the purchase of various classes of timbers by the Railway and Military Departments? If not, why?

(d) What were the rates at which the various classes of timber were purchased by the various State Railways and the Military Department during the last financial year?

(e) What are the functions of the Timber Advisory Officer to the Government of India?

(f) Is it one of his functions to approve the stocks at timber depots? If so, are the timbers approved by him placed in the custody of any Government Watch and Ward agency? If not, why not?

(g) Are there any lists of approved contractors maintained for the supply of timber and other commodities by the various State Railways, Military Commands and the Stores Purchase Department?

(h) If so, on what considerations are additions to the lists made and disallowed?

THE HONOURABLE SIE GUTHRIE RUSSELL : (a) Information regarding the minimum and maximum rates for each class of timber is not available. For the purchases of timber sleepers in 1932-33 I would refer the Honourable Member to the Report and Appendices (1932-33) of the Sleeper Pool Committee, a copy of which is in the Library of the House, wherein he will find information regarding quantities and classes and average prices paid during that year for timber sleepers.

With regard to timber used in carriage and wagon workshops, figures of minimum and maximum rates are also not available, but I lay a statement on the table, showing quantities, species and approximate average costs of timber used in such workshops in 1932-33.

(b) Information has been called for and will be supplied to the Honourable Member in due course.

(c) Maximum rates are sometimes prescribed by the Railway Board for timber sleepers. No such rates are fixed for timber used in the carriage and wagon shops. Information regarding the Military Department has been called for and will be supplied to the Honourable Member in due course.

(d) As far as State Railways are concerned, the required information is not available at present, but when information similar to that which is being supplied in reply to part (a) above becomes available in due course, it will be forwarded to the Honourable Member. Information with regard to the Military Department has been called for and will be supplied to the Honourable Member in due course.

(e) The functions of the Timber Advisory Officer, Railway Board, are essentially advisory, and may be summarized as follows :

- (i) To advise Railway Administrations in connection with the obtaining of supplies of suitable wooden sleepers and timbers required for carriage bodies and other works.
- (ii) To act as a liaison officer between Railway Administrations on the one hand and Forest Departments and owners on the other.
- (iii) To advise on matters of preservative treatment and seasoning of timber.
- (iv) To act as Secretary of the Sleeper Pool Committee.

(f) The answer to the first part is in the negative, and the second part therefore does not arise.

(g) As far as Government are aware lists of approved contractors for timber and other commodities are maintained by all State-managed Railways. The Indian Stores Department also maintains a list of approved contractors for timber and allied commodities. Information regarding the Military Department has been called for and will be supplied to the Honourable Member in due course.

(h) After due enquiries and/or trial of quality and reliability of supply capacity and financial standing.

Statement showing timber used in carriage and wagon shops in India during 1932-33 and the rates for the same.

Railway.	Form in which purchased and approximate average cost per ton in rupees.															
	Teak, Burma.				Teak, Indian.				Indigenous timbers other than teak.							
	Squares.		Sawn timber.		Logs.		Sawn timber.		Bottom boards.		Logs.		Sawn timber.		Bottom boards.	
	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.
A. B.	247	222	..	..	..	..	..	..	..	..	..	..	..	..	..	..
B. N. W.	1,076	234	..	..	470	144	..	..	505	171	..	..	..	129	92	..
B. B. & C. I. (B. G.)	320	168	..	..	..	..	..	..	..	..	..	..	..	..	..	..
B. B. & C. I. (M. G.)	1,575	188	..	..	..	..	158	202	..	..	..	..	..	..	..	..
E. B.	1,014	213	..	..	..	..	..	..	..	..	..	..	..	..	..	..
E. I.	1,386	233	..	..	21	156	..	..	..	..	..	..	..	..	..	..
G. I. P. (Madras)	1,266	238	..	..	..	..	..	..	..	..	..	..	..	..	..	..
G. I. P. (Jhansi)	267	238	..	..	2	106	..	..	..	..	..	..	..	..	..	..
M. & S. M.	726	240	..	..	190	160	..	..	126	94	..	..	..	..	..	..
N. W.	840	268	..	..	..	..	..	..	..	..	..	..	..	..	..	..
R. & K.	14	180	..	..	..	..	..	..	..	..	..	..	..	..	..	..
S. I.	505	288	..	..	..	175	..	..	..	..	..	..	..	..	..	..
TOTAL	9,847	..	..	..	1,236	..	..	..	158	..	..	..	..	9,217	..	..
			254	..										349	..	2,585

* Kiln-seasoned from Lillooah, 1930-31.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK : With regard to the answer to the various parts of question No. 140, will the information be laid on the table ?

THE HONOURABLE SIR GUTHRIE RUSSELL : If you so desire, Sir, it will be laid on the table ?

THE HONOURABLE THE PRESIDENT : If it is convenient, I would like you to do so.

THE HONOURABLE SIR GUTHRIE RUSSELL : Quite convenient, Sir.

HARDWAR RAILWAY STATION, EAST INDIAN RAILWAY.

141. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :
(a) Is it a fact that the East Indian Railway earns a huge income from the Hardwar Railway Station in the United Provinces on account of Hardwar being an important pilgrim centre of the Hindus ?

(b) If so, will Government be pleased to give the average yearly income earned by the East Indian Railway from the Hardwar Railway Station ?

(c) Is it a fact that at the Hardwar Railway Station conveyances are not allowed inside the station precincts and that the general public have to leave them on the public road outside the station precincts at a considerable distance from the station building ?

(d) Does this practice result in respectable ladies and gentlemen and aged and infirm pilgrims having to walk all the way from the road to the station and *vice versa* ?

(e) Will Government consider the advisability of remedying this state of affairs ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) What constitutes a huge income is a matter of opinion ; the earnings are undoubtedly substantial.

(b) Figures of the average yearly earnings are not readily available. In the year 1932-33, the earnings from local passengers amounted to Rs. 2,96,839.

(c) and (d). From the edge of the station verandah to the edge of the public road nearest to the station is a distance of 320 feet. At a point 150 feet from the edge of the road towards the station, there are barrier gates upto which point public vehicles have free access. From this point—the barrier gates—to the station building, a distance of 170 feet, upper class passengers have to walk.

The barrier gates at this position are necessary as otherwise pilgrim traffic, which is principally third class, would be uncontrollable and pilgrims would crowd the station building. Further the approach,—a raised road—is about 50 feet wide only inside the barrier and there is danger of congestion if vehicles are allowed on it. Besides this, the upper class booking office is opposite the barrier gates.

(e) In view of the position explained above, Government do not feel called upon to interfere with the existing arrangements.

NUMBER AND VALUE OF INDIAN-BRED HORSES SECURED FOR ARMY PURPOSES FROM THE VARIOUS BOUND AND UN-BOUND HORSE-BREEDING AREAS OF THE PUNJAB.

142. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): With reference to the answer to question No. 77 in the Council of State on the 12th March, 1934, will Government be pleased to state the number and value of Indian-bred horses secured for army purposes from the several horse-breeding areas of the Punjab—bounded and unbounded—separately for the past ten years ?

THE HONOURABLE MR. M. G. HALLETT (on behalf of His Excellency the Commander-in-Chief): A statement showing the number of young stock and full grown horses purchased for the army from the various horse-breeding areas of the Punjab during the past ten years, is laid on the table.

The totals are 10,024 young stock horses and 421 full grown horses. As the average prices are respectively Rs. 230 and Rs. 635, the value of these horses amounted to Rs. 25,72,855.

Statement of young stock and full grown horses purchased for the army from Punjab horse-breeding areas.

	Number of young stock horses.	Number of full grown horses.
<i>1924-25.</i>		
Shahpur area	516	} 61
Montgomery area	245	
Chenab area	81	
Rawalpindi area	67	
<i>1925-26.</i>		
Shahpur area	500	} 40
Montgomery area	520*	
Chenab area	62	
Rawalpindi area	45	
<i>1926-27.</i>		
Shahpur area	569	} 35
Montgomery area	727*	
Chenab area	67	
Rawalpindi area	19	
<i>1927-28.</i>		
Shahpur area	351	} 33
Montgomery area	462	
Chenab area	17	
Rawalpindi area	13	

* The increase in the number of purchases followed the lowering of standard. This proved unsatisfactory and was discontinued.

Statement of young stock and full grown horses purchased for the army from Punjab horse-breeding areas.

		Number of young stock horses.	Number of full grown horses.	
1928-29.				
Shahpur area	407	} 34	
Montgomery area . . . . .	.	518	
Chenab area . . . . .	.	24	
Rawalpindi area . . . . .	.	2	
1929-30.				
Shahpur area	478	} 49	
Montgomery area . . . . .	.	313	
Chenab area . . . . .	.	55	
Rawalpindi area . . . . .	.	4	
1930-31.				
Shahpur area	428	} 50	
Montgomery area . . . . .	.	409	
Chenab area . . . . .	.	54	
Rawalpindi area . . . . .	.	12	
1931-32.				
Shahpur area	445	} 40	
Montgomery area . . . . .	.	550	
Chenab area . . . . .	.	29	
Rawalpindi area . . . . .	.	5	
1932-33.				
Shahpur area	418	} 41	
Montgomery area . . . . .	.	537	
Chenab area . . . . .	.	40	
Rawalpindi area . . . . .	.	1	
1933-34.				
Shahpur area	509	} 38	
Montgomery area . . . . .	.	494	
Chenab area . . . . .	.	31	
Rawalpindi area . . . . .	.	..
Total	}	Shahpur area	4,621	} 421
		Montgomery area	4,775	
		Chenab area	460	
		Rawalpindi area	168	
		Grand Total	10,024	421

NATURE OF CONTROL EXERCISED BY GOVERNMENT OVER BOUND HORSE-BREEDING AREAS.

143. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) What is the nature of control by Government over the bound horse-breeding areas ?

(b) Do Government give help to these bound horse-breeding areas ? If so, in what form for the past ten years ?

THE HONOURABLE MR. M. G. HALLETT (on behalf of His Excellency the Commander-in-Chief) : (a) The special conditions on which land is granted to bound horse-breeders are laid down in chapter VI, section I, clause 21, of the Punjab Colony Manual, Volume II.

(b) Yes. In addition to the land grants made to the bound horse-breeders, the following facilities have been afforded them in the past :

- (i) Free service of stallions.
- (ii) Free veterinary advice for their mares and young stock.
- (iii) Taccavi loans for the purchase of their mares.
- (iv) Free grazing for their stock.
- (v) Prizes and premiums at horse fairs and shows.
- (vi) Arrangements made on their behalf to lease their fillies to race clubs for racing purposes, before diverting the same to stud.
- (vii) Organized and systematic purchase throughout India of imported and other valuable mares which would otherwise be lost to breeding.
- (viii) Organization of fairs and horse shows to educate breeders in conditioning and managing their stock and to attract dealers with a view to assisting owners in the disposal of such of their stock as is not purchased by Government.

FORM OF ENCOURAGEMENT GIVEN BY GOVERNMENT TO UNBOUND HORSE-BREEDING AREAS.

144. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder) : (a) Will Government be pleased to state in what form the unbounded horse-breeding areas are given encouragement by Government ?

THE HONOURABLE MR. M. G. HALLETT (on behalf of His Excellency the Commander-in-Chief) : Encouragement is given in the following forms :

- (a) Free service of Government stallions for covering mares.
- (b) Free veterinary advice for mares and young stock.
- (c) Prizes and premiums at horse fairs and shows.
- (d) Purchase of young stock by Government before they attain the age of 18 months.
- (e) Organized and systematic purchase throughout India of imported and other valuable mares which would otherwise be lost to breeding.
- (f) Organization of fairs and horse shows to educate breeders in conditioning and managing their stock and to attract dealers with a view to assisting owners in the disposal of such of their stock as is not purchased by Government.

METHOD ADOPTED BY THE ARMY FOR THE SELECTION AND PURCHASE OF HORSES FROM BOUND AND UNBOUND AREAS.

145. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) Will Government be pleased to say what is the method adopted by Army Department for the selection and purchases of horses from these bound and unbound areas?

- (b) Are selection and purchases made every year?
- (c) At what age are animals selected?
- (d) What is the average period of service in case of Indian-bred horses and imported horses?
- (e) Do Indian-bred horses compare well in service with foreign horses?
- (f) Of the latter class, what is the order of superiority among the imported horses of different countries in point of endurance, long service and adaptability to the Indian climate?

THE HONOURABLE MR. M. G. HALLETT (on behalf of His Excellency the Commander-in-Chief): (a) The number of horses, both young stock and full grown, required each year is estimated and fixed by Government with due regard to the needs of the Army in India and the availability of the number in the areas. At their tours of inspection and at horse fairs and shows, timely notice of which is given to breeders, the District Remount Officers purchase horses from the breeders, both bound and unbound. The breeders who have stock to dispose of produce them on the above occasions before the District Remount Officer, who examines them in conjunction with the Veterinary Officer, and if he considers them suitable for army requirements acquires them for Government.

- (b) Yes. From September to March each year.
- (c) Young stock horses are purchased before they attain the age of 18 months and full grown horses at four years of age and over.
- (d) Indian-bred horses 10½ years.
Imported horses 10 years.
- (e) Yes.
- (f) There is no order of superiority; each class carries out the work required of it satisfactorily.

NAMES OF DISTRICT BOARDS IN THE PUNJAB INTERESTED IN HORSE-BREEDING.

146. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) Will Government be pleased to state the names of district boards in the Punjab where horse-breeding activities are going on?

- (b) What is the number of stallions maintained by these district boards for the past ten years?
- (c) What is the size and breed of these stallions?
- (d) What is the fee, if any, charged per service and the number of services fixed for each stallion per year?
- (e) What is the number of years stallions are allowed to serve?

THE HONOURABLE MR. M. G. HALLETT (on behalf of His Excellency the Commander-in-Chief): (a) The horse-breeding operations of the following district boards are controlled by the Army Remount Department:

Sargodha, Montgomery, Lyallpur, Jhang, Sheikhpura, Rawalpindi, Jhelum, Gujerat, Attock and Hazara.

It is understood that other district boards are controlled by the Civil Veterinary Department, but Government have no exact information.

(b) The average numbers of horse and donkey stallions maintained by the ten boards named during the past ten years are approximately 86 and 25, respectively.

(c) *Breeds of horse stallions:*

Anglo-Arabs.

Arabs.

Kathiawari.

Marwari.

Indian bred.

Breeds of donkey stallions:

American.

Indian.

Stallions suitable for the improvement of the pony breeds required to meet ordinary economic requirements are generally supplied. They average 14 to 15 hands in height.

(d) No fee for covering is charged.

No hard and fast rule is laid down for the number of services for each stallion. The number is dependent on the age and condition of the stallion.

(e) There is no hard and fast rule. Each stallion has to be treated on his own merits with due regard to his fertility and the type of stock he gets.

NUMBER OF HORSE-BREEDING COLONIES ESTABLISHED BY GOVERNMENT.

147. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) With reference to the answer to question No. 78 on the 12th March, 1934, in the Council of State, will Government be pleased to state the number of horse-breeding colonies established by Government since the recommendation of the 1901 Commission, the years of their establishment, the number of breeding mares and stallions in each circle and the cost of running each circle every year?

(b) What is the number of Indian-bred horses produced, the number and the cost of horses found suitable and purchased by Government for the army and the value of disposal of the misfit horses in each circle every year?

THE HONOURABLE MR. M. G. HALLETT (on behalf of His Excellency the Commander-in-Chief) : (a) and (b). The following horse-breeding colonies have been established since 1901 :

The Shahpur area in the Jhelum Canal Colony 1903
 The Montgomery area in the Lower Bari Doab Canal Colony 1922

Government do not consider that the value to be obtained from the information asked for by the Honourable Member for the years 1901 to 1921 would be commensurate with the time and labour involved in collecting it. A statement giving the information asked for for the years from 1922 to date is laid on the table.

The approximate numbers of mares and stallions at present on charge of the areas are—

	No. of mares.	No. of stallions.
Shahpur area	4,062	107
Montgomery area	3,874	95

The average price of a young stock and a full grown horse is Rs. 230 and Rs. 635, respectively.

The prices realized by breeders for " misfit horses " in each area are not known.

Cost of horse-breeding areas at Shahpur and Montgomery and numbers of stock produced

The provision made on account of running the areas from the financial year 1922-23 is shown below :

	Shahpur area.	Montgomery area.
1922-23	1,64,770	96,610
1923-24	1,36,360	1,34,000
1924-25	1,52,210	1,23,380
1925-26	1,52,000	1,57,490
1926-27	1,64,660	1,56,340
1927-28	1,41,990	1,62,880
1928-29	1,37,850	1,44,190
1929-30	1,42,580	1,60,290
1930-31	1,51,333	1,81,175
1931-32	1,50,594	1,79,178
1932-33	1,33,800	1,51,000
1933-34	1,37,090	1,48,718

	No. of young stock horses produced.		No. of young stock horses purchased.		Full grown horses purchased.	
	Shahpur area.	Montgomery area.	Shahpur area.	Montgomery area.	Shahpur area.	Montgomery area.
1922-23	1,720	1,027	526	113	38	10
1923-24	1,640	1,219	487	163	32	22
1924-25	1,671	1,657	516	254	26	14
1925-26	1,645	1,715	500	520	10	20
1926-27	1,839	1,960	569	727	12	19
1927-28	1,708	1,915	351	462	11	20
1928-29	1,707	1,878	407	518	11	22
1929-30	1,642	1,629	478	313	7	39
1930-31	1,577	1,475	428	409	7	39
1931-32	1,444	1,546	445	550	15	20
1932-33	1,700*	1,594*	418	537	3	38
1933-34	(Not yet available)		509	494	3	35

* Half of these are fillies. The majority of the best fillies are retained by breeders as replacements for the brood stock, and are not, therefore, purchased by Government. An appreciable percentage of casualties from various causes must be deducted from this figure.

STATEMENT LAID ON THE TABLE.

USE OF BLACK PAINT BY THE EAST INDIAN AND EASTERN BENGAL RAILWAYS.

THE HONOURABLE SIR GUTHRIE RUSSELL: Sir, I lay on the table the information promised in reply to questions Nos. 50 and 51 asked by the Honourable Mr. Jagadish Chandra Banerjee on the 6th March, 1934, regarding paints.

50. (a) The answer to the first and second parts is in the affirmative.

With regard to the third part, the Chief Mechanical Engineer inspected the wagons in May, 1933 and reported that the condition of the paint was fairly good, but on scraping part of the painted panel plates with a knife, it was found that the paint quickly chipped off leaving the surface of the plate exposed. About the same time the Chief Mechanical Engineer inspected a wagon painted four years previously with black oil paint manufactured by Messrs. Jenson and Nicholson, and also found the paint on the wagon to be in fairly good condition. On scraping part of the painted surface with a knife it was found that the paint did not chip but peeled off, and the surface of the panel plates was not so quickly exposed as those painted with Muraco paint.

(b) In view of the reasonably satisfactory results obtained from the use of Muraco special black paint, the Eastern Bengal Railway have ordered 15,220 gallons up to 28th February, 1934.

(c) It is presumed that Messrs. Jenson and Nicholson's "Paint special ready-mixed for underframes and wagon bodies" is referred to. This paint was not tested in the Government Test House before it was accepted against tender No. M.-3530 for 1934-35.

It was accepted against the tender as paint of this make and quality had been found to give satisfactory results on the Eastern Bengal Railway during the previous three years. In this connection it may be explained that, as a general rule, mixed paints are not tested before they are accepted for inclusion in the Indian Stores Department contracts, but are accepted on the basis of results of tests of corresponding stiff paints. In this instance the corresponding stiff paint had previously been tested in the Government Test House and was found to be satisfactory. It may further be explained that a sample of Messrs. Jenson and Nicholson's "Paint black special ready-mixed for underframes and wagon bodies" was tested on the 29th January, 1934, that is to say, before the date on which supplies against the Indian Stores Department contract No. M.-3530 for 1934-35 commenced. The results of the test showed that the composition and staining power of the pigment was similar to or compared favourably with the composition and staining power of the pigment of the firm's standard sample of corresponding stiff paint for underframes and wagon bodies.

51. (a) No.

(b), (c) and (d). Do not arise.

(e) No. Fifty gallons of Jenson and Nicholson's ready-mixed black paint were purchased for test for the first time.

(f) and (h). Accurate figures of the number of wagons painted and the area covered by these 50 gallons are not available.

(g) and (n). It was understood to be the same as it was supplied by the same maker.

(i) Fifty gallons of ready-mixed were purchased for the second time.

(j) Yes.

(k) The area covered was calculated to be 18,060 sq. ft.

(l) Five hundred gallons were purchased to enable an endurance test in service to be made.

(m) and (o). The paint was applied in order to carry out service trials in traffic and not as a test of the covering capacity of the paint.

BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meetings held on the 17th, 18th and 19th April, 1934, namely :

- A Bill to extend the operation of the Trade Disputes Act, 1929 ;
- A Bill to provide for the imposition and collection of an excise duty on sugar ; and
- A Bill to regulate the price of sugar-cane intended for use in sugar factories.

ELECTION OF A NON-OFFICIAL MEMBER TO THE STANDING COMMITTEE ON EMIGRATION VICE THE HONOURABLE SIR KURMA VENKATA REDDI.

THE HONOURABLE THE PRESIDENT : I have to announce that the Honourable Mr. Jagadish Chandra Banerjee is the only Member nominated for election to the Standing Committee on Emigration vice the Honourable Sir Kurma Venkata Reddi. I therefore declare him to be duly elected to that Committee.

ELECTION OF THREE NON-OFFICIAL MEMBERS TO THE STANDING COMMITTEE FOR ROADS.

THE HONOURABLE THE PRESIDENT : I have also to announce that the Honourable Mr. Miller, the Honourable Mr. Jagadish Chandra Banerjee and the Honourable Diwan Bahadur G. Narayanaswami Chetti have been nominated for election to the Standing Committee for Roads. As there are three seats and only three candidates I declare these Honourable Members duly elected.

ELECTION OF SIX NON-OFFICIAL MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT : The next item of business is to elect six non-official Members to serve on the Central Advisory Council for Railways.

With a view to save time, I have decided not to follow the previous practice on this occasion of stopping the proceedings while the election to the Central Advisory Council for Railways is held. Every Honourable Member will find a ballot paper in his seat. Honourable Members will complete the ballot paper at any time during the course of the sitting or during the luncheon adjournment and will place it in the box on the Secretary's table at any time before the Council adjourns this evening. I bring to the notice of the Council that the Honourable Sardar Buta Singh and the Honourable Mr. Mahmood Suhrawardy have since withdrawn their candidature. The result of the election will be declared at a later date.

CONGRATULATIONS TO THE HONOURABLE SIR JOSEPH BHORE ON THE SUCCESSFUL TERMINATION OF THE INDO-JAPANESE NEGOTIATIONS.

THE HONOURABLE THE PRESIDENT: Before we proceed with the Legislative business to day, I propose to take the opportunity of the presence of the Honourable Sir Joseph Bhole in our Council today to offer on behalf of the Council and on my behalf congratulations for the successful Indo-Japanese negotiations which he has just completed to his great credit. (Applause.) After seven months of laborious work and great anxiety the negotiations with Japan have been brought to a favourable conclusion and as all Honourable Members are aware, we the Members of this Council as well as of the Assembly as well as many millions of people employed in agriculture in this country are very grateful to him for the success of the negotiations on a most important and vital industrial question affecting this country. It was not an easy task to solve that problem, but the marvellous mastery which Sir Joseph Bhole had over his subject, his grasp of details, his indefatigable energy and his great patience have all tended to the successful termination of a most important and vital question affecting this country, and we are all exceedingly grateful to him for the skilful and diplomatic manner in which he has dealt with that question. Our pride lies in the fact that this is the first occasion in the history of India in which negotiations have been done with a foreign power and our legitimate pride is that the success of these negotiations is wholly due to an Indian Member of the Commerce and Railway Departments. (Applause.) It is difficult to forecast what will be the ultimate result of this, but I have no doubt that we all hope that these negotiations which he has just concluded with such masterly ability will contribute to the permanent benefit and advantage of this country. His name will always be associated with these negotiations and among the many conspicuous services which he has already rendered to India in his capacity as Commerce Member, the successful conclusion of these negotiations will take the foremost place in the history of this country. (Applause.)

THE HONOURABLE SIR JOSEPH BHORE (Commerce and Railway Member): Mr. President, on behalf of my colleagues of the Indian delegation and of myself, may I express our deep appreciation of what you have said about our labours so happily concluded yesterday. You, Mr. President, were right when you described it as a unique event. I would call it a historic event in the history of this country. I will only express the hope that the conversations which have just concluded will serve to cement the relations between the two countries and will redound to the lasting benefit of both. As His Excellency Mr. Sawada said to me this morning, we have fought and fought successfully the battle of peace, and it is the earnest hope of us all that peace and goodwill may continue to endure between the two countries. (Applause.)

INDIAN TARIFF (TEXTILE PROTECTION) AMENDMENT BILL.

THE HONOURABLE MR. T. A. STEWART (Commerce Secretary): Sir, I move:

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

The Bill now before this Honourable House, Sir, is a somewhat complicated piece of legislation and I shall endeavour as briefly as I can and to the best of my ability to explain its scope and nature. Honourable Members

have been for some time in possession of an Explanatory Memorandum which shows in detail the effect of each provision in the Schedule to the Bill and it will only be necessary for me at this stage to deal with its general features. As will be seen from the statement of objects and reasons, the Bill seeks to give effect to certain measures of protection to the Indian Textile Industry and to the Sericultural Industry. I shall deal with these subjects in turn and I start with cotton. Honourable Members will recollect that in 1926-27, the circumstances of the textile industry were the subject of an inquiry by a Tariff Board of which Sir Frank Noyce was the President. The results of that inquiry did not in the opinion of the Government of India establish an indefeasible claim to protection on the part of the industry and though a certain amount of protection was given in respect of yarn in the year 1927 it was not until 1930, after the Hardy inquiry, that a more substantial measure of protection was given. At the same time it was decided that this protection should be in the nature of shelter for three years and that before the end of that period there should be another inquiry by the Tariff Board when the circumstances of the industry would again come under scrutiny and a considered decision would then be taken as to its claim for continued protection. The Tariff Board's report on the industry was presented in November, 1932 and the Bill now before you represents the decisions of the Government of India which have been arrived at after consideration of the report and other relevant circumstances. It may be asked—and the inquiry is a natural one—why Government should have brought forward these proposals after so long a period as 15 months. The explanation is this. At precisely the time when the Tariff Board was investigating the textile industry, there came into operation one of the most striking phenomena that have characterized recent economic history—I refer to the depreciation of the yen. And it was in the period just after the presentation of the Board's report that the most perplexing aspect of the depreciation problem exhibited itself. For once the apparently inevitable did not happen. The advantages accruing from a depreciated currency, which according to all theories should have been temporary, acquired a permanent character. As a result, the greater part of the foundation on which the Tariff Board had based its recommendations, namely, the import prices which prevailed in 1931-32, had slipped away and Government were faced with the problem of building anew. It was not only the textile industry that was affected. Indeed, it became necessary to review the whole question of Indian industry *vis-a-vis* competition from abroad, and it is hardly necessary to recall to Honourable Members the denunciation of the Indo-Japanese Convention a year ago or the initiation of negotiations for a new agreement which started in September last. The facts are these. Last Delhi session the situation was obscure and perplexing and presented a problem that could not be tackled in the midst of a busy legislative session. Nine months ago in Simla the imminence of treaty negotiations again made legislative action inadvisable and it was for these reasons that on two occasions I came before this Honourable House—indeed it was on three—and asked for the extension of the existing provisions of protection to the textile industry. It is only now that a settlement has been arrived at with Japan that Government are in a position to put forward their detailed proposals.

When, as in the present Bill, it is proposed to grant to any industry a measure of protection, it is necessary to consider two questions. Firstly, has the industry fulfilled the conditions precedent which were laid down in the report of the Fiscal Commission and which have been adopted as an

[Mr. T. A. Stewart.]

integral part of our policy of discriminating protection? Secondly, it has to be asked, what is the measure of the protection required? The first issue was the subject of a long and detailed analysis by the Tariff Board which will be found in chapter 6 of the report. The Board found that the industry as a whole fulfils the conditions precedent and with this finding the Government of India are not prepared to quarrel. Honourable Members will remember that the conditions laid down are briefly as follows: First, the industry must possess natural advantages. Secondly, that without protection it could not establish itself on a firm foundation. And thirdly, that given protection for a reasonable period, it should thereafter be able to stand on its own legs. I shall not follow the Board in its very full discussion of this issue but I would emphasise that in coming to its conclusions—conclusions which have been accepted by the Government of India—the Board has been influenced not by the necessities of the least efficient mills nor by the capabilities of the most efficient, but by the circumstances and conditions of the mills of reasonable efficiency which form the greater part of the industry. The second question, namely, the measure of protection required, presented a more difficult problem. As I have already said, the foundations on which the Tariff Board had built disappeared almost at the same time as the report was presented. On what foundations then have we built? The answer is this,—that not only the foundations but also the framework of our protective scheme has been provided by the Indo-Japanese and Bombay-Lancashire Agreements. The essence of the problem before the Tariff Board was to determine the quantum of protection necessary against goods from Japan and the quantum of protection necessary against goods from Lancashire and the agreements which I have mentioned,—copies of which I think were supplied to Honourable Members some time ago—the agreements which I have mentioned provide a solution to that problem. I feel confident that Honourable Members will agree that the restriction of Japanese imports to a moderate figure combined with the maintenance of the import duty at the by no means trifling level of 50 per cent. *ad valorem* may justifiably be taken as a starting point for our protective scheme. While it is admittedly difficult to appraise exactly what would be the protective effect of the restrictions on import, it is the belief of Government that these measures will operate to benefit the Indian industry in two directions. In the first place, the depressing effect of unlimited supplies in the Indian market will be removed and in the second, the limitation of imports will tend to raise prices since the incentive to capture the market by price-cutting no longer exists. I believe that there may be more criticism of the incorporation of the Bombay-Lancashire Agreement into this Bill. It may be said that the Millowners' Association is not representative of the Indian Textile Association and that, even if it were, it is a vicious policy to give recognition to what is after all purely a private arrangement. As regards the representative character of the Millowners' Association of Bombay, I would only say that the Government of India are satisfied that an Association which represents practically half of the Indian industry, which includes in its membership units from widely separated areas throughout India, an Association which is interested in every activity of the textile industry in India is one which is sufficiently qualified to be regarded as representative of the whole and as a judge of its necessities.

As regards the charge that no Government should recognise a private arrangement between two individual business interests, I would ask Honourable Members to consider whether the criterion should be "Who has concluded

the Agreement?" or whether it should not be,—“Is the Agreement good in itself? Is it for the national benefit, regard being had to all interests of the nation?” The Government of India are of opinion that the Bombay-Lancashire Agreement is, on the whole, good in itself and is, on the whole, for the national benefit. The Agreement, by the fact that Lancashire is a party, is a frank recognition of India's right to protect her own industry against the competition of Lancashire, and by the fact that the Millowners' Association is a party, there is clearly defined the measure of protection necessary against that competition. Here then are the outlines of our protective structure so far as the cotton textile industry is concerned. The maximum protection necessary against Lancashire is a duty of 25 per cent. *ad valorem* with an alternative minimum specific duty of four and three-eighths annas per pound in respect of plain grey goods. Against other countries, of which Japan is by far the most important, a level of 50 per cent. *ad valorem* with a minimum specific alternative duty of five and a quarter annas per pound in the case of plain greys has been proposed. If, during the currency of the Bombay-Lancashire Agreement, that is, before the 31st December, 1935, it is found possible to remove the second surcharge on the generality of goods now subject to it, the rates of British goods will be reduced to 20 per cent. *ad valorem* and three and a half annas per pound for the rest of the period of the Agreement.

Cognate with the problem of protecting the Indian industry against cotton goods from abroad is the problem of protecting it against the competition of artificial silk fabrics. In this respect we have perhaps been fortunate in that we have been able to study the operation during the past year of the specific duties which were imposed by the Finance Bill of 1933 on artificial silk fabrics and artificial silk and cotton mixtures. We have found that the minimum specific duty of four annas per square yard on pure artificial silk fabrics has resulted in a contraction of the imports within one year to just about a quarter of their previous volume. The duty of four annas per square yard has therefore been maintained in this case.

THE HONOURABLE MR. HOSSAIN IMAM : Has there been any loss to the Government revenue?

THE HONOURABLE MR. T. A. STEWART : I believe, Sir, that there has been in respect of artificial silk fabrics. The duty on artificial silk mixtures was not so successful in restricting imports and we have proposed an increase. In this case again, the Bombay-Lancashire Agreement has defined the differential necessary between the duties to be applied to goods of British origin and goods of non-British origin.

I would now refer to the duties proposed for cotton yarns, and here we come upon a case of a conflict of interests. From the point of view of the spinning mill, the higher the duties on foreign yarn the better it is, but there is another party to be considered, the handloom weaver, and the Government of India are convinced that in fixing the yarn duties at the rates detailed in Item 158 of the Schedule, they have held the balance fairly between the big scale producer and the small scale user of cotton yarn. Protection has been given over practically the whole range of Indian mill production, i.e., up to 50's count. For finer yarns which are produced in infinitesimal quantities in India and are imported, I believe, almost exclusively for the handloom weavers, no protection is proposed beyond what is afforded by the *ad valorem* rates of revenue duty. It may be said that in imposing a higher duty on

[Mr. T. A. Stewart.]

counts up to 50's than was proposed by the Tariff Board, the Government have ignored the interests of the handloom weaver. It must be realized, however, that the interests of the handloom weaver cannot be safeguarded or promoted by tariff action alone. Government had occasion recently to take into consultation representatives of the Indian handloom weaver and as the result of discussion the opinion was formed that the direction in which action could most profitably be taken would be by encouraging the further organization of the industry and by developing its opportunities for co-operative purchase of raw materials and co-operative marketing of its finished product. It has therefore been decided that so long as the protective duties imposed on yarn by this Bill continue in force, grants-in-aid will be made to the Local Administrations concerned for the furtherance of approved schemes for the development of the handloom industry up to an amount equivalent to the proceeds of a duty of a quarter anna per pound on imported yarns of counts up to 50's. Thus, while apparently our proposals tend to raise the price of yarn up to 50's, they provide for a more direct benefit to the handloom weaver than any advantage which might accrue from a lower duty, an advantage which would inevitably be shared by the middleman supplier. In passing it may also be noted that in the lower counts, say from 16's to 20's, which are most employed by the handloom weaver, the prices are determined rather by internal competition than by competition of imports from abroad.

Honourable Members will notice that it is proposed in this Bill that the period of protection should extend until the 31st March, 1939. The period of protection has been fixed at five years instead of ten years as proposed by the Tariff Board. In deciding on this period of five years Government were influenced on the one hand by the consideration that, in order to stimulate and ensure the internal reorganization of the industry which will enable it ultimately to dispense with protection, the industry must for a reasonable period be guaranteed security. On the other hand, it is just as necessary to ensure that the period of protection should not be so long as to create in the industry a feeling of complacency, a feeling of false security, which would discourage all immediate efforts towards self-help or at least postpone them until it was too late. But though a period of five years has been chosen as reasonable, it does not mean that the duties now imposed are incapable of variation within that period. As has already been said, the duties based on the Bombay-Lancashire Agreement may be lowered during the currency of the Agreement in certain contingencies, and again, on the expiry of that Agreement, it will be necessary to consider afresh in the light of our experience, what duties would be necessary for the future. Similarly, the Indo-Japanese Agreement will terminate in three years and here again a review of the duties necessary will require to be made towards the end of the period of agreement. The fixing of the duration of the Bill at five years is therefore not a guarantee of the continuance of the proposed duties for five years. It is a guarantee, however, that for that period adequate protection will be afforded to the industry.

I now turn to silk, and I believe that this Honourable House will agree with me after reading the Tariff Board's report that the task of investigating the case of the Sericultural Industry for protection was one of the most difficult that has ever faced a Tariff Board. Not only is the industry unorganized, not only is it difficult, sometimes impossible, to obtain accurate figures of production and costs, but it is also extremely difficult to estimate the precise nature of the competition from which it suffers, and equally difficult to appraise the effects of any protective proposals which may be made on its behalf. If

it was difficult to hold the balance fairly between the interests of the mill industry and those of the handloom weaver, it is infinitely more difficult to reconcile the interests of two unorganized cottage industries, silk production and handloom weaving. For this reason, it has been necessary to examine with scrupulous care the proposals of the Board and in some respects to modify them. In the case of the sericultural industry, as with the cotton industry, it is necessary to consider whether it fulfils the conditions prescribed for the grant of protection. The Board has found that this once prosperous industry has natural advantages which, provided certain conditions are fulfilled, will enable it to regain its former prosperity and ultimately to dispense with protection. The Board realizes that by tariffs alone salvation cannot be found. It is essential that help should come from other directions, and I may say that the Government of India are in full agreement with this conclusion and that it will be their earnest preoccupation to discover whether any scheme can be evolved which will assist the silk producer by technological research and advice or in other ways. The importance and potentialities of this important element in the rural economy of India are fully realized and Government are of opinion that its claim to protection is justified. When we come to the question of the degree of protection, we are again faced with many difficulties. The Tariff Board in arriving at its estimate of a fair selling price has assumed a cocoon cost—the most important element of cost in the industry—which is much higher than that in the largest silk-producing area in India, that is to say, in Bengal. It has been necessary therefore to modify the Board's proposal and to adopt a different method of calculation. This method is suggested by the Board's own remarks in paragraph 192 of its report. Here it is suggested that the help necessary is rather of the nature of a safeguarding duty than a true protective duty, and it is on safeguarding lines that the duties now proposed have been calculated. We have gone back to a period when the conditions of the industry were comparatively satisfactory, that is to say, to 1928. We have made allowance for the fall in price levels in the intervening period and we have assumed—a very reasonable assumption—that silk prices must have been affected in the same way as the prices of all other commodities. We have from that calculated what would be the fair selling price today corresponding to the price existing in the period of comparative prosperity. A comparison of this derived selling price with prevailing prices of competitive imports today gives the safeguarding duty now necessary. Honourable Members have I think been supplied with a specimen calculation which illustrates the method I have just described. The actual figure of duty at which we arrived was Rs. 1-7-6 per pound but this we found convenient to express in the form of an *ad valorem* duty of 25 per cent. *plus* a specific duty of 11½ annas per pound. This calculation was based on the price of imported raw silk current in the months of August and September of last year. There has since been a fall in the price of imported silk and the proposed figure was therefore modified in Select Committee and now stand at 25 per cent. *ad valorem plus* 14 annas per pound. As a corollary to the duty imposed on raw silk, an equivalent duty has been proposed on silk yarn, the cost of which may be assumed to be raised to the extent of the raw silk contained in it. Consequential too is the duty on silk piecegoods and Honourable Members will I think realize that in view of the vast range both in quality and price of imported silk piecegoods that it has been no easy task to fix an equitable rate. The proposal of the Tariff Board is most attractive because of its simplicity, but a flat rate of 83 per cent. *ad valorem* possesses two great disadvantages. In the first place, it is ineffective as a protective duty in the event of a fall in prices and it is most ineffective in the case of the cheaper varieties, and it is against these cheaper

[Mr. T. A. Stewart.]

varieties that we are most concerned to secure protection. In the second place, a high *ad valorem* duty places a disproportionate burden on the very highly valued silk fabrics which when imported into India are not really in effective competition with any Indian product. For these reasons we have adopted again the device of a duty which combines an *ad valorem* rate with a specific duty, and after a great deal of consideration and consultation with the trade we are of opinion that the proposals in Item 158E of the Schedule represent on the whole an equitable basis of taxation. As in the case of cotton, a protective period of five years has been regarded as proper.

I may now refer to a few of the more important miscellaneous items contained in the Bill. Artificial silk yarn was formerly dutiable at 18½ per cent. The Silk Tariff Board proposed an almost prohibitive duty of Re. 1 per pound. The Cotton Tariff Board proposed the imposition of the ordinary revenue rate. Government realized that here again there is a conflict of interests. Artificial silk yarn to some extent interferes with pure silk production, but on the other hand it is in great demand as a decorative feature in cotton weaving. The proposal for a 25 per cent. duty is in the nature of a compromise, giving neither a concession on the one hand nor imposing a penalty on the other.

In Items 158F to 158H will be found the definitions of various mixed fabrics. These definitions may at first sight appear somewhat formidable, but if Honourable Members have studied the Memorandum on this subject which was circulated to them I think they will agree that a logical scheme of classification has been evolved. In Item 158L will be found a list of the articles which are made subject to the same *ad valorem* rates of duty as the materials of which they are composed. This is I think an innovation in our tariff and I may explain that the reason for compiling this list and for imposing these duties is that it is intended to prevent evasions of the protective duties by the importation of ready-made articles the manufacture of which involves a very small cost.

In Item 158O our proposals in respect of hosiery will be found. At this stage I will only mention that in the Tariff Amendment Bill which was passed in February of this year, a duty of Rs. 1-8-0 per dozen was imposed on cotton undervests. It was found that this rate per dozen operated very harshly on the smaller sizes of these garments and it was therefore decided—and I hope with more equitable results—that a duty per pound should be substituted, and when the hosiery duty is being turned from a safeguarding duty and placed on the Statute-book as a protective duty, the opportunity has been taken to make the necessary alteration. It has been impossible to deal in detail with every individual item in the Bill. I have tried to confine my remarks to the more important items, but if in the course of the debate Honourable Members should require further elucidation of any particular point, I shall try to satisfy them.

With these words, I commend the Bill to this Honourable House. Sir, I move. (Applause.)

THE HONOURABLE THE PRESIDENT : Motion made :

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

To this the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra has tabled an amendment that the Bill, as passed by the Legislative Assembly, be circulated for the purpose of eliciting opinion thereon by the 30th June, 1934. In

my opinion a Motion for circulation cannot be moved in the Chamber other than that in which the Bill has been introduced. Rule 29 provides for the circumstances in which a Motion to refer to Select Committee may be made in the other Chamber and it is clear from the wording of that rule that by implication the rule forbids the moving of an amendment to circulate for opinion. Even in the absence of rule 29, this Motion being of a dilatory character I would not be inclined to permit it under Standing Order 32. It would be wholly unjustifiable to permit such a Motion in the Second Chamber after the Bill had been fully discussed for several days in the Legislative Assembly and comes up before this House for consideration. I am fortified in the view that I have taken by the decisions of my predecessors in office. On the 9th June, 1924, a similar dilatory Motion was moved by Sir Umar Hayat Khan to the Motion that the Bill to provide for the fostering and development of the Steel Industry in British India, as passed by the Legislative Assembly, be taken into consideration. On that occasion my predecessor, Sir Montagu Butler, said :

“ Before I call on the Honourable Member I wish to know whether he wishes to speak for or against the Motion. Under rule 29 he will not be in order in moving the Motion of which he has given notice that the Bill be circulated for opinion ”.

Again on the 22nd of March, 1926, Sir Henry Moncrieff Smith ruled thus :

“ The Indian Legislative Rules, which govern our procedure in this matter, are, I think, quite clear on this point. Whether they are right or wrong, there is no doubt I think that they lay down that when a Bill has been passed in one Chamber, whether in the course of its passage through that Chamber the Bill was referred to a Select Committee or a Joint Committee or not, or whether there was a Motion in that Chamber or not that the Bill should be circulated for opinion, when the Bill, having been passed, comes to the second Chamber, there is no provision whatever for a Motion in that Chamber for circulation of the Bill ”.

Later on again, Sir Henry Moncrieff Smith on the 6th October, 1931, ruled :

“ Rightly or wrongly the rules do not provide for such an amendment in the Second Chamber. The only amendment that can be made in the Second Chamber in certain circumstances is ‘ That the Bill be referred to a Select Committee ’. That is the substance of the Honourable Member’s third amendment ”.

He therefore ruled it out on that occasion. In view of these precedents and in the view that I have entertained of the Motion, I would not permit it.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces West : Non-Muhammadan) : On a point of order, Sir. May I draw your attention to rule 71(2), (a) of the Manual of Business and Procedure. That rule says that :

“ at this stage no amendments to the Bill may be moved, but if the Member in charge moves that his Bill be taken into consideration, any Member may move as an amendment that the Bill be referred to a Select Committee or be circulated for the purpose of eliciting opinion thereon by a date to be specified in the motion or—”.

THE HONOURABLE THE PRESIDENT : That rule applies to the First Chamber only and it has been carefully considered before and rule 29 is an absolute bar to your amendment.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, before I deal with the subject-matter of the Bill, I sincerely congratulate the Honourable Sir Joseph Bhore in particular and his

[Rai Bahadur Lala Ram Saran Das.]

colleagues in general on the successful completion of the Indo-Japanese Agreement. It is a matter of additional pleasure to us that an Indian Executive Councillor in the person of Sir Joseph Bhole, of whom we all feel proud, is the first person who on behalf of the Government of India has negotiated an agreement with a foreign power. Sir, the present duty above 50's of six and a quarter per cent. foreign and five per cent. on Great Britain is really no preference to the United Kingdom as the amount of the duty is less on United Kingdom yarns than on Japanese yarns owing to lower price of the latter. There should have been a specific duty same as on yarns below 50's, as asked for in the Mody-Lees Pact. Most of the trouble of the Government is due to delay in the publication of the Tariff Board report. I consider the hosiery section as passed by the other House as one which will do India, especially my province, a deal of good as the Punjab is full of hosiery cottage factories. I am glad to see the heavier vests fully protected as the Punjab cottage factories can make these in summer and woollen vests in winter and so keep working all the year round. It is of great importance that the hosiery industry should buy Indian made yarns. This Bill seems to me to be wrongly called a Cotton Protection Bill as the protection on yarns and piecegoods has been lowered. I understand there was a great fight in the Select Committee and as the voting was equal no recommendation could be made to the Governor General to raise any of these duties with the result that the Bill in this respect could not be altered. As the duty has been lowered on cotton goods from 75 per cent. to 50 per cent. there is no doubt that Japan will send her full quota, and I do hope she will take a commonsense view and obtain for this quota the highest possible price so that the market is not unduly depressed. I also hope, Sir, that according to the Indo-Japanese Agreement, the Kathiawar States shipment of Japanese goods to Ports will also be considered as shipments to India. I am very much afraid, Sir, that the duty on artificial silk and mixed goods is not high enough, the artificial silk goods with wonderful colourings is rapidly replacing cotton goods and I am afraid pure silk goods will become more a luxury than ever and their sale will become more restricted. I am strongly of opinion that Egyptian cotton or the cotton coming from the Soudan and Kenya to India is very much superior in staple, in strength and silkiness to the Punjab, American and other best Indian cottons and so the import duty on cotton means extra cost of production without benefitting the Indian cotton grower or the consumer. In case the duty is taken off, it will give relief to the cotton mills as well as to the handloom industry.

The Honourable Mr. Stewart while making his observations said that the duty on imported yarn mainly affects handweavers of India. I might tell him that as far as we can see they are mainly imported from the United Kingdom and Japan. The duty on imported cotton stands a great deal in the way of cheaper production of the fine yarns. In case that duty is taken off Indian mills who import foreign cotton will be able to manufacture their yarns cheaper and supply these yarns to the handloom industry and thereby succeed in cheapening fine cloth. Sir, I also hope that the reduction in the import duty on cotton piecegoods as stipulated in the Agreement will lead to a rise in prices and stop dumping. I doubt, Sir, whether it will, but in case it will adversely affect the Indian cotton industry, Government will not lose time in revising the Agreement and to put the cotton mill industry of India on a safe footing and put a stop to dumping for good.

THE HONOURABLE SIR JOSEPH BHORE (Commerce and Railway Member): I am grateful to you, Mr. President, for having called on me

at so early a stage in the debate. I must apologise for having risen at this stage but I would like to explain to you, Sir, and to the House that circumstances over which I have no control would have made it impossible for me to take part in the discussion at a later stage. It is for this reason, Sir, that I have taken the somewhat unusual course of rising so early in the debate.

You, Mr. President, and Honourable Members will realise that, after a debate extending over seven or eight days in another place, it is impossible for human ingenuity to devise any new argument or present any new facts which would be relevant to the subject-matter of this debate. It is, however, rather with the idea of commenting generally on the two agreements which so largely form the basis of the protective scheme embodied in the Bill than of embarking on any comment on the details of the Bill that I am venturing, Sir, to take up the time of this House for a few moments this morning.

The House, Sir, is already aware that the recommendations of the Tariff Board visualized a state of affairs in which the Indian textile industry had to face the competition of Japan on the one side and the United Kingdom on the other. The Agreement which has been entered into with Japan and the unofficial conversations between the Millowners' Association, Bombay, and Lancashire have entirely altered the bearings of the problem in regard to outside competition. The Indo-Japanese Agreement, we hope, has definitely set a limit upon Japanese competition and the rates to be imposed upon British cotton textiles have been the subject of agreement between the Millowners' Association, Bombay, and Lancashire. The tariff proposals in this Bill embody the rates of duty contemplated by those two agreements. They form, so to speak, the framework of this Bill, and it is in regard to these two agreements, Sir, that I would like to say a very few words this morning.

First of all, Sir, let me take the agreement between the Millowners' Association, Bombay, and Lancashire. Let us examine without passion, without prejudice, the criticism which has been advanced of an understanding which in my own personal view has done more than any single event of recent times to improve relations and to remove misapprehensions between industrial interests in this country and in the United Kingdom. If you examine, if you analyse that criticism, I think you will find that it rests or purports to rest partly upon the merits of the case and partly upon purely political considerations. Let us take, to begin with, that part of the criticism which rests or purports to rest on the merits.

Now, Sir, I venture to assert that there is no proof whatsoever in support of the contention that the rates embodied in this Bill for goods of British manufacture are rates which do not afford sufficient protection to the Indian industry. It is abundantly clear from the report of the Tariff Board itself that the extremely high rates of duty which are necessary against Japan are wholly unnecessary against British goods and indeed would impose a quite needless burden upon the consumer. If, Sir, that proposition needed further reinforcement, that reinforcement is supplied by the figures given of the comparative prices of Japanese goods and comparable British goods by the Tariff Board itself in the tables on pages 149 and 150 of its report.

If, then, Sir, it is admitted that lower rates of duty are justified as against British goods and that these lower rates are in no way detrimental to the Indian industry, then, Sir, if responsible representatives of the industry itself are prepared to accept such and such rates of duty, surely it is not either for the Government or the Legislature to come in and say "No, you must have

[Sir Joseph Bhore.]

higher rates of duty". Now, Sir, what the Millowners' Association, Bombay, have to all intents and purposes said in this connection is this :

" We are prepared to see the continuance of the existing rates of duty against British goods so long as the second surcharge remains in force as a general measure. When the second surcharge comes off as a general measure, we are prepared to try a lower rate of duty. We are prepared, speaking generally, to see the rate of duty reduced from 25 per cent. *ad valorem* to 20 per cent. *ad valorem* and the specific duty on grey goods reduced from four and three-eighth annas a pound to three and a half annas a pound."

Is or is not Government justified in accepting that position ? The answer to that depends upon the standing and the status of those who put forward that position. My Honourable friend Mr. Stewart has dealt with that point, I think, quite effectively. I need only say that the Millowners' Association, Bombay, as pointed out by him, represents certainly not less than half the textile industry of this country. More than half its members come from outside the City of Bombay and there is no important area in the whole of India which is not represented in its list of membership. This, Sir, I can say definitely that that part of the industry which has protested against this Agreement is, I believe, by far the smaller section of the industry and I contend that Government have no option but to accept the verdict of what is definitely the larger section of the industry.

So much for the merits. Let us turn just for a moment to the politics of the matter. If there are people who say whatever the merits we do not wish to have any agreement with Lancashire or with the United Kingdom, that is a perfectly straight issue, the issue of co-operation or non-co-operation. Sir, this country has followed for some time past the path of non-co-operation and we know only too well what the result has been. We have learnt it from bitter experience. I am sure, Sir, that if we were in a position to-day to ascertain the real mind of the country, we would find that the country is overwhelmingly in favour of co-operation, so that Great Britain and India might in a spirit of friendliness and fairness be able to find a way by which both countries would together be enabled to work out their national destinies. My Honourable friend Mr. Stewart has also referred to the criticism which has been raised by certain sections of opinion in this country against the acceptance by Government of agreements between private commercial organizations. Sir, personally I see not only no objection to the acceptance of such agreements but I think there may be great value in such agreements provided always that Government does not abdicate its functions, provided that the hands of Government are free to accept, to reject or to modify such agreements in the interests of the country as a whole and provided also that the legitimate sphere of the Legislature is in no way invaded or curtailed.

Now, Sir, that brings me to the Indo-Japanese Agreement. You, Mr. President, was good enough this morning to say that the overwhelming bulk of opinion in this country had accepted that Agreement. I do not for a moment say that there is no criticism or difference of opinion in regard to details. Such differences there will always be and I am not one of those who consider that the details of this arrangement may not be open to fair criticism. But, Sir, whether the amount of 400 million yards might not have been less, whether the amount of one and a half million bales of cotton might not have been more, whether the categories into which we divided the piece-goods quota might not have been different, whether the percentages which we allowed to each category might not have been changed are and will be matters of opinion. What I would like to say, Sir, is that all these matters were given the most careful

consideration. We discussed them in detail with our non-official advisers over and over again, and if we finally agreed to the figures embodied in the Agreement it was because that was the best compromise that we could in the circumstances of the case obtain. You have to remember one thing and that is, that we went into these negotiations with our hands tied behind us. The boycott of Indian cotton had been in operation for some months and it was in full appreciation of the vulnerability of our position in regard to raw cotton that we had to conduct the negotiations with Japan. Sir, there are some people who say that the boycott was a bluff and that we should have called that bluff. Those who say so seem to me to disregard the clear and inexorable logic of facts and they moreover suggest by implication that such risk as there was might well have been taken by the cotton growers of this country. That, Sir, was a position we could not possibly accept.

Let us turn for a moment to the question of purchases of Indian cotton by Japan. Until two years before the boycott began, Japan had been in the habit of purchasing something like 1,600,000 bales of cotton every year from India. Then suddenly, in the two years to which I refer, their purchase fell to about one million bales a year, and that at a time, mark you, when there was no boycott of Indian cotton, when the cotton textile manufactures of Japan were booming and when they were invading every market in the world. I think, Sir, that shows very clearly that if Japan had decided to press home her boycott of Indian cotton, she would have been able to secure a very large reduction of the one million bales. In order to secure a steady and a comparatively firm market for one and a half million bales of our cotton we had to pay a price. There is nothing in this world that you can get for nothing. At any rate, nobody has revealed to me the secret of getting something for nothing. But what we do contend is that we did not pay an unfair price for what we got, and if in the course of our negotiations we allowed the balance to be weighted somewhat in the interests of the cotton grower, I say there is no one in this House and no one in the country, outside a comparatively small circle of interested critics, who will say that we were wrong.

There has also been levelled a certain amount of criticism, based on another ground, the reasonableness of which I do not for a moment deny, and that criticism is of this nature. It is pointed out that the extension to Japan of most-favoured-nation treatment is fraught with difficulties and may lead to trouble with other foreign countries. It is I think generally admitted that the very high rates of duty which are essential against Japan to protect our indigenous industries are not always necessary against other foreign countries, and it has been pointed out that by according most-favoured-nation treatment to Japan we render ourselves powerless to discriminate in favour of those foreign countries against which we do not need to impose as high rates of duty as against Japan. That criticism, Sir, is a fair one, but I would suggest that it is doing us less than justice for any one to suggest that we were not aware of those facts and did not take the consequences fully into account. As I have more than once pointed out, we had no option but to take the course that we did. If we had insisted upon the exclusion of the most-favoured-nation clause, then I am certain that the negotiations with Japan would have come to an immediate conclusion. I have no hesitation whatsoever in saying that had we insisted upon the exclusion of that clause we would to-day have been without a treaty with Japan. I would say to our critics, what would you have done had you been faced with those circumstances, had you to choose between these two alternatives, namely, according Japan most-favoured-nation treatment or breaking off negotiations? The breaking off of negotiations might well have resulted, Honourable Members will realize,

[Sir Joseph Bhore.]

in serious consequences. It might perhaps have resulted eventually in a tariff war, and I ask those who criticize us to put the case fairly and squarely before themselves and ask what they would have done, what their decision would have been. I have no hesitation in suggesting what their choice would really have been in those circumstances. But, Sir, I would like to point out that nevertheless we have subjected the most-favoured-nation clause to derogation in two respects. In the first place, we have imposed, as Honourable Members are aware, a definite quota which is subject to very stringent restrictions in regard to categories and percentages, and, in the second place, we have reserved to ourselves the right to impose additional duties against Japan in the event of a further depreciation of the yen relative to the rupee. It may be quite true that we may be called upon to face the consequences of having accorded Japan most-favoured treatment. Should that eventuality arise, I hope that it may be possible for us to deal with it through friendly negotiation.

Sir, I would in conclusion refer to a point you, Mr. President, were good enough to refer to in the eloquent terms which you were pleased to use this morning. I would ask the House to realize that the formal official negotiations between India and Japan and the informal conversations between Lancashire and the Millowners' Association, Bombay, mark a momentous stage in our national history. For the first time it has been permitted to us on our own soil, by ourselves, through our own representatives, to hammer out a commercial agreement with the representatives of a great foreign nation, conceived, as we believe it is conceived, in the best interests of the country. For the first time also representatives of Lancashire have come to this country and have laid their case before the Government of India and have asked for what they think is fair and reasonable treatment. Now, I do not for one moment attempt to prophesy what the results of this agreement will be. Economic conditions in the world are so uncertain and so confused that no one would dare to prophesy with any confidence in regard to the future. But whatever may be the result of these agreements, the negotiations with Japan and the unofficial visit of the Lancashire delegates, will always I submit register a notable landmark in the history of India's progress. I would ask, Sir, the House to endorse and endorse emphatically the two agreements which have been embodied in this Bill and which are, through this Bill, submitted to this House for endorsement.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, whatever be the views of those who are against the principle of protection of industries on the ground that the interests of the consumer suffer thereby, I am a protectionist and must therefore support the Bill before the House. Industrialization of the country is India's desideratum and in order that the industries of the country which are still in their infancy may be able to stand on their own legs it is necessary that they should be protected against foreign competition. But I am one of those who believe that an industry should not be propped up by the State for ever lest it may never learn to stand erect. I am of opinion that the State should give protection to a nascent industry for a definite period of time within which the industry should be asked to set its house in order and to reorganize itself so as to be able to dispense with protection by the time the stipulated period is over, as far as possible. And during this period of protection the State should keep a watch over the protected industry and should exercise a certain amount of control over it. Because, left to itself,

there is a danger of the protected industry getting accustomed to artificial props in the shape of protection and never being able to hold its own against foreign competition. These are my views, Sir, about the principle or policy of protection in relation to industries.

Now, judging by this criterion, I am of opinion that the Indian textile industry must be afforded protection because of the menace to our cotton mill industry from Japan and Germany and the Bill before us therefore deserves our support. After all, in coming to a decision as to what is good or what is bad for a country the interests of the country as a whole have to be considered and in doing so class interests have of times to be disregarded if they happen to clash with the larger interests of the entire population. And eventually it is in the interests of everybody that a country should be able herself to produce all her requirements and be self-contained as far as possible. On these grounds I believe that the textile industry in India should be given protection for a time to permit it to reorganize itself and it is, I think, in the interests of the consumers also that the industry should be allowed to develop within a specific time so that the prices of indigenous manufactures may go down.

But, Sir, side by side with supporting the policy of protection underlying the Bill I must emphasise the need for the Government watching the condition of the textile industry and exercising some amount of control on it, because according to the calculation of one expert the policy of protection within the last four years has thrown no less than Rs. 65 crores of burden on the consumers of the country and yet the industry is demanding even greater protection. And the Tariff Board is unable to say when the industry will be able to dispense with protection. I understand that the Tariff Board has also come to the conclusion that the managing agency system of the cotton textile industry should be statutorily controlled. Unless therefore the Government takes effective measures to see that the manufacturers make genuine efforts to reduce their cost of production and increase their output and to control all such evil factors as tend to prevent the indigenous industry from coming into line with foreign industry, the claim for protection and the extent to which it is necessary cannot be justified. For, when the industry asks the country to share its troubles, the country must have the right to share in those rights which otherwise would be respected as purely private rights.

The next point to which I would like to refer is the question of Imperial preference. As India is dependent upon a number of countries other than the United Kingdom and Japan for the purchase of her agricultural produce, it is in my opinion essential for us in the best interests of the country to maintain the goodwill of those countries who are our best customers. Under the circumstances, we have to see how far preferential tariffs to the United Kingdom and favoured-nation-treatment to Japan under the respective Agreements are likely to prejudice our trade relations with other countries who are our best customers. Sir, in today's papers I noticed that the most-favoured-nation treatment clause has been dropped out of the Indo-Japanese Agreement which is reported to have been signed yesterday here in Delhi. If so, I wonder if it means that there will be 50 per cent. duty on Japanese goods and 25 per cent. against other countries. Sir, I entirely approve of the Indo-Japanese Trade Agreement, although it implicates a preference of 25 per cent. to the British Empire by the inclusion of the most-favoured-nation treatment clause in that Agreement. The underlying feature of this Trade Agreement is the well-known principle of trade by barter: that Japan should buy so much cotton from India and India will buy so much piecegoods from Japan. This essential

[Rai Bahadur Lala Jagdish Prasad.]

principle, namely, exchange of commodities on quota basis did not find a place in the Mody-Lees Pact and hence it has met such wide condemnation. I hope the official negotiations between India and Britain will recognize this essential element of trade negotiations and incorporate in the Agreement compulsory obligations on Lancashire to buy Indian cotton. I understand that even in certain British quarters it is held that Lancashire must buy a minimum of one million bales of cotton from India. I shall no doubt welcome such an agreement.

Sir, I have sounded above a note of warning as to how far Imperial preference to the United Kingdom and favoured-nation-treatment to Japan are likely to prejudice the trade relations of India with other countries who are our best customers. And if nevertheless I approve of the Indo-Japanese Trade Agreement I do so because I find that both this Agreement and the Mody-Lees Pact agree to Imperial preference, though their difference is only in the degree of preference, which means that all sections of commercial opinion in this country have approved and blessed the Imperial preference as the recognized feature in India's commercial relations with Britain; and I believe that this new orientation of policy and outlook in the Indian commercial world will have a far-reaching effect on Indo-British relationship.

One point which I should like to press upon the attention of Government, in order to protect the handloom industry from mill competition, is the need for an agreement by the mill industry not to manufacture cloth of counts below 20 to avoid competition with handloom weavers. In case the mill industry does not agree to enter into such an agreement with the Government, the Government should in my opinion consider the advisability of levying a cess on such mill production in the manner indicated by the Tariff Board in aid of the handloom industry.

Lastly, Sir, I have to point out that the scale of tariff is unfortunately so designed in the Bill as to discriminate against Chinese silk fabrics. From certain figures that I have come across it appears that Japan gets an advantage of 15 to 30 per cent. in certain articles. On the other hand, Chinese silk piecegoods have been represented to me to contain size and therefore of heavier weight in certain cases. This is a point which the Government should scrutinize and if possible so revise the scale of tariff as not to favour Japan against China, a country which is stated to be a friendly consumer of Indian rice and cotton.

With these observations, Sir, I support the Bill.

THE HONOURABLE THE PRESIDENT : As the Moslem Members of the Council have asked me to adjourn the House early today, being Friday, to offer their prayers, I will now adjourn the House till two o'clock; but I may point out to Honourable Members that if necessary I propose to sit after lunch till seven o'clock in the evening. There are several Bills before us which we have to dispose of in the next few days and I would like this Bill to be finished, if possible, this evening.

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

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

THE HONOURABLE THE PRESIDENT : The debate will now be resumed.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General) : The subject of this Bill, Sir, is a very complicated one and so it deserves serious consideration. The measure embodied in this Bill is to give protection to the textile industry and it is based on two agreements, the Indo-Japanese Agreement and the Mody-Lees Pact. It is also coupled with what we call the Imperial preference policy. I am not one of those, Sir, who believe in Free Trade, as I said the other day, but at the same time I want to state before this House that I desire protection to be given to the textile industry but that for a very short period. I now want to join, Sir, with you in congratulating the Honourable the Commerce Member for bringing to a successful issue the Indo-Japanese Agreement. For the last seven or eight months, the Indian Delegation with the help of their non-official advisers were busy in their task and at some time we thought from the reports that we read in the press that the negotiations were going to break down. But we are happy to find that the Government of India have ultimately succeeded and I hope this Agreement will give some relief to cotton growers as a quota has been agreed upon with regard to the export of cotton from India to Japan. I submit, Sir, that if this basis had been taken into consideration by the millowners when they entered into an agreement with the Lancashire people, that Agreement also would have been appreciated by the producer of cotton in India. It is now, I think, Sir, the duty of Government to take into consideration the depressed condition of the agricultural classes and if possible enter into similar agreements whereby the exports of our cotton will be more and the agriculturists will get a better price from other countries as well. But this Mody-Lees Pact, as it is called, Sir, differs on that ground from the Indo-Japanese Agreement. We were told this morning, Sir, by the Honourable the Commerce Member, to ratify the pact between the millowners and the Lancashire people as according to him it will be in the interest of India. I object to that pact, Sir, on constitutional grounds. Assuming, for argument's sake, that the pact may be in the interests of India I submit it is against constitutional principle to allow a private organization such as the Millowners' Association to enter into a pact with Lancashire with a view to change the tariff policy of India which I think is the sole concern of this Legislature. I am very jealous, Sir, to preserve the rights and privileges of the Indian Legislature. So, from that point of view, I submit the Millowners' Association had no right to enter into a pact with Lancashire to change the tariff policy of India.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY : Was it not in the interests of the cotton growers of India that they should export more cotton and thereby increase their revenue ?

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR : If my friend will wait for a few minutes I will answer that question and I will show him that it is not in the interests of India as a whole.

Sir, the point that I was developing was this, that the Government of India have practically abdicated their powers in favour of a private body in allowing them and ratifying a pact which in fact they had no jurisdiction

[Mr. Vinayak Vithal Kalikar.]

whatsoever to do. The millowners can claim a protective duty, the millowners can enter, I am willing to concede, into a pact with Lancashire for restriction of production but the millowners have no *status quo* whatsoever to enter into a pact with the Lancashire people so that they should change the tariff policy of India as a whole. Then, Sir, what do we find in this Pact? Have the millowners of Bombay any representative capacity on behalf of all the mills of India to enter into this important Pact? The papers that have been supplied to us show that there are various mills throughout India who have not agreed to this Pact and who have protested against it. The Calcutta Mills, the Chamber of Commerce, Calcutta, the Marwari Trades Association, Calcutta, the Cawnpore Mills—

THE HONOURABLE MR. T. A. STEWART: Might I ask the Honourable Member how many mills are owned by the Marwari Chamber of Commerce?

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: Sir, they may own no mills or they may own very few mills. That is not the point. The point is whether all the mills have agreed to this Pact. We see not only from press reports but also from the papers that have been supplied to us that the Ahmedabad Mills also have not agreed to this Pact. I am further told that many of the important mills in India were not consulted when this Pact was entered into with Lancashire.

I now come to the point raised by my Honourable friend Sir Nasarvanji Choksy. I would certainly have agreed to the Pact, as I said before, if Lancashire had agreed to take specifically a certain amount of cotton from us. They have not given us definite promise to that effect. They have given us only vague assurances that they would purchase—

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: They are already taking it as shown by the facts and figures published.

THE HONOURABLE THE PRESIDENT: Order, order.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: My friend says they have already taken it as the facts and figures show. I may remind my Honourable friend that they had to take it because it was a condition precedent to the Ottawa Agreement. It is not on account of this Pact. If they had not taken it, they would have committed a breach of faith, if I may say so.

Then, Sir, a point was made out in today's debate that India is reaping the fruit of non-co-operation and that we should not non-co-operate with Lancashire or the United Kingdom any further. In this connection, I want to submit before the House the attitude of Lancashire and Manchester industry people after signing the Mody-Lees Pact as shown in their Memorandum to the Joint Parliamentary Committee. Sir, soon after the Pact was entered into and signed, the representatives of Lancashire appeared before the Joint Parliamentary Committee and said in their Memorandum:

"It may be taken that the only avenue of action in regard to which provision has not been made is that of tariff policy".

“They further state :

“The British industry is therefore entitled to say that if independent powers are to be given to an elected Government in India, there must be some condition inserted giving the British Government or its representative a right to prevent measures of that kind being put into operation”.

That is the attitude they have taken even after signing the Pact. They are perfectly right in taking that attitude so far as their own personal interest is concerned, but we have to see to our own interests, and therefore my quarrel is this. They have taken into consideration their interests but we, who have got to look to the interests of the masses and classes of India, have also to see whether the co-operation that we are going to offer to them is really responsive or not, or is only a one-sided co-operation.

It has been said, Sir, that a great change has taken place in the attitude of the Lancashire industrialists after the signing of the Pact. For that purpose I will quote a sentence from their Memorandum to show what sort of change has taken place in their attitude. During the last two Round Table Conferences, there was no talk whatsoever as regards the Indian tariff policy. After the signing of the Pact, and as a result, recommendations were made by the representatives of Manchester for proposals to give the Governor General or the Secretary of State powers to prevent what is called a political tariff being imposed against Great Britain. I have not been able to follow what this political tariff is. But I want to meet them on their own ground. Supposing we want to impose a political tariff against British goods, I think we have not committed a crime. They say that they are going to transfer power to Indians on a very large scale and therefore they should be given certain safeguards. I submit that if you are not going to give us powers, I have also a right to impose a political tariff against your goods. Apart from this academic discussion of the question I submit that this Pact does not in any way give any specific or definite promise to India and therefore I cannot under the present circumstances of the Pact give my assent to it. They say in their Memorandum :

“A country yielding such powers (that is, the White Paper proposals, I think) is entitled to press for a continuance of the *status quo* in directions vital to our economic life”.

So, I submit that this Pact being made over the head of the Legislature and the Government of India, and not containing any specific and definite promise for purchasing our raw cotton, does not deserve to be ratified in the present circumstances.

Then, Sir, under this measure protection is sought to be given to the textile industry. As I said in the beginning, I am not against protection. But I will appeal to the millowners of Bombay, and especially those Honourable Members who are in this House representing the mill industry in Bombay, to try to reduce their expenditure so that the policy of protection may not in any way harm the consumer in the country. The Tariff Board has made certain suggestions for improving the internal organization of the industry and I hope the industry will take those suggestions into consideration and so organize the industry that if they need further protection they will have to prove their case and take also into consideration the harm that is being done to the consumer on account of the present depressed conditions in the country as a whole. The Tariff Board says there are two sorts of mills, first class and second class mills. The first class mills do not require protection ; the second class do. When my Honourable friend Sir Homi Mehta gets up to speak

[Mr. Vinayak Vithal Kalikar.]

I hope I will be enlightened on the point as to what the first class mills have done to help the second class mills which according to the Tariff Board require protection.

THE HONOURABLE SIR HOMI MEHTA : Sir, I presume that the Tariff Board has not said that the first class mills do not require protection. The protection the mills require is not on account of inefficiency but on account of the depreciated exchange between Japan and India.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR : I do not want to come in the way of protection. I do really want to give them protection but my point is that if the Tariff Board have made suggestions and if the mills have not taken those suggestions for improving the organization of the industry and reducing costs of production into consideration, they should do so, so that the general consumer should not be in any way harmed. With these few words, Sir, I resume my seat.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, I very patiently heard the speech made by the Honourable the Commerce Member this morning. He said that his hands were tied in negotiating these treaties. That reminds me of a proverb in Punjabi which runs thus :

“ Nam mera graon tera.”

It means that the village and all its produce and income will be mine and the name will be yours. Well, Sir, if treaties are negotiated in that spirit, what I want to know is what exactly is the benefit which has accrued to the agricultural population of India, that is, to 80 per cent. of the people? What advantages, what benefits have these treaties brought to us?

From the statement of objects and reasons as attached to the Bill, it appears that it is intended to give effect to the Indo-Japanese Trade Convention and the un-official Agreement between representatives of the Indian and United Kingdom Textile Industries at Bombay. As far as I understand there has been a great hue and cry against the conclusion of these agreements and especially the Agreement between the Millowners' Association, Bombay, and the British Textile Mission to India because it is looked upon as seriously detrimental to the interests of this country. As a matter of fact, the protection enjoyed at present by the textile industry of India against the imports from Lancashire is 25 per cent. This is by virtue of the Cotton Textile Industry (Protection) Act of 1930 which is desired to cease in its effects from the 31st March, 1934 by a Bill of the same name and under discussion of this House at this moment. According to the calculation of the textile industry experts the protection already enjoyed by this industry works out at 17½ per cent. instead of 25 per cent. The Lancashire-Bombay Agreement is feared to aim at the reduction of the protection from 17½ per cent. to 12½ per cent. In case it is going to prove so, it will surely encourage larger imports from Lancashire to the detriment of the Indian industry. This is indeed a bad thing, for the textile business of India is still in its infancy and is not so organized as its foreign competitors. The reduction of protective duty will no doubt impede its further growth at a time when it requires every sort of encouragement to let it flourish without any check or impediment.

Sir, the cutting short of this industry at this moment is feared to hit hard the agriculturists also. When the industry is not in a flourishing condition, it will most surely affect the price of raw cotton. As an agriculturist myself I know fully well to what serious plight the grower of products in India has been reduced. It is no use telling us that since other people are suffering the people of India should also suffer. Honestly speaking, Indian agriculturists are living on the verge of starvation and whatever margin of income there is at present of raw cotton on account of the protective duty against foreign imports, will also be lost sight of by any sort of reduction in it and thereby encouraging foreign imports into India against the home industry.

I hope there must have been representations from various textile concerns against the ratification of this sort of agreement between the Millowners of Bombay and the British Textile Mission to India by the Government of India ; in case my expectations turn out to be true I think there must be some very cogent reasons for the Government of India carrying out its ratification in the form of the present Bill in the teeth of such opposition and in case of their being convincing ones I have no hesitation but to support the passage of the Bill. But before recording my vote I would like to know what advantages are accrued to the agriculturist population of India. Surely, if Lancashire is not going to take the Indian cotton to any great extent and they prefer the American cotton, then why should we be made the milking goat for the sake of those people who would not like to buy our Indian products ? If the Lancashire people would like to show preference to the Indian product we will be willing to suffer for Lancashire, as being an integral part of the British Empire we must prefer the industries of the Empire to those of the outside world, but when as a member of the Empire no consideration is shown to the Indian product, I do not see why India should be asked to suffer patiently all the inconveniences that are brought against the Indian product simply to extend favour to some other country and patronize the product of that country in preference to those of India. If our Indian product is favourably looked upon and it is bought in the spirit of the product of the Empire, we will wholeheartedly extend our arms to the manufactured articles of Britain and the British Empire. But, Sir, when no wheat and other produce and very little Indian cotton is exported to England and the markets of Karachi and Bombay which used to be filled up with Indian products for shipment to England and other Continental countries are at a stand still, it is very difficult for an Indian to reconcile himself to the lowering of the import duties, especially on the goods of those countries who have closed their markets on Indian products.

Secondly, Sir, if these duties are reduced, what will be the fall in the Government of India revenues and particularly to the Finance Department who only know the gospel of taxation and are never slow to bring in some fresh taxation on the impoverished and down-trodden people of India ? How is this fall of revenue to be made good by the lords of the Finance Department, who according to the statement of their Secretary, Mr. Taylor, have no fixed rules, regulation, maxims or canons of taxation and who do not care for the consent of those being taxed but know how to fill in the coffers of the treasury by the balancing of their budget ? Well, Sir, is their deficit budget next year on account of lowering these custom duties got to be balanced by the tax-payers on the plea that necessity knows no bounds and the ukase of the autocrat and unprincipled Tsar of this department is going to balance his budget simply by his exaction, because according to the canons of this Department no Indian ought to have any money, and it is a sin and crime for an Indian to possess any money ? Our request for the reduction of taxation always fall on the deaf

[Major Nawab Sir Mahomed Akbar Khan.]

ears of this Department. All the countries of the world have reduced their rate of taxation but not the Finance Department of the Government of India, who have never been taught to cut their coat according to their measurement; they will cut a piece and when they find their piece cut to be too small, they will then throw it away and next time cut such a long piece that it is more than their measured requirement, and they will again cut a piece from their excessive piece and say here it is an adjustment and the balancing of their budget.

In short we will be willing to reduce the import duties on English and Empire goods on the understanding that reciprocity is shown to us with regard to our Indian product as used to be the case in the pre-war days. I am sorry to say no effort has been made to revive the prices of the Indian product and both the ports of Bombay and Karachi which used to be full of Indian products for exportation to England and other Continental countries are absolutely closed to the agriculturists of Northern India; if the Government of India are to exert themselves about the exportation of Indian products to England and the other countries of the Empire, we will be willing to give preference to English and Empire goods, because the duties on imports and exports of articles will be a gain to the treasury of the Commonwealth and not to other foreign countries of the world, but England and other countries of the British Empire ought to have some compassion, commiseration, sympathy for the Indian product too, which is after all the product of a dependent country considered to be an integral part of the British Empire.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, the Bill that has come before us contains certain very important principles, especially the Indo-Japanese Agreement and the Mody-Lees Agreement. Sir, these agreements have not yet been fully discussed in either House nor have they been ratified, but I am surprised that a Bill has been drafted on the terms of those agreements and not only presented but is going to be passed by both Houses. Sir, it was only last evening after 6 P.M., that the Indo-Japanese Agreement was signed when the Bill had been passed in the other House. I do not know how far it was reasonable or how far it has facilitated matters for the termination of that Agreement. Sir, the Bill is of a very complex nature and I am afraid the points on which it has been drafted have not been thoroughly discussed and inquired into. For this, Sir, I would quote from the speech of the Honourable the Commerce Member who has admitted the complex nature of this Bill and has pleaded for many lacunæ in the Bill. He said, Sir, in the other House:

“ Sir, I confess that I have never before ”—

THE HONOURABLE THE PRESIDENT: Order, order. Are you quoting from the speech of the Honourable the Commerce Member in the other House made in this session?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Yes, Sir.

THE HONOURABLE THE PRESIDENT: I may mention that I have given this matter some consideration. I myself was doubtful on a former occasion, when Sir Guthrie Russell quoted an extract from the speech of the

Honourable the Commerce Member in the other House, but I allowed him to quote that reference. I may point out, however, since then I have looked up the authorities and though I admit there has been relaxation of that rule on some important matters, I have found that ordinarily such extracts from the current session are not allowed to be quoted. In the House of Commons there have been rare exceptions made in some cases. I think it is advantageous to establish a somewhat uniform practice in this House not to read from speeches made in the other House during the current session; but the Honourable Member can make use of those remarks made by the Commerce Member and express them as his own.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR : May I draw your attention to one aspect of this question? It might be that printed copies of those speeches are not available in the same session; it might be for that reason that the citation from those speeches are not allowed. But in case printed copies are available there is not the least doubt that Honourable Members have made those statements, and in that case, where is the difficulty in allowing those statements to be quoted?

THE HONOURABLE THE PRESIDENT : I am only referring to the practice. It is not whether Honourable Members have in their possession printed copies of the speeches or not; that makes no difference in the case. Parliamentary practice has been not to permit the using of extracts made during the current session. I am prepared to follow that ruling. It has been followed by my predecessors here in former years and I do not wish to depart from established practice.

THE HONOURABLE MR. HOSSAIN IMAM : May I draw your attention, although I bow to your ruling, to the fact that our position and the position of the House of Commons are quite different; neither have we all the rights and privileges of the House of Commons, and therefore these restraints should not be applied to us. We do not have the opportunity of full discussion that the Assembly have and it is sometimes necessary to give quotations from the other place because of the fact that Government Members may have made some remarks which have not been repeated in this House to bring it to notice.

For these reasons, Sir, I would appeal to you to reconsider your decision before you give your final ruling.

THE HONOURABLE THE PRESIDENT : I do not propose to depart from the practice established in this House as well as in the Assembly and also in the Provincial Councils. I would sooner be guided by the Parliamentary practice in this matter and I do not therefore propose to reconsider my decision.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, if it is your ruling I will not quote from the speech of the Honourable the Commerce Member but he meant that the problem was very complex and it has not been fully discussed and examined. Sir, when he was of the same opinion, if we also think that it has not been properly examined I think we are perfectly justified. As we all know, Sir, and as later on has been accepted by the Commerce Member also in his speech, the Bill has been

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

drafted and amendments have been carried in Select Committee against the recommendations of the Tariff Board's report. This is one of the rare occasions on which the Government has disagreed with the recommendations of the Tariff Board and then, Sir, it was very proper that the matter should have been thrashed out by further examination of witnesses in the Select Committee. But, Sir, I regret to find that no evidence was recorded in the Select Committee. Also, Sir, the Bill was passed in three days' time in the other House and had it not been settled by the Party leaders to finish in three days, I am sure the Bill, in view of the circumstances in which it had been drafted, would have taken at least two weeks in the other House to go through.

Now, Sir, I come to the two agreements that have been so much talked about and on the terms of which the Bill has been drafted. Sir, so far as the Indo-Japanese Agreement is concerned there are four special points to which our attention has been drawn by the Honourable the Commerce Member. Firstly, Sir, a quota has been fixed for import as for the export of cotton from this country. Secondly, Sir, Japan has to purchase, as I have said, about one and a half million bales of cotton from this country. Sir, so far as these two terms are concerned, we are very thankful to the Honourable the Commerce Member for arriving at such an Agreement. But I am afraid a very important feature has been left out of that Agreement and it is about the shipping of these goods from and to India. Sir, Japan controls the shipping of goods both from and to India and I think when the Agreement was going to be signed this matter should have been settled in the interests of this country and the Indian ships should have been given a chance of carrying their goods to Japan as well as bringing goods from that country as is done by Japan in a sort of monopoly.

Sir, so far as the other agreement, well-known as the Mody-Lees Agreement, is concerned, the Honourable the Commerce Member has just said that it is in the interests of the nation. Sir, I beg to differ from him. This Agreement has been arrived at by the millowners of Bombay alone. I am told by the Honourable the Commerce Member that this is the biggest and most representative Association, and if that Association agrees to reduce the import duty by five per cent. the Government has no hesitation at all in accepting it. Sir, I find from the Tariff Board report that there are about 361 mills in India and out of these 361 mills the Bombay mills represent only 101. Out of these 101 mills, Sir, Bombay City itself is responsible for as many as 73 mills. Out of these 73 mills, about 40 have collapsed on account of the general depression, so the result comes to this, that this Association represents about 60 mills only. With these 60 mills we are told that this Association represents all the mills of India. We have got, Sir, opinions which have been circulated to us and from these papers we find that the Calcutta Chambers, the Cawnpore Chambers, and the Ahmedabad Millowners, the Baroda Millowners and many other millowners of different places have protested against this Agreement. I will not waste the time of the House by quoting separately from every association but I have given the important names and there are more than a dozen representations that have been made to the Government of India and protested against this Agreement. Sir, may I have your permission to give quotations from the letters of these Millowners' Associations that have been made use of in the other House—not the speeches but the quotations ?

THE HONOURABLE THE PRESIDENT : Yes, certainly.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I will only quote two opinions on this point—one from the Committee of Federation which says :

“The Committee of the Federation protest against the action of the Government of India in fixing in the recent Indian Tariff (Textile Protection) Amendment Bill on imports from Lancashire a lower rate of duty than that unanimously recommended by the Tariff Board, and in adopting the terms of the Bombay-Lancashire Agreement, despite general protests throughout the country. The Committee suggest that Government should take steps to amend the Bill by excluding that portion thereof which relates to duties and other conditions in the terms of the Bombay-Lancashire Agreement, and obtain public opinion thereon, maintaining in the meanwhile at least the present scale of duties on Lancashire imports”.

The Ahmedabad Millowners' Association says :

“My Association therefore respectfully submits that the present Tariff Act be extended for a period of six months and Government be pleased to ascertain the commercial opinion before proceeding with the measure, particularly in view of the opposition from all quarters except Bombay to the uncalled for concessions granted to the United Kingdom by the Bombay-Lancashire pact”.

Sir, one of the experts, I mean Mr. Walchand Hirachand, writes about this Pact as follows :

“The cotton millowners of Bombay Island started, to use a Sanskrit saying as recently repeated by the Right Honourable Mr. Sastri, to make a deity (Vinayak) of Lancashire, but their enthusiastic follower (here he mentioned a name which I will not take) out-did them in the fervour of his enthusiasm by developing and practising the ‘gesture’ a little further and produced instead a monkey in the shape of his Bill or amendment”.

Then he goes on to criticise the persons who were concerned with this Agreement. I had better leave that out. Sir, as I have said, it is not in the interests of the nation because on the one side the Bombay Millowners' Association had agreed to reduce the duty by five per cent. and have not fixed any quota for the export of cotton from India. Everything is hypothetical—whether they will purchase more cotton. Sir, to rely on the assurance that we are going to reduce the duty, I think is not proper or reasonable. The assurance is only private and has no force from the Government of Britain as well. We find in the Bill that while the duties on British manufactures have been reduced, the duties not only on Japan but all European countries have been increased. You will find that on cotton twist and yarn, of counts above 50's, the duty on British manufacture is five per cent. while on non-British manufacture the duty is six and a quarter per cent. On cotton fabrics, of British manufacture, the duty is 25 per cent. and not of British manufacture, 50 per cent. On fabrics, not otherwise specified, containing more than 90 per cent. of artificial silk, of British manufacture, the duty is 30 per cent. and not of British manufacture, 50 per cent. Similarly, Sir, as regards fabrics, not otherwise specified containing not more than ten per cent. silk and more than ten per cent. and not more than 90 per cent. artificial silk, of British manufacture, the duty is 30 per cent. and not of British manufacture, 50 per cent. In this way, Sir, we find that not only Japan, which was the real competitor in India of the United Kingdom, but all the other countries, e.g., America, Italy and Germany, have been penalized for the sake of the United Kingdom. And what is the result ?

THE HONOURABLE SIR HOMI MEHTA : For the sake of Japan, not the United Kingdom.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Yes. The result is that the consumer will have to suffer and pay much more.

Sir, I am not against protection. I am entirely in favour of protection. But I want that it should be for a definite period ; it should be high enough to allow an industry to be developed in that period when it can be removed, and the consumers will have to pay less in the future. What I find from this Bill is that this will not be the case. I do not think my friend Sir Homi Mehta is pleased with this Bill. He wants more protection and he is not satisfied with the protection that has been given in this Bill. The result will be that the industry will be trying to make the two ends meet during this period of protection, the consumers will have to pay more, but no result will eventuate even after the five years for which protection is being given under this Bill. Sir, I am against this policy.

Then, Sir, the handloom industry has not been given the same protection as the mill industry has been given. Millions of people depend upon this industry which is carried on everywhere in India by the middle class and poor people. I am of opinion that the protection that has been given to yarn may benefit the mills but will not benefit this industry. From the Bill I find that the indirect taxation will be increased from 23 to 31 per cent. I would like to know from the Government what will be the revenue result out of this Bill, whether the Government will be a loser in revenue or whether they will get more on account of this enhancement of duties? Sir, I am afraid that Government may not do the same thing as they have done in the case of the sugar industry. They enhanced the import duty for a certain period and before that period came to an end, they levied a very high excise duty on mills which had sprung up out of that protection.

I am afraid, Sir, that the Government may do the same thing with our cotton industry too. If they have got any such idea it would be only fair to give warning of that at the very beginning, so that people may know where they stand. Otherwise, just as people have been deceived in regard to the sugar protection, they may also be deceived in regard to cotton protection. I hope the Government in replying to this debate will explain the position on this point, as well as the effect of this measure on the revenues of India.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, we had been given an opportunity of listening to a most interesting and illuminating address by my friend the Honourable the Commerce Member whom we all welcome here to-day and particularly after the successful termination of the Indo-Japanese Agreement a reference to which had been made in suitable terms from the Chair this morning. My Honourable friend the Commerce Secretary, who is responsible for piloting this important Bill in this House, has also shown us by facts and figures in his speech the importance of passing this particular measure at this present moment but, Sir, I regret that it is not possible for me to see eye to eye with some of the arguments advanced on this behalf about which I am going to deal very briefly in my speech before the House.

Sir, the very name of the Bill—Tariff Amendment Bill—is a misnomer. Tariff Bills are always revenue Bills whereas the present Bill is professed to be primarily for the purposes of protection to the cotton textile industry and silk industry in India. I do not understand why Government took this

dubious name. I have my suspicions that though the Bill is to all intents and purposes a protective measure yet the rates of duties are being manipulated in such a way as to be a revenue earning Bill.

Sir, protective rates of tariff in protective measures are always losing concerns so far as Government revenue is concerned. Before the Bill is finally passed I would ask the Government to give us a rough idea as to the amounts by which the Government will be better off or worse off in regard to each of the items dealt with in the Schedule to the Bill in comparison with the yields of revenue from those articles for each of the last three years.

To my mind the appropriate name of the Bill should have been "Bombay *cum* Government Exploitation Bill". Had this Bill been a protective measure the period of protection should have been mentioned in the Bill, whereas nothing of that sort is to be found in the present Bill.

THE HONOURABLE MR. T. A. STEWART : Might I refer the Honourable Member to the fourth clause of the Bill ?

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : I am coming to that. The Bombay textile industry agitated, and agitated hard, for the abolition of the excise duty. When the excise duty was abolished the revenue duty on textile goods indirectly gave some amount of protection to the Bombay textiles. The Bombay textiles were not satisfied with it and agitated for further protection during the last fifty years or so. Their agitation all throughout was not against any particular country but they agitated for a general protective tariff wall. The country as a whole also took the side of the Bombay mills and the agitation went on unabated for about half a century or more for such protection. But, Sir, as soon as the Bombay mills made the Mody-Lees Pact by which they are prepared to allow Manchester goods to enter India at a lower rate and compete with their own articles, the bottom of the whole case for protection for the Bombay textiles has, I think, been knocked out. When industries require protection they need to be protected from all competitors and not the protection from one competitor as in the present case of Japan. The Mody-Lees Pact, which is the foundation of this present measure, is the first departure from our old objective of protecting our textile industry from all competitors irrespective of caste, creed or colour. It was a pact for exploiting the Indian masses by Manchester on the one hand and the Bombay mills on the other by driving out the third competitor like Japan. The Bombay mills have become so powerful by protection that they can ignore the claims of the consumers' interests and can have the protective duty for a longer period than is required. This position was envisaged by the Fiscal Commission as far back as 1922. The Fiscal Commission reported amongst other things as follows and, with your permission, Sir, I read the following extract :

" We have now stated generally the principles in accordance with which we hold the protective duties may be imposed, but the function of the State is not completed when a duty has been imposed. If protection follows the lines which we contemplate, most of the protected industries will after a longer or shorter period be in a position to dispense with protection altogether, or at any rate to maintain themselves with a considerably reduced measure of assistance. No one who has studied the history of protectionist countries can be blind to the fact that it is far easier to impose a protective duty than to reduce or abolish it. As an industry grows economically, its political influence also grows, and it is in a position to exert considerable pressure on the body that has the power to modify the duty. It may be accepted as the general experience that protective duties are continued for too long a period and at unnecessarily high rates ".

[Mr. Jagadish Chandra Banerjee.]

Sir, it is a wonder that the Bombay mills only in the whole of India are losing concerns. It is a matter of common knowledge that Bombay is suffering from two causes. Firstly and mainly, due to the old types of machinery which requires to be changed lock, stock and barrel, otherwise it is not possible for them to compete with other mills even within Indian limits, not to speak of competition from Manchester and Japan. Secondly, the Tariff Board on the textile industry concluded that the managing system prevailing in Bombay mills should be controlled by statute. But nothing has been done in that direction. In this connection I must express that I entirely agree with the views expressed in the minute of dissent attached to the report of the Select Committee to which the Bill was referred, by Mr. B. Sitarama Raju, Mr. B. Das and Dr. Ziauddin Ahmad. With your permission, I will read some extracts :

"The Indian mill industry is domineered by managing agency system of firms. The Tariff Board on the cotton textile industry had come to the conclusion that this managing agency system should be statutorily controlled. The revision of the Indian Companies Act is long overdue. The Government members of the Committee assured us that the Government propose to take steps in making changes in the Indian Companies Act.

"We regret to have to note that we are not given any indication of the nature of the steps they propose to take. We desire to express our opinion that unless the Government take effective measures to deal with inter-mill finance and check the system of finances, block capital, expenditure and the system of commissions, and other evils associated with the managing agency system, and control the other factors arising out of the financial interests of managing agents in subsidiary services, the claim for protection and the extent to which it is necessary cannot be justified. When the industry asks the country to share its troubles, the country must have the right to share in those rights which otherwise would be respected as purely private rights".

Sir, I go a step further and say that Government should not have come forward with this indirect legislation before removing the defects in the management of the Bombay mills. I do not see any reason why the existing system ———

THE HONOURABLE SIR HOMI MEHTA : May I interrupt the speaker for one second? Is he talking with the knowledge that he has of the Bombay mills or after reading the report of what passed in the Assembly? If the latter, he is very much incorrect.

THE HONOURABLE THE PRESIDENT : He is expressing the views of those three Honourable Members who wrote dissenting minutes and who knew nothing much of the subject.

THE HONOURABLE SIR HOMI MEHTA : The present speaker does not know even the ABC of the mill industry. He is talking of a subject which he does not know and is taking up the time of the House unnecessarily. I would like him to say these things outside the House and then I could challenge him.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Sir, I thank you. I am not going to speak on what my Honourable friend Sir Homi Mehta has referred to. I do not see any reason why the existing system of working of the Bombay mills through the agency system which are obsolete and old should be taken as the standard for fixing the protection required.

Sir, my friends from Bombay may well forget the remarks they made against my poor province because in her dire distress the Government of India desired to give her some relief and which was a legitimate claim of Bengal since the Meston Award—

THE HONOURABLE SIR HOMI MEHTA : What has it to do with the Bill before us ? It has no connection at all.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : It is a passing remark.

THE HONOURABLE SIR HOMI MEHTA : It is very much passing.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : I want a ruling, Sir, whether I am to be interrupted like this.

THE HONOURABLE THE PRESIDENT : Please proceed with your speech.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : But they must now remember that it is the consumers of Bengal mostly who will have to foot the bill of this protection cost to the Bombay textile.

THE HONOURABLE SIR HOMI MEHTA : But they are not the only people in India, Sir. I repeat it.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Capitalists are always capitalists and the word connotes that they can well afford to lose a few rupees here or a few rupees there, but to ask the consumers to pay from their meagre income to make the fat capitalists of Bombay fatter and fatter is nothing short of a scandal.

In conclusion, I may summarise my position by stating that I am a staunch protectionist and I should like to see Government bring in undiluted protective measures and not an overt measure covered with other intentions than protection.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal: Muhammadan) : Sir, I desire to confine myself to a single aspect of the measure in which Indian merchants and consumers in Bengal are vitally interested. I refer to the proposed duty on fleecy shirts and vests. Sir, the article concerned is very extensively used by agriculturists throughout Northern India as their main shield against the rigours of the cold weather.

These fleecy shirts, or vests, Sir, are not manufactured in India. It is true that some samples of these have been produced as evidence to the contrary, but I am prepared to issue a challenge to any factory in India to produce invoices showing any large orders secured by them for their fleecy shirts made in India. One of the largest firms of hosiery merchants in Calcutta obtained machinery and equipment for the manufacture of these goods in India, but it was found impossible to secure the personnel to work the machines locally, and the machinery and equipment was disposed of at a tremendous sacrifice. The fact is that India have not so far produced these fleecy shirts and vests in any appreciable quantity at all.

That these come from Japan is no fault of the poor consumers in India who buy them and find them within the reach of their slender purse. It is also open to serious question that if these imports from Japan were stopped, Indian manufacturers would be in a position to supply fleecy shirts, or vests, at a price at which Japan supplies them.

[Mr. Mahmood Subrawardy.]

The price of Japanese fleecy vests of 6 lbs. weight to the dozen is *c. i. f.* (cost including freight) Rs. 4-3-7 a dozen and of 9 lbs. 8 oz. weight *c. i. f.* Rs. 5-11-0 a dozen, so that with the import duty at 25 per cent., as it was up to 22nd December, 1932, the retail price for the poor agriculturists and consumers generally works out at about ten or twelve annas each. The new import duty in the Bill before the House works out in the case of fleecy vests weighing 6 lbs. to the dozen at Rs. 4-8-0 a dozen, or 106 per cent., and in the case of vests of 9 lbs. 8 oz. to the dozen, Rs. 7-2-0 a dozen, or 126 per cent. It is intended to mulct the poor consumer in India to the amount of the duty, for it is not the Japanese manufacturers who would pay the duty, for the lack of enterprise of Indian manufacturers who have been unable to deliver the goods he requires to the consumer.

Sir, this will cause the millions of users of these fleecy vests in India concrete physical hardship, without any hope of relief from Indian manufacturers for whose sake they are being asked to pass their shivering days in the winter, particularly in Northern India, that, with the new duty in force, Indian manufacturers would promptly place on the market these goods of the same pattern, price and quality as the Japanese.

Sir, the Honourable the Commerce Member, in the other place, very reasonably gave an assurance that :

“ If after inquiries, the Government found there was justification for making fleecy undervests a separate class, then the Government would have no hesitation in doing so ”.

May I respectfully submit, Sir, that this implied admission by the Honourable the Commerce Member that fleecy undervests have been included in articles on which the new duty of twelve annas a pound is to be imposed without inquiries which were necessary, involving, as the question does, not only the extensive financial interests of a large body of Indian merchants, but also the physical comfort, efficiency and well being of millions of consumers, strengthens my plea for the transference, for the time being, until enquiries of the Government into the subject are completed, of fleecy undervests to the category of “ Hosiery not otherwise specified ” liable to the new duty of 35 per cent., instead of 106 to 126 per cent. This will be bare justice both to the Indian merchants and the consumers. At the same time, I beg to urge upon the Government the vital importance of instituting, as early as possible, enquiries to ascertain the exact position in regard to the production in India of these fleecy vests and the trade in them.

Sir, with the exception of this feature of the Bill before the House, I support the measure.

THE HONOURABLE SIR HOMI MEHTA (Bombay : Non-Muhammadan):
Sir, we have heard in this House all that has been said by several Honourable friends ; also the things that have been said about the textile industry in the Assembly. This Indian Tariff Act, which is now presented in this House for being passed, is the outcome, firstly, of the Tariff Board's Report in 1932, secondly, of the negotiations between Sir Joseph Bhore and the Japanese delegation to substantiate the duties between India and Japan, and thirdly, of the Mody-Lees Pact. The most fundamental thing in this question is, “ Why does India want protection in the cotton mill industry ? ” The industry is 60 or more years old. It carried on the affairs of the industry during that period without any protective duty of any kind. On the contrary it paid for

a number of years the excise duty on all cloth that they manufactured to the Government of India for the purposes of revenue. Now, what has happened to that industry that after going on for such a number of years it has come to such a crisis as to come before the House and beg of them to give them protection? Certainly, nobody in this House is going to put forward the charge that an industry that was being carried on for 60 years honestly, now within these last few years, five or six years, is being carried on so dishonestly that it had to come here with a beggar's bowl to ask for protection. There must be something else behind it and it would be only logical and fair to the industry to find out what are the real causes which have brought about this state of affairs. And, Sir, I am going to prove to the best of my ability how the present conditions have arisen. It is no use saying in this House or in any other House, or in the public press that on account of these protective duties the Indian cultivators are losing crores and crores of rupees. It is all moonshine and I will prove it to the hilt that it is so. A great doctor of economics in the other House said that India was suffering on account of this textile Bill to the tune of Rs. 80 crores. Then, Sir, some of the people in the other House as well as in this House said that the industry is very inefficiently managed. As I have said before, if it was managed well for 60 years it is very surprising that it is so inefficiently managed now. What other reason is there for this inefficiency? Some have pointed out the managing agency system. Others have tried to say that private commissions and other expenses are all so made up that the agents are getting fat over it and the actual workers and the agriculturists are really suffering. May I ask this House, will any of those gentlemen point out one person who has grown fat on it? Those who have taken private commissions or have run the mills on agency lines for their own personal benefit have all gone down. None of these has survived. That system can never survive. The only business that will survive is that which is run on honest and genuine business lines. Therefore it is no use throwing dirt because here and there we find a black sheep—I do not say there is none—but we must take them as a whole.

THE HONOURABLE MR. HOSSAIN IMAM: There are many.

THE HONOURABLE SIR HOMI MEHTA: Well, I should like to see it pointed out if there are many. Now, coming to the point why protection is wanted. Some say our cost of production is higher than that of any other country. I can assure you, Sir, that I know the industry from A to Z, and I can say with the greatest confidence that the cost of production of the cotton mills is about four and a half to five annas per pound, *i.e.*, to turn out from cotton a pound of cloth. I am speaking of the standard count of 20 warp and 26 weft. Lancashire, which has had this industry for over 200 years, cannot produce a pound of cloth at any lower cost than this. As to Japan, which has been put before us as a model and ranked as the cheapest producers in the world—I admit they are—their cost according to their own figures comes to about three and a half pence per pound for every pound of cloth manufactured out of 20 warp and 26 weft. But there are circumstances which are greatly in favour of Japan and which other countries do not enjoy, and these are the reasons why Japan can produce cloth at a penny a pound cheaper than any other country. These are that labour is one solid Japanese. They have no caste or creed or anything else. The labour is housed in the mill compounds. There they live. The labour is fed in the mill compound with everybody else. Labour is only paid, after deducting the house allowance and the food allowance, only sufficient cash for the bare necessities of life. Here in India and in England and the other countries of the west we cannot do that because in India amongst

[Sir Homi Mehta.]

mill workers there are Muhammadans, there are Hindus, there are *mahars*, *chamars* and untouchables. These fellows will never live together in one compound and they will never take food in one and the same place. Each one wants a different food which the mills cannot provide. All these things are a handicap in India as well as in other parts of the world. Besides that, we are working only ten hours a day. In the Japanese mills, they are working eleven hours a day. Some say more. I want to restrict myself to what the Japanese themselves say. In England, they are working only eight hours a day; so is it the case on the Continent. So, naturally, our cost of production is high, and therefore we cannot compete with them.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: What about the food of the labourer? How do we compare in that respect with Japan?

THE HONOURABLE SIR HOMI MEHTA: I have no idea.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Japan is well organized.

THE HONOURABLE SIR HOMI MEHTA: These are the reasons why the Japanese have a pull over all other nations in the world, not India alone. But why is India affected far more than any other country? What are the reasons for it? The reasons are that the yen has fallen to such an extent that they can send back the finished article from Japan to Bombay that it costs half the amount in rupee price. I will show you an instance how it is done. Supposing they are buying Broach cotton whose price today is Rs. 200 which is equivalent to 4 pence per pound. When they send it to Japan the exchange is against it; therefore, they pay not four annas as the Indian mills do but something like 6d. per pound. Then their labour charges are about 3½d. per pound, which makes 9½d. When it is sent back to Bombay, on account of the 50 per cent. fall in the yen, it comes here at four annas seven pies or somewhere near that figure. Now, the import duty imposed by the Government of India is between five annas and five and a half annas per pound on every pound of cloth that is coming to India. That brings the Japanese price to about 10d. The Japanese cloth is sold freely in India at about nine or nine and a half annas per pound. The Indian mills have to sell it at the same price whereas the Indian mills' cost is four and a half annas in cotton, five annas for producing a pound of cloth and there is no money for depreciation or anything else. How then is the mill industry to live without protection? That is the only reason why protection is wanted and protection is given. It is only bare existence. It does not provide even for the depreciation of the machinery or any other improvement in the machinery or for renewal of machinery. At this rate, circumstanced as they are, unless the Government gives protection, the Indian mills will never thrive. There will be no scope for thriving at all. How my friend Sir Joseph Bhore came to the conclusion that 50 per cent. will meet the circumstances I am surprised. I was not here in this country when this was decided. If I had been, I would have given him my figures for fuller consideration.

THE HONOURABLE MR. HOSSAIN IMAM: How much would you consider sufficient protection?

THE HONOURABLE SIR HOMI MEHTA : When I made my speech last year, during the budget time, I said that 75 per cent. on Japanese goods was a fair protection. That would help the industry to live, and if the Government gives it for the next five years, that would enable the industry to build up certain reserves so as to renew the machinery and everything else.

Then there is another factor. Japanese labour is not only cheap but it turns out a greater percentage than Indian labour, and therefore their costs are lower. Why? Because the climatic conditions in Japan and in Europe are far better than those in this country. Here a man may work for ten hours but he cannot turn out just as much as a man in Japan or in England can give within eight hours. Their stamina is quite different. The stamina of the poor labourers in India is so poor that they cannot stand the strain and therefore the amount of work they produce is about 20 per cent. less than that of the Japanese workman or the English workman.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : Do you not think that Japanese machinery is far better than, and more efficient than, the Indian machinery?

THE HONOURABLE SIR HOMI MEHTA : I am surprised at my friend asking me that question. Up till the last four or five years, Japan used to buy almost every machine from Lancashire. Now, for the last five or six years, after the war, they are making looms and other machines—some of them are still buying from Lancashire.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : Their machinery is of a better kind.

THE HONOURABLE SIR HOMI HEMTA : You can buy it and use it and put up a mill.

THE HONOURABLE MAJOR NAWAB SIR MAMOMED AKBAR KHAN : That is what I have been told.

THE HONOURABLE SIR HOMI MEHTA : It is said that Japan is such an efficient country that they can do wonders and that our Legislature should not allow us any protection simply because we are so inefficient. Well, I am asking you a plain straightforward question. The Japanese have got a mill in Bombay. It is known as the Toyo Podor mills. That mill is run by the Japanese. The manager is a Japanese gentleman; the engineers are Japanese, the head weaver is a Japanese gentleman; some of the jobbers even are Japanese. This mill, Sir, has been worked under the most efficient Japanese management and what is the result? Year after year, they are not losing one lakh or two lakhs, but many, many lakhs. If you ask them to show you their balance sheet, then your eyes will be opened. If these very people can do wonders in Japan, why should they not do the same in this country? If they were successful, they would have put up not only one mill but dozens of mills in India, under the control of the Japanese to save 50 per cent. import duty. But they know they cannot do it.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : They do not want to give their secrets to you.

THE HONOURABLE SIR HOMI MEHTA : Therefore, Sir, to say that we are inefficient is a false bogey—an absolutely false bogey. You can take it from me—I am not saying anything for the sake of myself; I am saying it for the sake of the industry, as one speaking for the whole of India and as an Indian—I have got no axe to grind—I am not going to make one rupee more or one rupee less by saying this, but I am saying what I feel inwardly in these matters that I am doing a right service to my country. Some of the gentlemen remarked that the mill agents were multi-millionaires and millionaires in Bombay. Will any one point his finger to any man who has become a multi-millionaire in the mill industry? Can they point out to me one man? If so, I should be only too pleased to know it. The great house of Petits owned more than seven or eight mills. These mills have gone down—gone down in the gutter absolutely. All those mills, nearly about 600 or 700 thousands spindles—no one to buy. A mill costing a crore of rupees sold for Rs. 5 to Rs. 7 lakhs as mere scrap iron. It was scrapped by the Borahs and sent as scrap iron either to Japan or Germany to be turned into armaments. Then take the house of Currimbhoy, with thirteen big mills aggregating a total of more than a million spindles, it has gone down. During the war they did not know what to do with their money. They were Muhammadans and one of the best firms. Their property was worth more than Rs. 3 crores and they could command a crore whenever they liked, and within six years they were ruined. And why? Because the Indian markets were flooded with Japanese piecegoods at ruinous prices, their stocks accumulated and with all their money they could not finance their business and so they had to go down. Look at the fate of Sassoon's, who are multi-millionaires. Some say they are worth Rs. 25 or 30 crores. But look at the condition of their mills, nearly eight or ten mills belonging to them with nearly 800,000 spindles, and all gone to pieces. Their Rs. 100 share is not worth even Rs. 5. The Rs. 10 share of the United Mills with a capital of Rs. 6 crores is worth two annas, and if you want to sell that share for even two annas you would not be able to sell it. These are the conditions. Where is the Bombay Presidency getting fat over what they call the unscrupulous methods of the mill industry? It makes my heart burn to come here and ask for this protection. But there is no other recourse and there is no other recourse because it is the exchange that is responsible and the Government of India is not doing us any favour. They are only protecting us against the exchange and not against the inefficiency of the mills, as somebody has said in this House and in the other place. Those are the conditions and nobody can say that anybody is fattening on the earnings of the mills. As far as I know nearly Rs. 100 crores have been invested in the cotton mill industry. If I am wrong I should like to be corrected because I am only quoting from memory, but I think it is very nearly that amount. If you take the average for the dividends paid during the last five or six years, you will find that it does not come to even one and a half per cent. and if it had not been for the Ahmedabad mills it would have been zero or even a minus on the debit side. Those are the conditions and nobody is more surprised than I am to hear from responsible gentlemen in this House that the cotton millowners are fattening on the profits and becoming millionaires.

Now, Sir, our friend the Commerce Member has settled affairs with the Japanese as far as the new duties are concerned, so it is no use going over the old ground again. What I say is that this 50 per cent. duty will keep our heads above water but nothing further. If Sir Joseph Bhore expects that it will do more than that and help us to earn money he is mistaken. That is all I can say about it.

As regards the Mody-Lees Pact, some Honourable Members may not be aware of the fact that Lancashire does not compete with India as regards 85 per cent. of the cotton trade. In other words, England does not send out coarse counts to India, I mean the 20s. and 30s. What Great Britain sends out to India are the finer counts, 40s. and over, right up to 150. Those counts are very rarely made in India. Only 15 per cent. of the entire Indian industry is concerned with fine counts. And how did that happen? When the Noyce Committee sat in 1926 Sir Frank Noyce advocated very strongly that India should not remain dependant on coarser counts only and they should try and spin finer counts. He gave that advice. Some of the mills threw away their old preparations and put in new preparations to spin fine counts. Others, mostly in Ahmedabad, put up new mills, about seven or eight new mills, to spin fine counts. They took the advice of Sir Frank Noyce. They did well for some time, exceedingly well I should say. Then two years ago our worthy Finance Member comes in and puts a duty of Rs. 25 per candy on cotton that arrives in India from foreign countries. Now we all know that fine counts cannot be spun out of Indian cotton. We must either use East African, for the medium counts like 40, or, in the case of the 100s. and over, we must use Egyptain. Nothing else will do. England is getting Egyptian and American cotton without any duty, and it fell to the lot of poor India to pay Rs. 25 per candy, which is equivalent to half an anna per pound, as duty to the Government of India, for running that cotton into the mills and for taking the advice of one of their Executive Council Members. This was not enough. In those days the duty on imported stores and machinery was nil. Only in the case of a few items it was two and a half per cent. On sizing materials, chemicals and dyes it was five per cent. What is it today? On every piece of machinery that we order out to India we have to pay ten per cent. duty; on stores ten and in some cases fifteen per cent.; on chemicals something like 30 per cent. and on dyes something like 50 per cent. How then can we make money? As I have said, the Mody-Lees Pact does not touch the Indian mill industry to the extent of 85 per cent. It does touch that fifteen per cent. who took the advice of Sir Frank Noyce and established new mills to spin fine counts. They are handicapped against Lancashire to the extent of half an anna per pound in the case of cotton and three and a quarter per cent. in the case of stores, machineries, chemicals and dyes. Out of the 25 per cent. which is charged just now on Lancashire goods, they virtually get a rebate of thirteen per cent. as stated above, and only twelve per cent. is the actual duty. But when one also takes the exchange into consideration, 1s. 6d. as compared to 1s. 4d. previously, as between India and Lancashire there is not a preference of even one per cent. to India.

Then, Sir, in the case of yarns over 50s they have taken out all the duty except five per cent. The duty on cotton remains just the same. So in yarns, 50s and over in India, instead of getting any advantage of five per cent. duty we actually pay an excess duty of which the benefit goes to Lancashire. We pay half an anna to the Government of India on cotton, we pay on mill stores and other articles for manufacture of yarns of 50 counts and over ten per cent. duty on the articles we use, and therefore we are under a disadvantage of about eight to nine per cent., whereas the Government of India only charges five per cent. on the finer yarns of British manufacture.

Then, most of the gentlemen ask what they have to do with such a small community of mill-owners; our interest is the interest of the agriculturist. Our interest must be centred on the agriculturists who form 80 to 85 per cent. of the population. I quite agree with them. They are perfectly right in what

[Sir Homi Mehta.]

they say. But they must remember that this small group of mill-owners or mill-agents employ ten lakhs of people altogether all over India from one end to the other in the cotton mill industry. These one million workmen, you must remember, get on an average a salary of Rs. 30 to Rs. 35 per month.

THE HONOURABLE MR. HOSSAIN IMAM: Where? In Bombay or upcountry?

THE HONOURABLE SIR HOMI MEHTA: If you have no knowledge, there is no use asking me a question; but when I quote Rs. 30 to Rs. 35 per month, I am quoting the average salary for the whole of India and I am not talking of one place. In some places they get as much as Rs. 50. Now, Sir, if you take the lot of the agriculturists working in the fields they do not get more than Rs. 9, or Rs. 10 or Rs. 12 per month at the outside and that during the seasonal period and after that they get next to nothing. These are the conditions. These one million people have their families, wives and children; they all depend on that. They are quite happy and they are doing well. If the cotton mills are wiped off the map of India, what would happen? These men will be on the road; they would be begging in the street or working in the field and so the wages of field workmen will go still lower down. The Indian mills are consuming according to the Cotton Committee 25 lakhs bales of cotton in India. Those 25 lakhs of bales would be either sown less in the land or will have to be shipped out to other parts of the world. When the buyers know that India is not going to buy one pound of cotton, they will dictate their own prices and those prices would be miserable prices for the country.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: Who says that the mill-owners do not employ these people? We say the mills are charitable institutions. We do want something for ourselves.

THE HONOURABLE SIR HOMI MEHTA: Now, Sir, when all that competition is wiped off from India and not a pound of cotton cloth is manufactured in this country, what would happen? Foreign mills, mills from Japan, Britain, Germany, and other countries, will be sending out all the cloth to this country. Are they going to sell you at four and a half annas a pound? No. They will say that there is no competition; there is no method to gauge the price; so we shall have our full pound of flesh.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: America would take their place; several other countries would take their place.

THE HONOURABLE SIR HOMI MEHTA: That is not all. Not only the labourers will suffer. What about the coal industry of India? All these gentlemen have no idea how much coal is used by the cotton mills. That will not be required. Coal miners will be off their work; coal mining companies will go into liquidation and many things may happen.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: Electric energy.

THE HONOURABLE SIR HOMI MEHTA : Electric energy is not produced from nothing. There is no water power everywhere. Then there are the cotton brokers all over India, middlemen, insurance companies, bankers, port trusts, and all the landing places. These will all suffer and bring about more misery.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : The sooner we get rid of them the better.

THE HONOURABLE SIR HOMI MEHTA : In that case none of your produce will move. Sir Guthrie Russell will tell you that. During this transition period when Japanese exchange is playing such a big factor and is ruining the industry at home, the Government should protect the industry in the best manner they possibly can so as to see that that industry is not making an undue profit on the capital invested in the industry. That is an absolutely fair way of asking for protection. If any mill makes a profit of more than ten per cent. let that mill give the excess money to the Government of India to fill in their coffers. If the cotton mill industry flourishes, then all the mills that are lying idle and the hundreds and thousands of spindles which are lying idle all over India will be working. They will not then be consuming 25 lakhs bales of cotton, but a few lakhs more. So there will be no need to send more cotton to Japan or to England. If things prosper and new mills spring up, there will be more cotton consumed in the country itself and both the growers as well as the manufacturers will be happy in the end.

These are the remarks that I have to make, and I support the Bill without saying a word against it; but these are the pros and cons which I hope the Government of India will take into consideration when they are thinking further about this Bill.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI

4 P.M.

(Madras : Non-Muhammadian) : I rise to support the Motion of my Honourable friend the Commerce Secretary. The Bill before us embodies two important agreements, the one an official compact between the Governments of India and Japan, the other a private arrangement between the Millowners' Association, Bombay, and the Lancashire delegation. In another place it has been pointed out, and I entirely agree with the observation, that the Indo-Japanese Agreement is an event of historic importance, the significance of which cannot be over estimated. It is the first time in the history of India when our Government conducted direct negotiations for a trade treaty with a foreign government. It is our duty to congratulate the Honourable Members of the Government, particularly the Commerce Member, the Industries Member and the Leader of this House, who played so conspicuous a part in bringing the negotiations to a successful issue. When we realise that similar negotiations between Japan and the British Government have fallen through, we get a measure of the patience, tact, skill and energy with which the Indian Government has carried on these negotiations. I repeat that the members of the Government and indeed all concerned in these conversations including the overworked officers and staff of the Commerce Department deserve to be warmly congratulated on the arduous and patriotic services which they have rendered to this country.

The second agreement which is incorporated in this Bill is that which has been arrived at between the Lancashire delegation and the Millowners' Association of Bombay. It has been asserted that apart from its commercial aspect, this agreement has been of distinct political value. Though some critics have

[Diwan Bahadur G. Narayanaswami Chetti.]

belittled or altogether denied the political advantages of such an agreement, I feel certain that by promoting a better understanding between the textile industries of the two countries, it has undoubtedly helped the cause of India's political progress.

But apart from the political aspect, I welcome this Agreement as of great value to the promotion of the commercial prosperity of India. I believe that India's commercial future lies in close co-operation with Great Britain. It is in an adjustment of Indian and British interests in this country that the commercial salvation of India lies. At a time when acute economic nationalism is the main characteristic of most foreign nations I am convinced that India can only prosper by taking full advantage of the fact that it is a unit of the biggest Empire in history—the British Empire. That is why I welcomed the Ottawa Pact and this Agreement which adopts the principle of that Pact will prove beneficial not merely to the textile industry of India but to the cotton growers and the agriculturists. Sir, in spite of comments to the contrary I am convinced that the vast majority of Indians desire to have friendly relations with British trade. The policy of Imperial preference will do us no harm and will on the other hand make for our greater prosperity. I am glad therefore that the Government has incorporated the results of that Agreement in this Bill.

I have already referred to the Indo-Japanese Agreement but one aspect of it deserves to be emphasized. The Agreement provided for the purchase by Japan of a certain quantity of Indian cotton and thus directly benefits the cotton grower. India is a vast producer of raw materials and it is becoming increasingly necessary to find foreign markets for our raw products. I am glad, Sir, that Government have recognized this fact and have made a beginning in this Agreement. Moreover, Japan is the most important eastern nation and the commercial relations of India and Japan are bound to be very intimate and to grow in that intimacy in the coming years. I see that the Select Committee of the Assembly has recommended that a Trade Commissioner or Agent on the parallel of South Africa should be appointed in Japan. It seems to me that this is an important recommendation and I hope Government will give it its best consideration.

Sir, it is not necessary to go into the details of the Bill. I shall only refer to a few items. It is felt that the duty on raw silk and artificial silk goods of non-British manufacture is not sufficiently high and does not afford enough protection. I hope the Honourable Member will watch the position and if he finds it necessary increase the duty.

Sir, I support the Motion.

The Council then adjourned for Tea till Twenty-Five Minutes Past Four of the Clock.

The Council re-assembled after Tea at Twenty-Five Minutes Past Four of the Clock, the Honourable the President in the Chair.

THE HONOURABLE SAYIED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, standing at this late hour of the day, I do not propose to indulge in any very lengthy observations. I shall only deal with a few salient features of the Bill. At the outset, I should like to offer my

felicitations to the Honourable the Commerce Member and his colleagues on the successful issue of the negotiations which were carried on recently with Japan. It is really gratifying that an Indian Member of the Viceroy's Executive Council has signed on behalf of the Government of India a trade agreement with a foreign power. This agreement and the one which was reached with Lancashire have helped a great deal in solving the problem of the textile industry in this country. Apart from the immediate results which these agreements are bound to produce to the mutual advantage of the parties concerned, the one great benefit that has accrued is the practice that has been established—the practice of settling differences by means of mutual friendly discussions and consultation. Sir, the personal contacts that have been established and the appreciation by the contracting parties of each other's position and point of view are bound to produce results which will far transcend any advantage that will be derived for the time being from the terms of the agreement. I shall take up the Bombay-Lancashire Agreement which has been subject to much criticism both in the Legislature and outside it. The objection that it represents an agreement between two private organizations is not one which can hold water. Sir, if the Agreement were such that it could not be deviated from, one which the Government had not the authority to change even by one jot or tittle, then certainly such an agreement would have been considered highly objectionable. But when the Government has the power, when the Legislature has the power, to accept, amend or reject the Agreement, such a rapprochement between private organizations is not only desirable but welcome. Again, Sir, it has been said that the organization which entered into negotiations on behalf of India was not one which was competent to do so, inasmuch as there was another section in the country which was opposed to the point of view presented by the Bombay Millowners' Association. To this my reply would be that the Bombay Millowners' Association is the most representative and most important organization in the textile industry of the country. As has been observed by the Honourable the Commerce Secretary and the Honourable the Commerce Member, it has got its membership widespread throughout India and there is no important area in the country which is not interested in this organization. Another objection that was raised was that there was no undertaking on the part of Lancashire to take more and more of Indian raw cotton. It is surprising, Sir, that the persons who make this criticism are persons who are expected to know better, persons who ought to know the things that are happening in this country and have been happening for a long time. Long before this Agreement was reached or even before it was attempted attempts were being made in the United Kingdom to increase the use of Indian raw cotton. This was in pursuance of the Ottawa Agreement, and it was in view of the agreements that were expected to be reached between India and the United Kingdom and the implementing of which agreement was promised by His Majesty's Government. One of the Honourable Members remarked that in view of the fact that His Majesty's Government under the Ottawa Agreement were bound to help in increasing the use of Indian cotton, it was not necessary that this Agreement should have been reached at all, and in fact, just because in the Bombay-Lancashire Agreement there is no definite undertaking about the purchase of Indian cotton, this assurance is only a vague assurance and merely a pious hope held out. To this, Sir, my reply is that in Article 8 of the Agreement between His Majesty's Government and the Government of India, which deals with this aspect of the problem, all that His Majesty's Government promise to do is to undertake that they will co-operate in any practical scheme that will be agreed to between the manufacturing trade and producing interests in the United Kingdom and India for promoting either by research, propaganda

[Saiyed Mohamed Padshah Sahib Bahadur.]

or improved marketing with the United Kingdom. So, if His Majesty's Government could by its good offices help in the offtake of Indian raw cotton, it would be only after such agreements have been reached between India and the United Kingdom. And my Honourable friend who made that kind of criticism stated that if His Majesty's Government had not in pursuance of this Agreement tried to increase the use of Indian raw cotton by Lancashire mills it would have committed a breach of faith. But I say that according to Article 8 in the Agreement that is not at all the case. But on the other hand, I assert this, that if the Bombay Association had wilfully refused to make this Agreement in spite of the fact that the Agreement was reasonable and fair and opened an avenue to co-operation between these two countries in the matter of trade and commerce, if this Association had wilfully refused to enter into this Agreement then the Bombay Association would have been guilty of doing a thing which would have prevented Article 8 of this Agreement coming into operation, and consequently it would have committed something in the nature of a breach of faith.

Now, Sir, I will just say a word about the other advantages that have flowed from this Agreement. As has already been observed by the Honourable the Commerce Secretary, no other event in recent history has done so much to promote the good relations between the United Kingdom and India as this Agreement. Several members of the Indian delegation to the Joint Parliamentary Committee have borne testimony to the remarkable effect which this Agreement has had on the evidence tendered by the Manchester Association. (*An Honourable Member*: "What about the Churchill allegations?") They are yet to be investigated. Again, this Agreement had really brought about a remarkable change of attitude on the part of witnesses who appeared on behalf of the Manchester Association, indicating that in spite of the demand that they made for safeguards there was discernible very clearly a disposition on the part of those witnesses to prefer a solution by co-operation and to rely on the goodwill and cordial relationship with India rather than upon safeguards. Therefore I feel that this is one of the grandest achievements in recent history.

Now, Sir, just a word about the Indo-Japanese Agreement. Since this Agreement has been approved and not seriously objected to by anybody, I do not think it is necessary for me to say anything about the advantages that are likely to accrue to us from this. I would only point out one feature of this Agreement which to my mind seems to be not very helpful, and that is the quota system. I feel that the quota system is a very good system and one which should be welcomed if the consumption in the country is on the increase. But when owing to the steady decline in the purchasing power of the masses the consumption is daily decreasing, the quota system is positively injurious to the interests of the people. The result of this quota system would be that the burden in the loss of consumption would fall upon India and not upon Japan, and it is perfectly certain that the prices will increase inasmuch as the cut-throat competition would have been eliminated. The result will be that the poor masses will have to pay a much higher price for the articles for which they are now paying much less, and that without the guarantee that the indigenous mills would have received protection so that in course of time the masses might be recompensed for the sacrifice they make. There is no prospect of this. So I feel that this quota system is a source of positive injury to the people of this country.

I feel, Sir, that in this Bill no attempt has been made to solve the question of the handloom industry. I simply indicate this and make only one observation in regard to this, that this is an industry which supports nearly ten millions of people in the land, and therefore its interests have got to be jealously protected. And this is an industry which has got to be protected not only from foreign competition but also from the mills in the country.

Again there is the question of yarn and how to solve the matter as between the conflicting claims of the handloom weaver and the spinning factory, which places us on the horns of a dilemma. I feel very earnestly that every effort will have to be made to try and solve this question and find a *via media* to an adjustment of these conflicting claims. So far as hosiery is concerned, I endorse the observations made by my Honourable colleague Mr. Suhrawardy. I feel that this is an industry which does not at all need protection because it is not in a position to supply even 20 per cent. of the requirements of the country, and an industry which does not supply even 20 per cent. of the requirements of the country is not one which can be considered to have any claim to protection. The Fiscal Commission which discussed this question of protection—of which you, Sir, were a distinguished member,—makes it quite clear that no industry which is not stable should be given any protection, because there is no chance of such an industry being in a position to do without the aid behind which it takes shelter and will always have to be propped up and as such would be most injurious to the interests of the people of the country.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, at this late hour I do not think it will be convenient for the House to hear me on all the points on which I wished to dwell. The Honourable the Commerce Secretary himself admitted that this was a comprehensive and complicated Bill. I, Sir, find that it is not only this, but as there are now being published omnibus volumes which contain diverse and different kinds of material in one volume, in the same way this Bill is an omnibus Bill and contains any number of things which have no relationship except that they belong to the Department of Commerce.

First of all, I wish to confine myself to examining the case for protection and the extent of the protection which the Tariff Board has submitted and after that I wish to examine how far the Bombay mills of the Millowners' Association have improved themselves since 1926. Within these narrow confines I shall remain and I will discuss other points on some other occasion. The basis of the Bill is admittedly protection. But although the Tariff Board submitted its report on 20th November, 1932, the Government introduced this Bill as late as March, 1934. Fifteen and a half months were wasted ; or rather it was found impossible to bring forward a measure for that period. I admit the plea of the Commerce Member that circumstances over which he had no control forced him to defer his taking action over it. That is a valid excuse, but can it be denied that the Tariff Board enquiry is an expert enquiry, is an enquiry in which opinion is based on actual possibilities of the market and the actual prices and working costs vary, and these are the basic principles on which the whole edifice is made up. If the Government found themselves unable to bring forward a legislative measure, the only and rational action that they could have taken was, to have asked the Tariff Board to revise their basic figures and to have submitted them to the House. I expected that the Select Committee in the other place at least would have realized its responsibility and asked the Government to give more recent basic figures on

[Mr. Hossain Imam.]

which the Tariff Board report was based, but my hopes were shattered. Everywhere there is the same lack of foresight and we could not expect anything better. The representatives of the people who come into the Legislatures come to represent certain interests, certain constituencies, and if they act according to that they are to be admired and not to be treated with disrespect. They come with a mandate from the people for three years and the mandate has expired and they are here on the sufferance of the Treasury benches, and therefore they are pleading for the Treasury benches and leaving the constituencies to take care of themselves.

Even if we admit that the Government thought that its own Department had sufficient material to guide them in forming their amendment to the Tariff Board proposals, they ought to have been placed before us. There is one thing for which I can find no excuse for the Government. It is the suppression of the evidence adduced before the Tariff Board. In the 1926 enquiry four volumes of evidence were published during the year. I could not find out the exact dates, but they were all issued in 1927. In this tariff enquiry the evidence has not been published up till now even after 17 months of the report. Can there be any defence for this except that the case is weak, that it cannot stand criticism, that if everything is brought to light it will fall to the ground? I was very fortunate in getting at least one volume of the material which was submitted to the Tariff Board in 1932. I inquired in the Library when the Bill was first brought to our notice and at that time I could not get this volume. As I was passing through the Library this morning I made a last enquiry and found that the representations submitted to the Tariff Board by the applicants for protection was in the Library and I am sorry I could not go through it with the care I would have liked to.

Sir, I shall now commence by dealing with chapter VI of the Tariff Board's report. In this connection I wish to point out that formerly by conviction I was a free trader, but the peculiar circumstances of India have forced every man to become a protectionist, because India, as it is a prey, at the present moment, to every one, cannot safeguard itself without having recourse to protection. The Legislature has given its approval, and the Government has also admitted that there must be some tangible basis on which protection should be given. And in that connection the work of yourself, Mr. President, and your colleagues in the Fiscal Commission, is the main foundation stone on which the Tariff Board enquiries have been based. It is very strange that in the terms of reference of the 1932 enquiry as well as of the 1926 enquiry no mention was made of those basic conditions which you gentlemen had laid down—the cardinal points for giving protection. There is not only this drawback but the Tariff Board has enunciated new principles, has given currency to new grounds for giving protection; and unless those grounds are sufficiently examined by the Governments and by the people, I do not think that they should replace the monumental work which the Fiscal Commission have done. The Tariff Board ought to have taken into consideration the facts that in the 1926 enquiry the President had not agreed with the majority of the recommendations of the Tariff Board and there was a note of dissent by the President, that the Government had come to a decision that no case for protection was made out. These were the two cardinal points which the Tariff Board ought to have examined and proved to the hilt—that they could not be substantiated, that times had changed and there was a fit case for protection. Add to this, Sir, when protection came for the first time it came with Imperial preference, and you must remember that in the other place

there was some cry about its being rejected on that account. People did not give it that unmixed blessing which would have justified the Tariff Board in coming to the conclusion that they could do without substantiating the case for giving protection. Sir, the one thing which the Tariff Board report does is to bring into prominence that this Bill has not been brought so much with a view to support the textile industry as a whole as it has been brought to sustain the tottering Bombay industry.

The Fiscal Commission's first condition was, *that the industry in question should possess sufficient natural advantages in respect of material, labour, power and the existence of an extensive home market.* This first condition is proved to the hilt. Everyone on every side of the House and in every part of the country knows that India produces cheap labour, it is a producer of cotton, it has an extensive home market, and therefore no one will disagree with the Tariff Board in their reply in the affirmative to the first condition. But in this connection I should like to point out that the lack of co-ordination in the Government departments has been brought glaringly before us. The question which is very intimately connected with the protection and well-being of the industry is the production of long staple cotton. It is well known, Sir, that in the past India used to pride itself on its fine linens and muslins. It could not have been produced if there were no fine long staple cotton and we know there is none in India now, because the one-time Indian cotton industry was massacred. But I do wish that the Department of Agriculture had taken more care and done something more tangible to introduce long staple cotton in suitable parts of India. Almost every variety of climatic condition that you can think of is found in some part or other of India. It is only because there is no insistent research and sufficient money is not being spent that we are not growing long staple cotton.

Sir, I now come to the second condition of the Fiscal Commission. *The industry must be one which without the help of protection is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country.* This is, Sir, a very wholesome check which your Commission has imposed on industries applying for protection. We are, Sir, in favour of discriminating protection but we will oppose and always oppose protection gone mad. Sir, in paragraphs 112 to 116, the second condition has been applied but the initial mistake of the Tariff Board is that it has placed a premium on inefficiency and obsolete machinery by basing its calculation on average mills. It did not take into consideration that mills during the boom period have paid dividends many times more than the capital itself. In this connection, Sir, I have prepared six statements* from the reports published by the Tariff Board in 1927 and 1932, which I should like to incorporate with my speech, and from which I will quote a few figures. The Tariff Board itself in paragraph 40 on page 83 of the report stated how the Bombay mills utilized their profits during the period 1920, 1921 and 1922. In this period, Sir, the Crown mills on a share of the face value of Rs. 500 during the three years made a profit of Rs. 2,955, which comes to Rs. 985 or 197 per cent. per annum. The Swadeshi made a profit of 103 per cent. per annum, I am not giving the full report, as you will find it in Statement "A."

This shows, Sir, that the Bombay mill industry in an effort to get rich, quickly disposed of all the profits they had made in dividends and commissions.

THE HONOURABLE THE PRESIDENT: Did Bombay alone do that ?

* Reproduced as an Appendix at the end of these debates.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I will give the reply to that. The Japanese also made the same profits. Ahmedabad made the same profits. But there was a great deal of difference in the manner in which it was disposed of.

THE HONOURABLE THE PRESIDENT : Did not jute and coal make the same profits ?

THE HONOURABLE MR. HOSSAIN IMAM : But, Sir, jute and coal are not being given 50 per cent. protection which the Bombay mill industry is getting.

Sir, the Tariff Board of 1927 discussed how Japan provided more than sufficient depreciation out of the profits in order to insure the future prospects on a par with the present, and the same thing happened with Ahmedabad. Much has been made of the fact that in 1930-31 the mills showed enormous losses but not a word is said how much of this loss is due to inefficiency of management, pilfering, and other charges which the Tariff Board recites in chapter 4. This has happened because they did not examine these accounts which were submitted by the mills. They simply trotted out the figures given by the Millowners' Association. That this gloomy picture does not show the condition of the industry as a whole in general has been amply emphasized by the Board itself by showing that the Ahmedabad mills showed a profit of $4\frac{1}{2}$ per cent. on capital *plus* reserves. I call it special pleading and camouflaging to tack the profits to reserves and paid up capital. Profits are always regarded as on paid up capital. They take into account all the interest payments and all out-of-pocket payments, and afterwards when a profit is declared that profit is in relationship only with the capital. The Tariff Board realized this mistake and they also stated further on that on the paid up capital only it was approximately $12\frac{1}{2}$ per cent. At a time when every industry was in a bad condition, if the Ahmedabad millowners could make $12\frac{1}{2}$ per cent. that is sufficient and it was rather creditable to them, but that does not justify a demand for further protection. But, Sir, my complaint is that when they state that the rate is four and a half per cent. on the paid up capital and the reserve, they ought to have given us a picture of what was the capital and what was the reserve. The Tariff Board in this inquiry I find have not tried to place the case in a manner in which it could be examined and subjected to criticism. As opposed to this the 1927 report has given us the figures of the capital and the reserve of the Ahmedabad industry. From that report, Sir, we find that the paid up capital and reserve in Ahmedabad were Rs. 3,26 and Rs. 3,66 crores in the year 1924, so that the difference between the capital and the reserve fund was 100 to 112. Now, Sir, if we take into account the fact that the Tariff Board in giving out the $12\frac{1}{2}$ per cent. return on capital have made a deduction which they ought not to have made—they deducted Rs. 2,56 lakhs which was the amount of surrendered money—if that is taken into account, that will represent a return of $13\frac{1}{2}$ per cent. It is surprising that after showing this, the conclusion to which the Tariff Board come is one which we cannot endorse. This is what they say :

“ If there were no protective duties, even assuming the continuation of the Swadeshi movement, it seems to us a valid contention as regards the bulk of the industry that no surplus will be forthcoming for financing any extensions and improvements ”.

Sir, this cannot be true of the textile industry in general, but there is no doubt that this is true of Bombay. This really portrays the condition of Bombay. Bombay cannot stand without—not 50 per cent. duty—75 per cent. duty. That is what they admit. I should like to present to the House

and to the Commerce Member some facts which show how the Bombay industry has been wasting its opportunities and how Ahmedabad has been building up its industry. Sir, Tables IX and X to the Tariff Board report gives the picture of the capital and block after depreciation and in the present new volume which I got from the Library this morning, the Ahmedabad Millowners' Association has presented us with further facts on the same lines the counterpart of which I do not find from the Bombay Millowners' Association. They were afraid to give it because they could not sustain their case. In Ahmedabad, between 1921 and 1925, the block after depreciation was more than covered by capital and reserve. During these five years they wrote off Rs. 1,58,28,000 on a block account in 1925 of Rs. 6,71,10,000 which represents a writing-off of 24 per cent. in four years. This is what the Ahmedabad industry did. Look at Bombay. In Bombay, on the other hand, the capital and the reserve was five per cent. more in 1921 than the block account, but in 1925 it was five per cent. less than the amount of block and during this period they have written off Rs. 4,70,55,000 on a block account in 1925 of Rs. 31,17,59,000 or less than 12 per cent. during this boom period. Does that show that the industry was really trying to put its house in order? Does it show that the industry was genuinely anxious to establish itself on a firm footing? Does it show that there was any desire on the part of the Bombay millowners to sustain the industry in India? This shows, Sir, that although the Bombay industry was an older industry and therefore the mills were older, and they ought to have written off more as depreciation than the Ahmedabad mills, but actually, during this boom period, they did not write off even half as much in terms of percentage as Ahmedabad did. If further proof of the folly of the Bombay industry is required it is found from a perusal of Tables XLIII to L of the first Tariff Board's report. Here the Tariff Board has dealt with the over-capitalization. I shall not waste the time of the House by reciting them. But I shall lay the statements* on the table. I have differentiated these tables into two parts. In one, Statement "B," I have placed those mills which have increased their capital without any increase in spindles and looms, and in the other, Statement "C," I have given the names of those mills which have increased their capital but they have not made corresponding increases in the looms and spindles. From these two statements I find that eight mills increased their capital from Rs. 1,12,00,000 to Rs. 3,82,00,000 or an increase of 340 per cent. on the first capital without any increase of looms and spindles. I was surprised that none of these mills came into the category of those mills about which the Bombay millowners have taken credit of having reduced their capital. None of these eight mills, strangely enough, come into this category, although some of the mills in the second category in which there has been increase without corresponding increase of spindles and looms occur in the list of reductions effected. There, Sir, a capital of Rs. 92 lakhs has been increased to Rs. 216 lakhs. This shows that they over-reached the mark. This point has been further commented upon by the Tariff Board of 1927 who say in paragraph 40 :

"Even if this contention is accepted as valid, the fact that the original cost of land, buildings and machinery, as shown in the Bombay Millowners' Association, also increased by 60 per cent. in 1920 and 80 per cent. in 1921 as compared with the figures of 1919 cannot be overlooked".

These are the ways, Sir, in which the Bombay industry is being carried on. Sir, Table LI in a very pertinent manner brings out the salient features of the over-capitalization. It says that between 1918 and 1925, in Bombay,

* Reproduced as an Appendix at the end of these debates.

[Mr. Hossain Imam.]

the capitalization per spindle increased by 53 per cent. In Ahmedabad, during the same period, it increased only by 14 per cent.—a difference of almost four times. This shows whether the industry was really being worked in the interests of the industry or whether it was made simply a shield to do something else. In paragraph 13 of the 1932 report the Tariff Board were forced to blurt out the real truth and said that the need for assistance is greater in Bombay than elsewhere. This is what we have been hammering at, that this is not a Textile Protection Bill but a Bill to perpetuate the inefficiency and mismanagement of the Bombay industry. In paragraph 114 they have examined the causes which have made the position of the Bombay industry so bad, and here is what they say :

“ The first is the rapid advance made by the Japanese industry in recent years in technical efficiency ”.

This is one of the reasons why the Bombay mill industry should be supported, because another exporting country has increased its efficiency. This is a new ground for giving protection, that if a foreign industry becomes more efficient we must give more protection to our inefficient industries in order to enable them to carry on this inefficiency. This is partly the result of the general adoption of what are called better and automatic machineries in Japan.

In this connection, Sir, they themselves admit the reason why the figures for labour per loom and spindle in Bombay are more than in Japan. And in another paragraph they have attacked Indian labour for its inefficiency because in the Indian mill industry more labourers are employed than in Japan. But they forget the fact that in Japan they have more modern automatic machinery and therefore less people are required to work it. That is the real reason for the employment of less labour per machine in Japan and I object strongly that it should be made to appear that the inefficiency of Indian labour is primarily responsible and not the faults of the millowners themselves.

“ The difficulties which have beset the Indian industry since the war, for some of which it is itself responsible have seriously curtailed its competitive power in face of the rapidly increasing efficiency of the Japanese industry ”.

Sir, what has surprised me most in this connection is that they have taken shelter behind that part of the Fiscal Commission's report which has recognized that as a result of some temporary deterioration or atrophy an industry might be in need of assistance. This was, Sir, a very valid ground. But the way in which the Tariff Board has utilized it is anything but straightforward.

THE HONOURABLE THE PRESIDENT: You are now sitting in judgment on the Tariff Board ?

THE HONOURABLE MR. HOSSAIN IMAM: Yes, Sir. I am pointing out the inconsistency in their argument. They say themselves that the malady from which Bombay is suffering is not of a temporary character. They admit that they cannot fix a period to the time for which protection will be required, and still they take shelter behind this dictum of the Fiscal Commission. A temporary deterioration is quite different from a permanent disability or paralysis, under which really the Bombay industry is suffering.

Sir, I now come to paragraph 115. In paragraph 115 they admit that there is great disparity between the purchasing power of the population and the fall in prices of cotton manufactures. They admit that the fall in the demand for British goods was greater than that for Japanese goods. And we know that the cost and price of English goods were higher than of Japanese goods. This gives us an inkling that with higher costs the Indian consumers are not prepared to buy more goods. With all these facts before us what does the Tariff Board do? It does not follow the natural order which it ought to have done. It is a well-known dictum that in the days of falling prices the road to prosperity lies with the cheapening of goods and increasing the purchasing power. Either you so increase the purchasing power that the prices which you demand have the same relationship as they did before depression—

THE HONOURABLE THE PRESIDENT: If you cheapen the goods I fail to understand how you can increase the purchasing power?

THE HONOURABLE MR. HOSSAIN IMAM: Sir, by cheapening the goods I do not mean that we should undercut the prices of raw materials. I do not mean that we should lessen the wages. Those are the two items which flow into the pockets of the consumers and therefore they ought not to be reduced.

THE HONOURABLE THE PRESIDENT: What other method is available for cheapening goods?

THE HONOURABLE MR. HOSSAIN IMAM: The other method is the utilization of power to enhance production and reduce overhead charges.

THE HONOURABLE THE PRESIDENT: What power?

THE HONOURABLE MR. HOSSAIN IMAM: If you double the shifts in the Bombay industry as they have in Japan.

THE HONOURABLE THE PRESIDENT: In that case your losses would be double and you would be put in still more straitened circumstances.

THE HONOURABLE SIR HOMI MEHTA: One thing is certain. If you cannot sell the stuff you produce in one shift, it would be impossible to sell that produced by two.

THE HONOURABLE MR. HOSSAIN IMAM: As far as the selling proposition is concerned, I present Sir Homi the statistics which were placed before us in the budget discussion, to the effect that the production of Indian industries has increased as compared with the fall in the value of foreign goods coming to India. It is not that there is no market. It is this, that there is no co-ordination between the mills.

THE HONOURABLE SIR HOMI MEHTA: You buy one mill and show us how to run mills and we shall be much obliged to you. If you can make a profit I am prepared to give you a couple of lakhs of rupees a year. That is a challenge I throw out.

THE HONOURABLE MR. HOSSAIN IMAM : As far as that goes I may say that even at the present moment, as I have shown and I will show, the Ahmedabad and upcountry mills, who are not members of the Bombay Millowners' Association are making money—

THE HONOURABLE SIR HOMI MEHTA : They are members of the Ahmedabad Association, and every day a fight is going on between the labourers and themselves. Mills close down every day and open after a week or so after great persuasion. Ahmedabad is actually losing money and the 1933 balance sheets which will come out shortly will show losses. I am largely interested in mills in Ahmedabad and if I do not know something of the statistics I should like to know who does ?

THE HONOURABLE MR. HOSSAIN IMAM : As regards Sir Homi Mehta's statement that his mills are not making profits—

THE HONOURABLE SIR HOMI MEHTA : I never said that my mills are not making a profit.

THE HONOURABLE MR. HOSSAIN IMAM : What was your statement about Ahmedabad ?

THE HONOURABLE SIR HOMI MEHTA : That the Ahmedabad mills are now losing money and the 1933 balance sheets of most mills will show a loss. The Ahmedabad mills are trying hard, meeting Mr. Gandhi and others, to reduce wages by 30 per cent. in order to meet the Japanese competition. That is what I said.

THE HONOURABLE MR. HOSSAIN IMAM : I am afraid I have not got the material before me.

THE HONOURABLE SIR HOMI MEHTA : Well, it is public property.

THE HONOURABLE MR. HOSSAIN IMAM : I can only talk about what has been stated in the reports and other papers. I cannot with that impunity make suggestions about facts which no one is called upon to prove, as my friends can.

Sir, in paragraph 116 they bring forward the fact that one element of unfair competition of Japan, that is night work, has been abolished in Japan since 1929. This was in reply to the allegations by the millowners that Japan was making unfair competition.

I now come to the third condition of the Fiscal Commission. *The industry which claims protection must be one which will eventually—I lay stress on the word “eventually”—be able to face world competition without protection.* That is the most important condition which the Fiscal Commission has laid down. On this there can be no difference of opinion. This is the primary necessity which must be satisfied, because the consumer would be prepared to shoulder the burden of protection of the industry only on condition that ultimately he would have some advantage out of it.● It is just like sowing grains in the soil. One throws out from one's house valuable things in the hope of reaping a harvest at some future date. In the same way the consumer is ready to invest money by paying higher prices for goods produced.

THE HONOURABLE SIR HOMI MEHTA : He is not paying a higher price—

THE HONOURABLE MR. HOSSAIN IMAM : I refuse to give way, Sir. The reply to this is given by the Tariff Board.

“ There is little hope of the Indian industry being able to dispense with protection in the near future ”.

This is not the only part of the story. They have given us later on a rosy picture that they will be able to recommend a reduction of 25 per cent. in the present duty, which amounts to a two-anna (i.e., 12½ per cent.) reduction. When will we have that boon ? When the 1929 prices are again established in the country. Is that practical politics ? Is there any chance in future years, in even a dozen years, of our coming back to that level. Has America with all its stupendous efforts succeeded in bringing prices to that level and can we hope, Sir, with the damping influence of the 1s. 6d. ratio ever to be able to reach the level of 1929 prices ? In the end they say :

“ It is impossible to state definitely at what period the bulk of the industry will be able to dispense with protection ”.

This, Sir, is an admission of the Tariff Board that this condition is not satisfied. Still they persist in saying that that condition has been satisfied.

THE HONOURABLE THE PRESIDENT : I am not able to follow what you are leading up to ? I understand you are condemning the report of the Tariff Board—

THE HONOURABLE MR. HOSSAIN IMAM : Yes, Sir.

THE HONOURABLE THE PRESIDENT—a body of experts who decided that protection should be given. You would not contend for a moment that you are an expert and that your opinion should be accepted in preference to the Tariff Board's ?

THE HONOURABLE MR. HOSSAIN IMAM : What I contend is that the Fiscal Commission should have precedence over the Tariff Board.

THE HONOURABLE THE PRESIDENT : The Fiscal Commission never stated that under no circumstances should protection be given. They pleaded for discriminating protection. I know you have quoted with great ability many passages from the Tariff Board report in which they speak against the Bombay mill industry, but you have at the same time omitted many passages in the Tariff Board report in which they make out a case for protection, and have come to the conclusion that protection should be given to the industry.

THE HONOURABLE MR. HOSSAIN IMAM : We have the opinion of two experts. What I claim is that I regard one as greater than the other. If the House is not in agreement with me, I think it is my misfortune. I regard the Fiscal Commission's report as far more valuable than the Tariff Board's.

THE HONOURABLE THE PRESIDENT : The misfortune is that you are such an enthusiastic free trader that you see nothing good in protection !

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I was simply saying this that as long as the Fiscal Commission's report is the basis for protection, as long as Government does not change it by forming another Commission or giving out a dictum that they have over-ridden the Commission, that will hold good,

[Mr. Hossain Imam.]

and that is the basis on which every Tariff Board enquiry must be examined if we are going to give discriminating protection. If the Government wants to give indiscriminating protection, of course all that I have said falls to the ground. Now, Sir, this is the strange conclusion that the Tariff Board have come to that they are unable to state definitely at what period the industry will be established in a position to dispense with protection. I am quoting from paragraph 121 :

“But we do not consider that this is a sufficient ground for holding that the third condition has not been fulfilled”.

I ask the Commerce Department to tell us then what would be sufficient to establish that the third condition has not been fulfilled. No industry can say that for all time to come it will never be able to stand on its legs. It is a matter of guessing. I wanted something definite. I do not think that the Fiscal Commission meant that the reply should be in indefinite terms. The more we have spoon-fed the industry, the more protection we have given from 1917 right down to 1930, the more helpless has been its condition. It was said that by this protection the industry will be in a position to lay by sufficient money for depreciation, to make it stand on its own legs ; but that theory has been shattered by the able pleadings of my friend Sir Homi Mehta who tells us that 50 per cent. will not help the industry to do anything by way of reconstruction, but will only allow them to maintain their heads above water. What is the good of giving this sort of protection ? We should give the full amount of protection and give it for a definite period. I agree with him that if protection is to be effective, it must be for a definite period and they must be told that they will have no protection, they must stand on their own legs, otherwise it will just allow them to muddle through. It has been a national characteristic with the British people to muddle through. It paid very well during the days of *laissez-faire*, but at the present moment it would not pay, and giving half-hearted support to the industry will only mean that consumers will be out of pocket. The industry will get into the habit of looking to Government for assistance and in the end it will be disadvantageous to all.

Sir, in concluding my remarks on this chapter, I should like to summarize that the first condition of the Fiscal Commission is more than satisfied, that the second condition does not fit in, and that the third condition has not been satisfied except perhaps on the basis that ultimately in some unknown period it will be able to stand on its own legs.

THE HONOURABLE THE PRESIDENT : I am afraid the Honourable Member did not follow the observations of the Commerce Member this morning. The case, as he said, for protection is based on the ground that there has been a terrible depreciation in the value of the yen and that has put India in a state of unfair competition with Japan and the mills were therefore not able to sell their goods. The Commerce Member further said this morning that they are not going to stick to this rule and if further protection is necessary by reason of further depreciation, they will have to modify their policy. What you have now quoted from the Tariff Board report as well as from the Fiscal Commission report, though they may be of academic interest, have no bearing whatsoever on the present policy which has guided Government in giving protection.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, in view of the ruling from the Chair—

THE HONOURABLE THE PRESIDENT: There is no ruling whatever. I have simply explained the position to you. You have been trying to argue otherwise but I am trying to explain to you that you have entirely misunderstood the arguments of Government on which this policy of protection is based. You can now proceed with your observations.

THE HONOURABLE MR. HOSSAIN IMAM: Now, Sir, my task would have been very much lighter if I had found that depreciation effects and case for protection had been examined and the Tariff Board had made mention of this subject which you have pointed out to us. The depreciation of the yen has been a bogie which has always been brought before us as something which is the cause of all the troubles to the mills, just as I admit we are in the habit also of bringing forward the *1s. 6d.* ratio as the reason for all our maladies. It is a mutual game. We place all the blame on the *1s. 6d.* ratio and in return the mill industry places before us the depreciation of the yen. Now, Sir, to all those who have any regard for the facts and who wish to examine the things deeply it will not come as news but as a very apparent thing that in a country which is dependent for its raw material and for the bulk of its machinery on the outside world, depreciation is a thing that cuts both ways. Japan is losing enormously as compared with India in the purchase of raw material. In the raw material their costs amount to double the money which it costs you, and the depreciation of the yen is always thrown in our faces as being the root cause of all the evil from which the Bombay industry suffers. The depreciation of the yen costs them in buying machinery to pay double the price. That, transferred to the capital account, means a constant drain and a constant handicap to the industry. Then, Sir, we forget the material fact that at the present moment the taxation in Japan has gone up enormously. That is also due to the depreciation of the yen. We forget the fact that the Japanese industry is suffering from an unbalanced Government budget. Are not these contributing causes sufficient to counteract the supposed advantages which Japan has derived from the depreciated yen? It is all very well to say that the depreciated yen is the root cause of everything but if you examine it thoroughly you will find that there is no such thing as an unmixed blessing in the world: we have got to take the advantages with the disadvantages.

Now, I will examine chapter 4 of the Tariff Board's report, in which they have given their opinion about the extent of assistance required by the industry. Sir, the first thing which struck me and for which I could not find any reason was the great difference between the cost of supervision and selling charges between the 1927 report and the 1932 report. I am referring, Sir, to Table 55 of the 1932 report. Here, Sir, we find that supervision, selling expenses and other expenses total up to 18 per cent. of the manufacturing cost in Table 55, page 98 of the second Tariff Board report. Well, in the first Tariff Board report, page 119, Tables 71 and 72, we find, Sir, that the average manufacturing and overhead charges per day comes to 9·971 pies and these three items, salary and supervision of staff, etc., come to ·94 pies and in the corresponding column the figure per loom is 5·14 pies and for these three items it comes to 42 pies. Now, Sir, the present Tariff Board has taken it that 40 spindles are required to each loom and on that basis they have given the capitalization value. On that basis, Sir, we find that these three items cover 80 pies out of 930 pies, which gives a percentage of less than 9, while in Table 55 of this report the percentage is 18. That shows that for some unaccountable cause a change was made. I wish the second Tariff Board had kept that method so as to have uniformity. When we do not find uniformity in two inquiries by the same committee one is driven to the conclusion that there is something to hide and in no other way can we explain the change.

THE HONOURABLE SIR HOMI MEHTA : Does the Honourable Member mean to insult the Tariff Board ?

THE HONOURABLE MR. HOSSAIN IMAM : I am simply comparing the two reports.

THE HONOURABLE THE PRESIDENT : I fail to understand what all this has to do with the Motion before the House today to take the Textile Bill into consideration ?

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I will explain. The quantum of the duty to be fixed is based on the Tariff Board report. If the Government say that they base it not on the Tariff Board but on their own sweet will, I will withdraw all my remarks.

THE HONOURABLE THE PRESIDENT : Not on their sweet will but on all the circumstances taken together.

THE HONOURABLE MR. HOSSAIN IMAM : Mr. Stewart, as well as the Honourable the Commerce Member, both based the quantum in this Bill primarily on the Tariff Board inquiry and it is this, Sir, that I am trying to point out. It is for this reason that I wish to examine—

THE HONOURABLE MR. T. A. STEWART : On a point of explanation, Sir. I think I stated in the course of my remarks in moving for consideration of the Bill that the foundation on which the Tariff Board has based their recommendations had entirely disappeared and that the foundation and framework of our protective scheme was to be found in the two agreements which have found so much mention today.

THE HONOURABLE MR. HOSSAIN IMAM : Do I take it that the Honourable the Commerce Secretary wishes us to understand that these two reports of the Tariff Board are a scrap of paper ?

THE HONOURABLE THE PRESIDENT : He has said nothing of the sort about it being a scrap of paper.

THE HONOURABLE MR. HOSSAIN IMAM : Is it based on this report or not ? This is a straight question to which I wish to have a direct answer.

THE HONOURABLE MR. T. A. STEWART : Sir, the proposals in respect of cotton piecegoods are not based on the recommendations of the Tariff Board. As I have said before, the foundations on which these recommendations were made have disappeared and our proposals are based (a) on the Indo-Japanese Agreement and (b) on the Mody-Lees Pact.

THE HONOURABLE THE PRESIDENT : And your statement was confirmed by the Commerce Member this morning ?

THE HONOURABLE MR. T. A. STEWART : That is so, Sir.

THE HONOURABLE MR. HOSSAIN IMAM : It is better that we realize it though late in the day. The Commerce Department after spending public money in making enquiries and going through all this trouble have scrapped the whole report.

THE HONOURABLE SIR HOMI MEHTA : Circumstances change every day.

THE HONOURABLE MR. HOSSAIN IMAM : They have no better foundation for the measure than a private agreement between two persons. That will shorten my work in reviewing the facts and figures which the Tariff Board has submitted to us.

Sir, I should like to say one word about the extent of the assistance. The specific duty which they propose for greys is greatly in agreement with the duty which Government are now proposing. They recommended five annas on grey goods, and Government has also put its proposals somewhat in the neighbourhood of that proposal. That shows that they were guided to a great extent by the Tariff Board enquiry. Now that the position has been clarified, I am not going to examine what I had otherwise proposed to do. But I should like to remark in passing that in Table LVI, when the Tariff Board of 1932 had placed the average work cost of different items at certain figures they took the price of cotton as it prevailed in those times. At the present moment, the cotton prices are much lower than what one finds from the Tariff Board report. In paragraph 89, the price which they took is 76 pies per pound, which corresponds to Rs. 310 per candy.

THE HONOURABLE SIR HOMI MEHTA : Which year ?

THE HONOURABLE MR. HOSSAIN IMAM : I do not know. This is the price which they have given and on which they have based their calculations for protection.

THE HONOURABLE SIR HOMI MEHTA : Perhaps my Honourable friend does not understand this. They may have taken the cotton in the blow room and that may be the figure printed in the book to fix the price in cotton.

THE HONOURABLE THE PRESIDENT : It is true that they took the blow room price.

THE HONOURABLE SIR HOMI MEHTA : The Honourable Member does not understand the formalities or the technicalities of this problem.

THE HONOURABLE MR. HOSSAIN IMAM : The present price is not more than Rs. 167.

THE HONOURABLE SIR HOMI MEHTA : Rs. 200.

THE HONOURABLE MR. HOSSAIN IMAM : That is for fine Broach. That too today is Rs. 197-8-0.

THE HONOURABLE SIR HOMI MEHTA : It changes every five minutes.

THE HONOURABLE MR. HOSSAIN IMAM : In this connection, I should like to say a word about a remark of my Honourable friend Sir Homi Mehta. When I questioned him about the wages, he said he was giving us the figure for the whole of India. But, Sir, in Table LXXI of the Tariff Board report of 1927—the 1932 report does not give any figure of the work cost—the average wages are given as Rs. 1-2-5 in Bombay and as Rs. 0-10-3 in the upcountry for males, and for females Rs. 0-13-2 for Bombay and Rs. 0-6-4 for upcountry. This is my reply to his assertion that the Bombay and upcountry mill industry

[Mr. Hossain Imam.]

is paying Rs. 35 a month to its workers. The whole basis of the 1932 Board's report was the report of the Millowners' Association of Bombay. This had resulted in giving inflated figures for the cost as well as for the capitalization. Now, Sir, I come to the Bombay industry as such.

THE HONOURABLE THE PRESIDENT : I thought you had been all this time arguing about the Bombay industry !

THE HONOURABLE MR. HOSSAIN IMAM : In chapters IV and VI of the Tariff Board report the Bombay mill industry came in for a great deal of remark both from the Tariff Board of 1926-27 and from those who gave evidence before it. We have two big volumes of the representations which were made to the 1927 Tariff Board, although we have not yet got a report of what was done during this 1932 enquiry. Government has to admit that it owes a duty to three parties. It owes a duty to the consumer ; it owes a duty to the general shareholders of the industry, and it owes a duty to itself. The consumers want that the things should be cheap ; the shareholders require that their capital invested in the industry should return profits. Its own responsibility is to see that all the parties concerned have their due shares and that no one takes a share to the exclusion of the others ; including its own. Now, Sir, what has been the case in the Bombay industry ? During the boom period, as I said in the beginning, they did not make sufficient allowance for depreciation. They did not build up the industry to the standard of efficiency which their ample resources justified and demanded, and they now come to us for protection. They have been crying for help all the time. I remember that before 1925 there used to be a cry that all the trouble of the mill industry was due to the existence of the excise duty of three and a half per cent. From 1896 up to 1917 the Government of India, acting on the principle of free trade, maintained an import duty of three and a half per cent. with a countervailing excise duty of three and a half per cent. Then, in 1918, for the first time, a difference was made between the excise duty and the import duty. The import duty was fixed at seven and a half per cent. while the excise duty remained at three and a half per cent. This gave the industry a preference, or call it as I do protection, of four per cent. That did not satisfy them. The import duty was increased to eleven per cent. Thereby they got a protection of seven and a half per cent. Even that did not satisfy them. They were crying like that child we used to see in an advertisement of Pear's Soap " He won't be happy till he gets it ", and they got it. They got the excise duty off in 1926. At the time when this excise duty was abolished, from an official publication of the Millowners' Association we find that the cotton textile industry was paying the huge sum of Rs. 2 crores and 9 lakhs as excise duty to the Government. This was a free gift, a free gift of the people of India to the mill industry. And they had then a protection of eleven per cent. from 1926 onwards. Even this did not satisfy them. They came along and got more protection and the import duty was increased to 15 per cent. Although this was regarded as a revenue duty and was not given the name of a protective duty, in effect it was a protective duty. Although as a matter of fact since 1917 the Government has been giving them protection, still they were ungrateful enough to say that they had no protection, and then in 1930 for the first time we gave them protection, as such, of three and a half annas per pound on greys. Perhaps it will be remembered by the House that this imposition of a duty of three and a half annas was greatly resented by the country and by nationalist opinion in India because its acceptance was made conditional on the acceptance of the principle of Imperial preference. They

had the option of either taking 15 per cent. without any Imperial preference or of taking their pound of flesh and pledging the country to Imperial preference. The repercussions of that measure will be remembered by those who take an interest in the public affairs of India. After this the story of protection is not ended. During 1931 the Finance Member made a general increase of five per cent. all round in the tariff, and later in the same year in September a surcharge of 25 per cent. was added. These two items made the duty rise up to four and three-eighths annas per pound on grey goods. In the course of his remarks Sir Homi Mehta pointed out to us that the price of cotton in India was about two and a half annas per pound. In effect therefore we are making a present to the Bombay mill industry of its raw material free of charge and paying part of labour costs too. All the prices which the agriculturists get out of the mills is given by poor consumers as an extra charge in the shape of this import duty. But even when they get their raw material free of charge they say they will not be able to swim but will just be able to keep their heads above water. Sir, I have recounted the story of what the Government and the people have done already for this industry. Now I turn to examine how this industry has kept its own house.

The Government of India finds a similarity between itself and the managing agents of this industry and therefore they have a soft corner for this industry in their hearts. The Government of India here does not represent the people and in the same way the managing agents are not the representatives of the shareholders. The independent directors of the mills and the elected Members of the Legislature in both cases have no control. The peoples' representatives here just like the unconnected directors there in the mills are but puppets in the hands of the Government and the managing agents. In this connection I should like to tell the House a story of a very respectable Bombay business man whom I and some other Members of this House heard. He recounted to us, that he was the holder of a big block of shares in a company and that whenever the representative of the management used to come to him and ask for his proxy he always gave it freely. We see, Sir, that the managing agents have such a spell over people that they can get everything done simply by approaching them. In this way the managing agents have full control over the entire industry, as the Government of India has over the whole of India. Now, Sir, what are the directors? It is a well known fact that the first directors are appointed by the managing agents, and subsequently in the general meetings, there being no system of proportional representation and no provision for the whole board to retire at one and the same time, the result is that it is impossible to get a free director into the industry. Sir, I make the deliberate statement "that the Directors of Bombay companies are very largely composed of the members of the managing agents' firms".

THE HONOURABLE SIR HOMI MEHTA : That is not a fact, Sir.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, here is the report of the Tariff Board which says, and if it is wrong it is open to my friend to start proceedings against the Tariff Board —

THE HONOURABLE THE PRESIDENT : Order, order. I have very patiently allowed the Honourable Member for nearly an hour and a half to discuss matters which are not relevant to the Bill before us. I appeal to the Honourable Member now to confine himself to the Bill strictly and bring his remarks to a close.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I bow to your ruling and I shall always follow whatever orders you may be pleased to make. But as my Honourable colleague challenged me, I should like to point out to him the passage which I have quoted. This passage which I have quoted is from page 152, chapter 79 of the first Tariff Board's report.

"The Directors of the Bombay mills are very largely composed of the members of the firms of managing agents".

Now, Sir, I shall confine myself entirely to the Bill, and I shall leave aside all extraneous consideration. The Government has come to us to say that they are introducing a measure of protection. If it is a measure of protection, Sir, they have to establish that this measure will keep the industry on its legs and that it will be self-supporting. They have not discharged that function. Therefore we are entitled to question the present condition of the industry and to find out the prospects of its being able to stand on its own legs. It does not matter whether they rely on the Tariff Board or not. They have come for a measure of protection and they have got to substantiate it and in questioning that I am within my rights in criticizing the industry and its internal management. If they say it is a revenue measure, that they have brought it forward simply to find money, we have no quarrel. We cannot examine anything. The reason why we have the managing agency system is this. At the first stage no doubt in the development of the industry, it is true that it was necessary. But times have changed. The present condition is entirely different from what it was in those times. I am placing a statement* (Statement "D") showing the shares held by the managing agents in different mills. The total shares of the Morarji mills are 1,150 of the face value of Rs. 1,000 each, out of which the managing agents hold 25 shares. In the Pearl mills, there are 8,000 shares —

THE HONOURABLE THE PRESIDENT : What has the shares held by the managing agents got to do with the Bill ?

THE HONOURABLE MR. HOSSAIN IMAM : I am trying to show that the managing agents, because they have no stake in the industry and have all the control in the industry, are running the industry not to the advantage of the industry, but to the advantage of themselves.

THE HONOURABLE THE PRESIDENT : You have said enough today regarding the dishonesty or the incompetence or the inefficiency of the managing agents. The Council has been in possession of all those arguments of yours. I would request you now to proceed with the Bill.

THE HONOURABLE MR. HOSSAIN IMAM : If you rule, Sir, that I am going out of the Bill, I shall not resume ; but I respectfully submit—

THE HONOURABLE THE PRESIDENT : I am afraid you are going out of the purview of the Bill.

THE HONOURABLE MR. HOSSAIN IMAM : I respectfully submit that I have a right to discuss the effect of the Bill on the industry.

* Reproduced as an Appendix at the end of these debates.

THE HONOURABLE THE PRESIDENT: The President has, under the Standing Order, the power to prevent repetition of the same arguments and I exercise that authority now.

THE HONOURABLE MR. HOSSAIN IMAM: I have never said anything till now about managing agents' shares.

THE HONOURABLE THE PRESIDENT: This argument you advance for the purpose of proving the dishonesty of the managing agents.

THE HONOURABLE MR. HOSSAIN IMAM: It is not the dishonesty of the managing agents; it is the honesty —

THE HONOURABLE THE PRESIDENT: You have been speaking for three-quarters of an hour regarding the managing agents. You have advanced many arguments and those are quite enough, and I would ask you under the Standing Order, not to repeat them.

THE HONOURABLE MR. HOSSAIN IMAM: Do I take it as your ruling, Sir, that the managing agents' shares do not come under this Bill?

THE HONOURABLE THE PRESIDENT: You have been talking for about three-quarters of an hour regarding managing agents. I do not say it has no bearing, but I may point out to you that to my knowledge most of the managing agents have a large stake in the concerns. I am speaking not without special knowledge of the matter. Most of the managing agents are substantially interested in the concerns. If some managing agents have sold their shares to meet personal exigencies or to meet their indebted condition, that is no reason; that will not alter any opinion as regards the merits of the Bill.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, definite allegations were made against the managing agency system before the Tariff Board. I have with me a copy of the representation to the Tariff Board submitted by the Bombay Shareholders' Association. Strangely enough a reply to this is published in the Tariff Board report, but the allegations do not find a place in the published work. They make definite allegations, Sir, about the Bombay Millowners' Association, and in their representation they brought to the notice of the Board the letters that had passed between them and the Bombay Millowners' Association. The Bombay Millowners' Association have not replied categorically to those allegations and I shall draw the attention of the House to that.

THE HONOURABLE THE PRESIDENT: Order, order. I understand that the Leader of the House has to attend a meeting of the Executive Council as well as the Member in charge. I will adjourn the House therefore till tomorrow morning.

The Council then adjourned till Ten of the Clock on Saturday, the 21st April, 1934.

APPENDIX.

STATEMENT A.

Profits of the Bombay mills during 1920, 1921 and 1922.

Name of mill.	Profit.	Per year.	Face value.	Shares.
				Per cent.
Crown	2,955	985	500	197
Swadeshi	1,550	516	500	103
Petit	1,850	616	1,000	61·6
Goouldas	2,200	733	1,000	73·3
Fazulbhoy	830	276	250	110
Dawn	830	276	250	110
Bradbury	455	152	250	61
Finlay	455	152	250	61
Swan	530	176	250	70
City of Bombay	330	110	100	110

See page 83, paragraph 40 of the 1927 report.

STATEMENT B.

(Extract from pages 77 to 81 of first Tariff Board report.)

Tables XLIII to L.

Table No. 1—Over Capitalisation.

Without increase of spindles and looms.

Name of mill.	1918.	1925.
Bradbury from	10·00 lakhs	24·85 lakhs.
China "	10·00 "	13·25 "
Finlay "	20·00 "	40·00 "
Swan "	10·00 "	24·00 "
Saraswati "	6·00 "	30·00 "
Sir Hukam Chand "	9·00 "	34·82 "
		(5% of S).
New Victoria "	22·00 "	135·00 "
		(less % of S).
Keashoram "	25·00 "	80·00 "
		(less % of S).
Total	112·00 "	382·00 "
		340% of its first value.

STATEMENT C.

(Extract from pages 77 to 81 of first Tariff Board report.)

Table No. 1.—Over Capitalization.

Without corresponding increase of spindles and looms.

Name of mill.	1918.	1925.	Increase.
Dimond (Jap.) from	5.50 to	39 lakhs	(25% of S).
Kilachand "	9.00 "	38 "	(15% of S). (15,000 to 43,000 S).
Simplex "	15.00 "	22.50 "	(16% of S).
Ruby "	3.00 "	12.00 "	(25% S and 45% of looms).
Sir Shapoorji Broacha "	50.00 "	74.92 "	(20% of S less 17 looms).
Khatsu Makanji "	9.95 "	30.00 "	(50% of S—145% of looms).
Total	92.45 "	216.42 "	

STATEMENT D.

Agents' holding in some of the representative companies during the year 1932-33.

Company's name.	Total sharers.	Agents' holding.	Face value.
Morarji Goculdas	1,150	25	1,000
Pearl	8,000	210	250
Colaba Mand	28,000	525	100
Fazalbhoy	7,200	540	250
Swadeshi	20,000	2,900	100
Ahmedabad Advance	10,000	1,325	100
New Great Eastern	11,500	900	200
New City of Bombay	28,000	525	100
	113,850	6,950	

Total capital of the above mills 158½ lakhs.
 Agents' total holding 9.20 "
 Percentage of agents' holding 5.2 per cent.

Commission paid on productions.

Name.	1924.		1928.	
	Loss.	Commission.	Loss.	Commission.
Manockjee Petit	4,37,000	4,38,000	2,94,381	2,76,986
Bombay Dyeing	1,46,000	1,33,000	..	..
E. D. Sassoon	—	..	21,07,773	1,20,000

306

STATEMENT E.

Giving actual accounts and accounts based upon paragraph 93 of second Tariff Board report.

The Bombay Cotton Manufacturing Co., Ltd.

Total year's expenditure ending 31st March, 1924 = Rs. 32,23,172
 .. . = 10,74,390.

	Rs.
Interest at 6%	= 64,500
Actual interest paid	= 27,047
Excess	= 37,453

Block at the rate in paragraph 94 = Rs. 33,00,000.

	Rs.
.. Depreciation at 3½%	= 1,23,750
.. Profit at 8%	= 2,64,000
	3,87,750
.. The Commission of Agents at 10% of D. and P.	= 38,775
Actual payment	= 21,900
Excess	= 16,975

	Rs.	
	37,453	
	16,975	
Potential profit after full depreciation =	2,64,000	
	3,18,428	on a capital of Rs. 22,44,770
		or a return of 14.17%.

STATEMENT F.

List of mills with book value of land, building, plant and machinery with spindles and looms in 1924.

Mills.	Spindles.	Looms.	Blocks.
			Lakhs.
Swadeshi (60)	59,084	1,542	53.44
Standard (90)	44,536	1,179	20.76
Moon (97)	38,494	756	25.65
Bombay Cotton (85)	33,648	795	28.92
Jam Co., Ltd.	30,520	874	13.05
Currimbhoy	86,804	1,050	58.61
Fazulbhoy (05)	52,256	1,976	16.43
Pearl (13)	49,356	1,760	30.42
Union (88)	38,176	866	12.24
Finlay	46,072	812	15.24
	4,78,946	10,610	270.66

The cost according to paragraph 94 of the Board for 600 looms and 25,000 spindles = Rs. 24.75 lakhs.

Therefore the cost of above would be 18½ times, i.e., Rs. 487.88 lakhs or 75 per cent. higher than actual.