

*Thursday,
23rd January, 1896*

ABSTRACT OF THE PROCEEDINGS
OF THE
Council of the Governor General of India,
LAW AND REGULATIONS

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ABSTRACT OF THE PROCEEDINGS
OF
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA,
ASSEMBLED FOR THE PURPOSE OF MAKING
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Abstract of the Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., cap. 67, and 55 and 56 Vict., cap. 14).

The Council met at Government House on Thursday, the 23rd January, 1896.

PRESENT :

- The Hon'ble Sir A. E. Miller, K.T., C.S.I., Q.C., *presiding*.
 His Honour the Lieutenant-Governor of Bengal, K.C.S.I.
 His Excellency the Commander-in-Chief, G.C.I.E., K.C.B., V.C.
 The Hon'ble Lieutenant-General Sir H. Brackenbury, K.C.B., K.C.S.I., R.A.
 The Hon'ble Sir C. B. Pritchard, K.C.I.E., C.S.I.
 The Hon'ble Sir J. Westland, K.C.S.I.
 The Hon'ble J. Woodburn, C.S.I.
 The Hon'ble Prince Sir Jahan Kadr Meerza Muhammad Wahid Ali Bahadur,
 K.C.I.E.
 The Hon'ble Mohiny Mohun Roy.
 The Hon'ble C. C. Stevens, C.S.I.
 The Hon'ble A. S. Lethbridge, C.S.I., M.D.
 The Hon'ble M. R. Ry. P. Ananda Charlu, Rai Bahadur.
 The Hon'ble Sir G. H. P. Evans., K.C.I.E.
 The Hon'ble Alan Cadell, C.S.I.
 The Hon'ble J. D. Rees, C.I.E.
 The Hon'ble G. P. Glendinning.
 The Hon'ble Nawab Amir-ud-Din Ahmad Khan, C.I.E., Bahadur, Fakharud-
 doulah, Chief of Loharu.
 The Hon'ble Rao Sahib Balwant Rao Bhuskate.
 The Hon'ble P. Playfair, C.I.E.

NEW MEMBER.

The Hon'ble M. R. RY. P. ANANDA CHARLU, RAI BAHADUR, took his seat as an Additional Member of Council.

COTTON DUTIES AND TARIFF BILLS.

The Hon'ble SIR JAMES WESTLAND moved for leave to introduce a Bill to provide for the Imposition and Levy of certain Duties on Cotton Goods. He said :— "It will be in the recollection of the Council that when first we re-imposed

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the import duties, I was charged, in introducing the Bill for this purpose, on 1st March, 1894, to announce that Her Majesty's Government were not prepared at that time to assent to the inclusion of cotton yarns and fabrics among the articles liable to duty. They undertook, however, to give the question further consideration if the state of exchange was such as to show that further revenues were necessary for the maintenance of financial equilibrium in India. We were obliged to resubmit the case accordingly towards the end of 1894, and Her Majesty's Government then assented to the imposition of duties on cotton goods, under conditions which I announced to the Council on 17th December, 1894, in the following terms:—

'Her Majesty's Government, representing the supreme authority in the administration of India, and following the instructions of the House of Commons, have stipulated that, if we are obliged by stress of finance to impose an import duty on cotton goods, we must deprive it of a protective character by imposing an equivalent duty upon similar goods manufactured in India, to the extent to which these enter into direct competition with goods imported from the United Kingdom.'

"We met this condition, fairly as we thought, and certainly, as I shall easily shew the Council, much more fairly than Manchester at all understands, by the Cotton Duties Act passed in December, 1894.

"Our proceedings, or rather the proceedings of Her Majesty's Government in this matter, were made the subject of discussion in Parliament on 21st February, 1895. It is not my intention to quote any portion of the discussion that then took place, beyond what is necessary to show the position which Her Majesty's Government took up. The Secretary of State for India speaking in the debate, referred to a distinction upon which our then proposals were largely based, namely, the distribution of the trade into two elements—one the Indian share confined to the coarser counts, and the other the English confined to the finer ones, and said—

* * * * *

'It is said in India that between 20s and 24s competition does not begin. I have already said that—

"If you can prove that the 20 limit is too low and should be raised to 24, power is reserved to the Indian Government, with the consent of the Secretary of State, to alter that figure."

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‘I say that the same principle applies to my Lancashire friends. If they can show that this limit works injustice to them, and is in any way protective, I am equally pledged to remedy the evil. Our principle has been all through that there shall not be Protection. No one will say that it is possible, in the imposition of any new tax, especially a complicated Excise Tax, to deal at the first moment with all the possibilities of the case, or to strike off a measure which will not require amendment. I say, frankly and openly to the Lancashire manufacturers as I already have said to the Scottish manufacturers in dealing with dyed yarns,—

“If you will prove that there is any injustice done to you, I will do my best to remedy that injustice.”

‘This is purely a question for inquiry, and for inquiry alone. It is impossible to discuss it on the floor of this House. Given the evil and injustice, we will endeavour to find a remedy.’

“And it was upon this assurance that the House of Commons for the time abandoned the discussion.

“And here I would stop for a moment to explain that I desire throughout my remarks to avoid any allusions to the personality of the two high officers who during these proceedings have held the office of Secretary of State for India. The policy of the Secretary of State has, throughout these discussions, been perfectly continuous; and if I were to speak by name of Sir Henry Fowler, or of Lord George Hamilton, instead of merely speaking of the Secretary of State, I might be understood as contrasting the action of these two Ministers of the Crown when I intend merely to describe the initial and the final stages of the same proceedings, and might convey the impression, for which I believe there is absolutely no warrant, that the question in some way entered on a new phase, or was in some way affected, by the change of Ministry which took place in June last.

“In response to the invitation implied in the Secretary of State’s remarks in Parliament, a deputation of Lancashire manufacturers presented themselves to the Secretary of State on 27th May, with the professed intention of showing that they were unjustly treated in respect of the Indian Cotton Duties. Unfortu-

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nately the case was not very much advanced by the discussion, for the deputation omitted what from our point of view and from that of Her Majesty's Government was the essential element in the whole matter, namely, the statement of the actual facts and statistics bearing on the question. The Secretary of State's final reply to the deputation was as follows :—

'Now what I want you to do, if you Lancashire gentlemen would do it, is drop all questions about competition with Bombay ; drop all questions about public feeling in Lancashire, and do not say anything about general elections, and about Members of Parliament being influenced, or forming agitations, or anything else, but take your stand upon the distinct economical principle which I think everybody will assent to, namely, that you have no right to be put at a disadvantage by the imposition, upon the product of your county, of a protective duty.

* * * * * *

'You say "this countervailing excise duty is not a countervailing excise duty and is unfair to us." That is your contention. Now, then, I say, give me your arguments ; give me your statistics ; give me your figures in proof of this, and give me the arguments and statistics and figures which are clear and are not disputable.'

"The result was that the Manchester manufacturers drew up a formal statement of their case in a document which bears date July 9th, 1895, and which has been made public in India. It was not until the receipt of this document that the Government was in a position to deal with the matter, or even to know exactly what the claims of the Manchester manufacturers were. I have no intention of going through this document at length. A great part of it I consider to be really beside the question. I can see no useful object, for example, in discussing in what degree the several elements of raw material, labour, freight, wear and tear of machinery, etc., etc., enter into the value of a piece of cloth. Such matters might be discussed till doomsday, and we would be no nearer a decision on the subject. I utterly deny that even accepting all these figures to be true they in any way lead to, or even bear upon, the conclusion that Manchester wants to base upon them, namely, that Manchester goods pay two or three times the tax paid by Indian manufactures. The question is, to my mind, most amply, and

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ably discussed in the letter which we have received from the Mill-owners' Association of Bombay. The process adopted in the Manchester document is as if one were to attempt to find the heat of the weather by elaborate calculations founded upon the altitude of the sun, the latitude of the place, and the state of the atmosphere instead of by the simple process of looking at the thermometer and reading it off. Ordinary grey-shirtings imported from Manchester pay duty, as will be seen from any price-current, upon a value of about eight annas a pound. Manufactured in India, the calculation comes out thus. A pound of woven goods contained about $\cdot 85$ of yarn, which if of 25s or 30s, pays duty at seven annas a pound. The articles therefore pay duty, in this respect alone, on $7 \times \cdot 85$ or 6 annas a pound. I shall not enter on the question of the additional payments of duty on stores, which, the Indian mill-owners claim, make up part, if not the whole, of this difference between eight annas and six; but these figures are enough to shew that the statements of the Manchester merchants as to the differences of duty are greatly exaggerated, and that, for practical purposes, we need not concern ourselves with the elaborate calculations of the elements that enter into the final value of the finished product. Customs duties, all the world over, when levied upon value, have regard to the value at the port where they are levied, and no Government would for a moment admit the cry of protection as between two countries, because the final value, being the same in both cases, was made up in different proportions of raw material, labour and freight. We may, like other countries, safely leave all such matters out of account.

“But although the Manchester case is in these and some other points much exaggerated, there are two matters in which we feel we must admit that the treatment of Indian and of Manchester goods is not on quite the same level.

“The first of these is the effect of our drawing the line of taxation, for Indian goods, at 20. We did so because we ascertained that the amount of imported goods below that line was very small. As regards yarns, indeed, the amount of goods imported below that count (if we except the coloured yarns imported into Burma, for which we have made special arrangements) is admitted to be insignificant. The amount of coarse woven goods imported from England is at the most very small indeed, but it cannot be said to be non-existent; but Manchester claims, and there appears to be some reason in the claim, that the exemption of the coarser goods creates a difference in price between the coarser and the finer, which tends to divert the course of consumption from the finer to the coarser.

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“They claim also that there is no such marked difference between the goods above the line and the goods below the line, as would prevent the latter (in which India is chiefly interested) from being largely substituted for the former (in which Lancashire is chiefly interested). The Lancashire manufacturers claim that they can spin 20s just as easily as higher counts, and that they could, if they were not prevented by our fiscal measures, substitute for the cloth they at present sent to India, a cloth made wholly or partly of non-duitable counts which would be a substitute for, and find the same market as, their present importations. On this question of fact, or of probability, I admit that I differ from the Manchester merchants, and I believe with the Indian mill-owners, to whose memorandum on the subject I again refer, that Lancashire cannot, except in the case of a few exceptional goods such as drills, lay down in India woven goods of the coarser kinds at prices that can at all compete with those of Indian-produced goods. But I admit that Manchester may justly object to being prevented from trying the experiment by our insisting upon interposing in the way of it a duty to which we do not subject the goods of Indian manufacture.

“The conclusion to which the Government of India have come upon this matter is one in which, so far, it is supported by the Chambers of Commerce both of Calcutta and of Bombay, and is that it is not possible to longer maintain the system by which an exemption is granted to goods of 20 and under when they are of Indian manufacture, but refused when they are imported by sea. We justified the difference a year ago, because, though we admitted that the difference would operate protectively, if it operated at all, we held that as a matter of fact Manchester goods lay entirely outside its operation. It will be seen in fact that the objections urged by Manchester are rather against its indirect than its direct operation, and in this sense we admit that the rule constitutes an element of protection which violates the principles laid down for our guidance, both in former days and now, by Her Majesty’s Government.

“The second point in which the Manchester case is admitted by us to have some foundation is in the allegation that the tax levied upon yarns which are afterwards woven into cloth is *pro tanto* a lighter tax than is levied upon the completed manufactured article. I have already dealt with the actual measure of this difference and shown that it is at all events very much less than Manchester asserts it to be, but that it is a difference of operation which may result in a difference of amount I do not think we can deny. We cannot say that the two rates of taxation,

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viz., that upon imported goods and that upon Indian-manufactured goods, are precisely equal when they are levied upon different bases. I have pointed out the grounds on which we considered that they were practically equal, and these grounds were to some extent endorsed by the Secretary of State in replying to the deputation which met him upon 27th May. Without committing himself to the accuracy of the figures which were put forward upon the Indian side, he reminded the deputation that these claims, relating to differential taxation on stores, were made by the Indian mill-owners, and that to give a reply to them and say on which side the balance lay, it was necessary at least 'to go very precisely into these figures.'

"If Lancashire trade were in a flourishing condition, I cannot help thinking that these differences would have been considered to be more theoretical than practical, and would not have given rise to the reclamations with which we have now to deal.

"But we cannot conceal from ourselves the fact that Lancashire trade has recently been in a depressed condition. Although we certainly contend that the circumstances out of which this depression arises have nothing to do with Indian Cotton Duties. The question is dealt with, better than I can deal with it, in the letter from the Bengal Chamber of Commerce of January 3rd last. Strenuous competition all the world over is taking away from Lancashire what used to be almost its monopoly of the piece-goods markets. In China and Japan, as well as in India, manufacture has been and is being brought at the same time to the supply of the raw material, and to the door of the consumer. The Secretary of State in receiving the other day a Lancashire deputation said—

'I quite admit the force of one statement which, I think, was common to every speaker, namely, that when a trade is in so depressed a condition as yours, an uncertainty as to its future tends greatly to aggravate that depression. But I have looked at this matter perfectly impartially, and I say very frankly to you that I do not believe even if it were possible for us and in our power to repeal these cotton duties, that would at once bring to you all the prosperity which you anticipate. I have looked carefully into the figures relating to the exports from India. I find that during the past ten years the value of the cotton export from Great Britain to countries other than India has not increased, but on the other

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hand the exports from the Indian mills during that period have literally doubled, and they are increasing still, and there is this year a large increase in the amount exported. Therefore it is clear that quite independent of those import duties, and in places where those import duties do not operate, there is increasing competition between the products of Indian mills and the products of Lancashire. I make this statement because I think it is much better for us frankly and fully to look this situation in the face. You have to deal now with new conditions and new competition.'

"It is not surprising under these circumstances that Lancashire should jealously scrutinise all the advantages which its rivals in the East may possess, and should raise objections to any artificial advantages being added to those which nature already confers. And these considerations add a special responsibility to those who, either in this country or in England, have the administration of these matters. Whatever may be the immediate future of the Lancashire industry, it behoves us to be careful that none of its misfortunes—if any such should be in store—be in any way attributable to any unequal action on our part. The history of the past ten or fifteen years shews that Indian industries in a fair field and without any adventitious aid, can even more than hold their own; and mill-owners and merchants in India are at one in declaring that they want no special terms of any kind, no treatment in which Manchester is not admitted to a perfectly equal share.

"We are anxious therefore on these grounds to secure a perfect equality of treatment—not merely an equality attained by different processes, calculated to lead to a result that in our opinion shall be equal, but an equality that shall be conspicuously such—a system that shall weigh, in precisely the same way and to precisely the same degree, on both sides. We have always wished to hold the balance with perfect fairness between the two parties, and to give to neither of them any reasonable claim, that it is subjected, so far as Cotton Duties go, to any disadvantage as compared with the other. We admit that the means by which we have sought to obtain this equality leaves something open to controversy; our desire is now to close that controversy, by assimilating the methods, as well as equalizing the results.

"We have carefully considered the suggestions that have been made to apply the discriminating line of twentys to imported goods as well as to Indian-

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manufactured goods ; but we believe that we can find in this no permanent solution of the difficulty. As regards yarns, such a line is easy enough to work. There is no difficulty in discriminating yarns with exactitude according to count. But when we attempt to apply to woven goods a similar line of discrimination, we believe it is not possible to do it with that exactitude which is requisite as a basis of taxation. We believe that careful tests by experts can establish, as regards any woven yarns, that they are within one or two counts of any given standard, but this unfortunately leaves a certain margin for dispute, and as we have not merely to protect the revenue from frauds directed towards obtaining exemption where exemption is not due, but have also to protect the honest trader from the trader who does not draw so finely the lines of conscientious dealing, we are unwilling to undertake, if we can avoid it, a system the operation of which will certainly be jealously watched and which may have to be abandoned from sheer difficulty in working.

“Then we find that these precise lines are not adapted to the actual work of Indian mills. English mills can spin and weave to within half a count of the standard at which they aim, but by reason of differences of climate, of moisture, and of materials, Indian yarns may differ, in their absolute standard, by as much as two counts from what the spinning master aims at producing. The consequence is that the weaving master has to remedy these defects. He aims at producing a fabric that shall weigh exactly so much, no more and no less, per piece. If it is less, the purchaser will not take it, and if it is more, the manufacturer is selling more material than he is paid for. He is obliged therefore, when his material is running heavy, to correct it by inserting lighter and finer yarns ; and thus even while carrying out an order to weave cloth of count 20, he may be obliged, by the necessities of working, to use in part of it yarns which have been sent him as 22s. When we are taxing yarns, a difference of this kind is of no consequence. What seller and purchaser take as a bundle of 20s, we may also reckon, for purposes of taxation, as 20s, though part of it may, by absolute measure, be really 22s. But it would obviously be unfair, when a weaving master, attempting to weave what has to be sold and bought as undutiable cloth of 20s and which on the whole average is 20s, is obliged as a manufacturing necessity of adjustment to interpolate some yarns delivered to him as 22s, to subject him in consequence to a duty that he could not recover from his purchaser.

“And this leads me to talk of another difficulty which we would have to meet in the same connection, namely, the regulation of the tax upon cloth of

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which the warp is of undutiable count and the weft is dutiable. Such cloth would require to be adjusted to the tax by calculation or estimate and not by any fixed standard, and the process would give rise again to reclamations as to inequality of treatment.

“These difficulties are, in the opinion of the Government of India, sufficient to forbid the hope of a settlement that is likely to be permanent, if we attempt to draw a line, say at 20s, and declare all cloth of finer counts to be liable to duty, and all others to be free. So far as mere revenue considerations go, such a line of discrimination would not be open to much objection; we would probably lose little revenue, for, as I have already said, hardly any coarse-count cloth is imported, and it is at least open to doubt if much would be imported. But the difficulties of working the system would be fatal to it; as in fact they proved in our experience of fifteen years ago. And there is not much use in our introducing a system which, we believe, would only give rise to a new series of controversies.

“From what I have said, it will be seen that the Government of India have come to a conclusion on the following two points:—first, the countervailing excise duty to be levied in this country must be a direct duty upon woven goods (as the import duty is); and second, the discriminating line of division at No. 20, or any other count, must be given up; and I may remark here, before the Council take fright at this last proposition, that I have, as will be seen before I come to the end of my proposals, a fair compensation to offer for the additional burden which is involved in it.

“Now, I consider it an almost self-evidence axiom that an excise duty, in order to be workable, must be as simple in its operation as possible. If we have to complicate it with all sorts of provisions about drawbacks, compensations, etc., or if we have to arrange matters so that the mills have to be worked with reference to the excise duty, instead of the excise duty being worked with reference to mill operations, we are attempting what we will find impracticable. All questions of duty upon mill-products in India are inextricably mixed up with questions of drawback on exportation. Obviously we have no business to tax goods which are manufactured for export—we would only be weighting our own manufactures in their competition with other countries,—and there is further serious objection to making them go through the form of assessment to duty, and subsequent exemption from it on account of exportation.

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“To provide for a duty on woven goods at the Indian mills, in addition to a duty upon yarns, involves a number of complicated provisions. We must, as I have just pointed out, provide for drawbacks on exportation, which, in the case of the Bombay mills, comes to a very large proportion of the whole amount produced. We must further provide against double levy of duty, namely, first on production of yarns, and afterwards on the weaving of the same yarns. And there is a still further complication in the fact that some of the mills now weave from imported yarns, on which of course they will have paid duty. We are afraid it might be difficult to provide for the proper working of all these interlacing provisions, and although it is possible that financial stress may compel us hereafter to face the problem, we intend for the present at least to avoid all such complications, and make our system of excise as simple and as little burdensome in its working, as is practicable. The first conclusion, therefore, to which we have come is that we should abandon all duty upon yarns, and levy duty upon woven goods only, a conclusion which necessarily applies to imports as well as to Indian manufactures. We have the less hesitation in coming to this determination when we call to mind that practically all the yarns, both imported and Indian-manufactured, which are consumed in India, and would, therefore, come within the purview of our taxation, extended as it must now be to low counts as well as to high, are used up in the handloom industry—an industry whose products do not supply the market in the same sense as the mill industry does, which cannot therefore be said to compete with it as a commercial rival, but from which the ordinary villager obtains a certain portion of the clothes he uses. The freedom of village industry, that is, the continued freedom so far as low counts are concerned, and the new exemption so far as high counts are concerned, will, as we believe, be no injury to the mills, but will be a boon to many poor people who eke out their livelihood not by wages fixed on economic principles, but rather by picking up, at odd hours, the scanty crumbs which the mill industry still leaves them. We should remember also that half the mills in Bombay (that is 46 out of 94), and a much larger proportion elsewhere, are spinning mills only, and do no weaving and that every one of these will be, by this exemption of yarns, entirely removed from the purview of the Excise Duties.

“By giving up the present 5 per cent. duty upon yarns we lose over 14 lakhs of duty on imported yarns, and nearly half that amount on Indian yarns—say 20 lakhs in all. This reduction of taxation is the first compensation we have to offer for the extension of the duty on woven goods to low counts, as well as the high ones.

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“The cotton duties left to us would be at their present standard of 5 per cent., about 125 lakhs on goods imported, and an amount which it is somewhat difficult to estimate, for want of statistics of production, but which seems to be at the outside about 18 lakhs, upon goods manufactured in India and consumed in the country.

“Now this 18 lakhs or rather so much of it as is in excess of the amount at present levied on the yarns manufactured in Indian mills is a new burden upon the Indian consumer. I do not call it a burden upon the Indian mill industry, because of course the Indian mill-owner will pass it on to the purchaser, and the purchaser has no choice but to accept. The export trade, which is a very large part of the trade of the Bombay mills, will remain quite unaffected; and, for the reason stated, I would trust that even as regards weaving for Indian consumption, the burden would be more a theoretical than a practical one.

“When making this addition to the taxation that has to be paid in part at least by the poorer classes in India, we have given careful consideration to the question whether we cannot at the same time make a reduction to counterbalance it. This the Government of India believe that they can do. We have of course to face the risk which is inseparable from a condition of things in which our financial position depends to such an extent upon the element of exchange, but if exchange holds at anything approaching to its present figure, we can safely reduce our demand in respect of the cotton duties from 5 per cent. to $3\frac{1}{2}$, and this reduction we propose to incorporate in our present proposals. There are three good results, all of which affect the Indian part of the question, which we hope to obtain from this reduction. First, it is of some importance to the Indian consumer that the tax on the coarser cloths in ordinary use should be only $3\frac{1}{2}$ per cent. and not 5; second, it is of some importance to reduce the demand that will be collected through the Indian mills so that, instead of increasing it from its present standard of 6 or 7 lakhs to (at most) 18, we will increase it only from 6 or 7 to 12; and, thirdly, it is of some importance that the advantages of the handloom industry in respect of taxation should be only $3\frac{1}{2}$ per cent. instead of 5. The village industry we consider it both impracticable and inexpedient to tax directly, and we think that the mill-owners (whose customers the handloom weavers are in respect of yarns) will admit that $3\frac{1}{2}$ per cent. is so small an advantage that for any question of competition between the mill-industry and the hand-industry, it may safely be left out of account. Practically we cannot touch the handloom industry except by taxing yarns, and that means a burden

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which in the first place would fall upon the mill-industry, both Manchester and Indian; and which I have shewn reasons for the Government, at least, not desiring to impose.

“I have just said that the duties on the new basis would bring us in about 143 lakhs of rupees altogether (125 plus 18), at a standard of 5 per cent., but if reduced to $3\frac{1}{2}$ per cent. they will be just over 100 lakhs. Our loss of revenue on the whole account will therefore be something less than fifty lakhs (for we do not expect fully to realize the budget estimate of the current year); and this reduction of taxation we believe that the improvement in our financial position warrants us in making.

“There is one small matter in which Indian mill-owners would consider themselves hardly treated if we entirely left it out of account. We are to tax them now upon the full value of the out turn of their cloth, and we ought, therefore, to refrain from taxing them specially upon any ingredient which enters into that cloth. I cannot undertake to give them any special exemption from such burdens as all manufacturers in this country have to bear—taxation upon stores consumed in the working of machinery; that they must accept as part of the conditions of working in India, just as they have to accept conditions of climate, of the labour market, of compulsory sanitary rules, and the like. But stores specially consumed in cotton manufacture we can provide for, and among the chief of these are sizing and China-clay used in weaving. Iron or steel hoops used in baling form another small item that we propose to exempt. Provisions such as these it does not require any special legislative sanction for the Government to carry out, but simultaneously with the adoption of the measures I now propose to the Council, they will be provided for by executive order.

“We have given careful consideration to the question of assessing dye-works in India to an excise duty, and we have come to the conclusion that the exemption of yarns from duty renders it inexpedient and unnecessary to attempt any precise equalization of assessment in this respect. The dyeing of cloth goes on in every bazar in India; largely of course in the large centres of population, but even in remote bazars and villages, the native can use alizarine dyes to clean and renew his apparel. It is no more possible, and it is in my opinion no more necessary, to impose a tax upon these operations, than it would be to impose a tax on every village smith who by getting imported iron, and working it up into nails, or iron implements

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or other small materials, avoids purchasing the finished implements or materials, as imported from abroad. 4

“Steam power for the dyeing of cotton is employed in only three places in India, two in Bombay and one in Ahmedabad, and the work done in these places is almost entirely yarn-dyeing. The out turn of dyed cloth is something indefinitely small, and we certainly could not tax the dye-works in respect of any advantage they possess in the rare cases in which they dye cloth, without considering also the necessity of making up to them the disadvantage they are under in having to use imported dyes in respect of the much larger business they do in dyeing yarns. If we leave these dye-works unaffected by excise duties, we can leave them in the position, occupied by all the other industries in this country, which have to compete with foreign industries after bearing a share in the general taxation of the country, but if we subject them to a special duty, such as our excise duty, in respect of part of their out turn, namely, their dyed cloth, we are bound to apply the same principles to giving them special relief in respect to the other part, namely, their dyed yarns.

“On one other matter, I desire to give a reply and an explanation.

“The Council have no doubt observed the perpetual allegations regarding our delay in dealing with the present matter, and it may, therefore, be just as well to state the Government of India side of the case. First, Manchester has systematically refused all information regarding the trade; it has left to us to ferret out all the facts for ourselves; secondly, it has not helped us by one single suggestion as to how to meet the difficulties inherent in the matter. Yet, notwithstanding these obstacles, for which the responsibility does not rest with us, we have (taking the date of the Manchester memorandum, July 9th, 1895) actually taken no more time to enquire into, and settle the means of meeting, the Manchester objections, than it took the Manchester people merely to state them.

“No one who reads the Bombay and Calcutta contributions to the discussion will imagine that we would have been justified in proceeding to judgment with the Manchester case only before us.

“It will be seen that I have throughout dealt with this question on the assumption that the tax, whatever it is, falls upon and is paid by the Indian consumer. Much of the language held in Manchester would seem to indicate a belief that the tax really falls upon the producer there; but I can hardly believe that this is

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seriously accepted by the Manchester merchants, and I am quite sure that two years ago they would have rejected with scorn such an economic heresy. I hold it therefore to be irrelevant to the present purpose to weigh against each other, for purposes of fair distribution between Manchester mills and the Indian mills, the amount of tax levied on Manchester manufactures and the amount levied through Indian mill-owners. The question of fairness of adjustment as between the two sets of producers, is not the question of how much each will pay towards the total ; it is, in my view, of an entirely different kind. It is, namely, that we must so adjust the incidence of the tax, that nothing in that incidence will have the effect of altering the course of trade ; that there may be nothing in it which may influence the trade of Manchester to pass to India, or the trade of the Indian producer to pass to his Manchester rival.

“In this sense, we have striven to hold the balance equally, between what I may almost call the two contending parties. The Manchester merchants unfortunately have made to us no suggestions at all, except the financially impracticable one to abolish the duties altogether. The Bombay mill-owners, besides giving us a mass of helpful information, discuss some of the possible ways of meeting difficulties which they admit are not easy of satisfactory solution ; and although the plan, which we have on consideration adopted, is one which did not commend itself to them, I trust they will see, in the compensatory measures with which we have accompanied it, that we have taken away, if not the whole, at least the greater part, of the force of the objections to which they considered it liable.

“I think it right, under present circumstances, to conclude these observations by stating that His Excellency the Viceroy, though unfortunately prevented by illness from being present at this announcement of the decision at which his Government has arrived on this important question, has taken his full share, as Viceroy, in our deliberations, and that even these remarks of mine, intended to explain the policy of the Government, have received His Excellency’s personal endorsement.”

The Hon’ble MR. PLAYFAIR said :— “Sir, I do not intend at present to offer any remarks upon the provisions of the Bills introduced to the Council, but with due deference I desire to express my appreciation of the clear and practical explanation that has been made to the Council by the Hon’ble Member in charge of the Bills, and to which we have listened with so much interest and attention.

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The impartial and independent manner in which the Hon'ble Member has reviewed this troublesome and intricate question, and the consideration he has given to the various interests involved, will be appreciated not only by Hon'ble Members present but also by the general community throughout India and, I venture to add, in England as well. He has pointedly and correctly emphasised the fact that the mill-owners and merchants in India are at one in declaring that they want no special terms of any kind—no treatment in which Manchester is not admitted to a perfectly equal share; and Hon'ble Members must have observed that in the very valuable papers lately addressed to the Government, both merchants and manufacturers have shown a desire that the sense of injury under which the Lancashire manufacturer is rightly or wrongly, and unfortunately, labouring should be removed. The well-deserved tribute of loyalty and integrity that Sir James Westland has so courteously paid to the spinners and manufacturers of India will also be appreciated by those best competent to judge of their conduct, and it must be of general satisfaction to the community to learn that the remission of taxation proposed by this legislation is warranted by the improvement in the position of the finances of the State. The latter is a primary consideration, and any further information that the Member for Finance can afford the Council in this respect will be received with keen interest. Indeed, this would be of special interest, as the Hon'ble Member has observed that the element of exchange largely affects the proposals put forward and that the latter are based on the supposition that the rate of exchange will hold at something approaching its present figure."

The Hon'ble SIR JAMES WESTLAND said :—“With reference to the observation which has fallen from the Hon'ble Mr. Playfair, I think it will be practically impossible for me to give any further detailed information regarding the financial position before this question comes before the Council for decision. There are many objections to going into such a question in detail before the proper time comes for doing so, but I would desire to take the opportunity of correcting one possible misapprehension which may arise from what the Hon'ble Mr. Playfair said. I would not give up—I would not consider myself warranted in giving up—50 lakhs of revenue if our ability to do so could only be justified by the maintenance of the present rate of exchange. The maintenance of the present rate of exchange gives us a very ample margin over that 50 lakhs, and we will be able to spare the 50 lakhs even if the rate of exchange does not hold quite so high as the figure at which it is at present standing.”

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The Motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND also moved for leave to introduce a Bill to amend the Indian Tariff Act, 1894. He said :— "This is merely a small amendment intended to carry out with reference to imported goods the policy which I have described with reference to goods generally."

The Motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND introduced the Bills referred to in the above motions. He said :— "In now introducing the two Bills intended to carry into effect the policy which I have described, I shall give some account of their detailed provisions.

"The Bill to which most interest is necessarily attached is that which imposes an excise duty upon manufactures at Indian mills. The principle of its operation is the same as under the existing Cotton Duties Act, namely, assessment upon returns made to us by the mill-owners or managers. I see that a member of the Manchester deputation to the Secretary of State, himself a manager, was good enough to describe this method of assessment as a farce. To that I give the most emphatic denial; the Mill-owners' Association justly expect the Government to repudiate any such impugment of their good faith. It may possibly be a matter of surprise to this gentlemen that the Bombay mill-owners have not put every obstacle in the way of the operation of the Cotton Duties Act, and have not systematically falsified their returns; but the Government have never found the least reason to regret that they treated the mill-owners of Bombay as honest men, for they have systematically received from their Association every support in carrying the law into effect, and from the individual members a ready and straightforward compliance with the requirements of the law. Our experience confirms what I said a year ago, that returns sent us by the mills themselves, subject to the check afforded by the inspection of the mill accounts and records, is the simplest way of working the duties so far as the mills are concerned, and is fair and just so far as the Government is concerned.

"In the case of yarns we last year required a monthly return only, because the descriptions of yarns were necessarily definite and precise. This plan however, is not quite sufficient in the case of finished goods, which are much more

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various in quality. We do indeed begin by specifying some ten or twelve standard qualities, which cover the bulk of the production of the mills, but in the case of other goods, there might be difficulties in valuation were we to allow such a long interval to lapse, that the goods included in the return might have passed entirely out of reach, before the checking officer would be able to inspect. We therefore prescribe a fortnightly return, but as the return is merely an enumeration of the articles that have passed out of the gate of the mill, of which every mill-owner keep a regular record, we believe its compilation will be a much simpler business than the present one, and that the mill-owners will find less difficulty and less labour involved in sending us the proposed return within three days, than in sending the present return of yarns within fifteen days.

“I have already said that for the simplicity of working this matter, and also in accordance with our principle of having a conspicuously equal taxation upon Indian and upon imported goods, we have classified the more frequent and the regularly recognized kinds of grey goods and have imposed the duty in the shape of a specific rate.

“I am desirous of calling particular attention to this feature, which we believe will conduce greatly to the easy working of the new duties. We are, in India, somewhat wedded to the principle of levying duties by percentages *ad valorem*, a plan which as a matter of fact is the exception rather than the rule among the tariffs of the world ; and which has what is in some respects the disadvantage of giving rise to petty variations of duty, in accordance with petty differences in the quality of goods. It is of more importance that the duties levied should be equal as between the persons who pay them, than that they should bear, with mathematical precision, the same ratio in every case to the value of the goods. The usual way by which in India we obtain this result is that of affixing tariff values to goods which do not greatly differ in quality ; the present is a variation of that method.

“The rates we have fixed in the cases referred to (for which I refer to the Schedule to the Act) have been so arranged as to be, at the prices which have now for a long time been prevailing, just $3\frac{1}{2}$ per cent. upon the values (say, $7\frac{1}{2}$, 8, 9 and $10\frac{1}{2}$ annas) of the common qualities of the goods upon which they are levied ; and the real effect of the introduction of these specific duties is that we are giving up the small additions which an *ad valorem* duty might give us in respect of the better varieties of the same goods, and those called ‘fancy’ or ‘fancy-

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bordered.' This we are willing to do if we can thereby obtain smoothness and simplicity in working.

"I may call attention to the fact that we tax nothing until it passes out of the premises of the mill, so that all the operations of baling, warehousing, etc., go on untouched by the tax. We have special warehousing provisions in the existing Act and we have repeated them in the proposed one; but they are not at present taken advantage of and most likely they will not be. The universal practice of the mills is not to pass out their finished goods until they are to be exported or delivered to a purchaser. The working of the proposed Act will in this respect be simpler than the present system, for in the one case, that of export, the goods will pass straight away untaxed, and in the other, that of sale, the proper time will have arrived to assess the duty on the manufacturer.

"The other provisions of the Bill follow, for the most part, the lines of the existing system. But I desire to draw attention to one section of the Bill, section 31, the only section which affects mills that are spinning mills only. It is proposed to obtain from them a simple monthly return of the quantities of yarn they spin. This is wanted for statistical purposes only, just as we have legislative power to require all vessels landing cargo to give us for trade purposes and quite apart from the levy of duty the statistics of their imports. I believe that the mercantile community and the Mill-owners' Association recognise the value of statistics of the kind, and the section in question is offered for their consideration, but will not be pressed if they are opposed to its retention. I need hardly say that the figures received from the mills will continue to be treated as strictly confidential, as in the past: our publications will show them only in a general provincial form. It seems, however, to be a pity to discontinue altogether the collection of statistics of so important a trade as the cotton manufacture of India.

"It is necessary also to make certain provisions for the transition from the present to the future system of taxation. We may take for granted that, in the case of imported goods, the reduction of taxation on cloth and the exemption of yarns come into effect from to-day. Any person whose goods arrive before the passing of any new system into law will take care to put off their assessment to import duty until he can get the benefit of the new conditions. We therefore, in the case of Indian-made yarns also, stop the assessment to duty with effect from to-day, thus putting the two on precisely the same footing.

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“We have therefore only to provide that when the new duties come into force, which I hope the Council will permit within a week’s time, the new duty will not be charged on woven goods in addition to the duty already paid on the yarns that have entered into its substance ; that is, we allow a rebate of duty already paid on any yarns which, on the date when the Bill becomes law, are still on the premises of the mill and waiting to be woven into cloth. To prevent delay in the settlement of claims under this head and to enable us to wind up the account of this transition period as soon as possible, we provide that, within a week of the passing of the Act, the mill-owner shall give to the Collector a list of all the yarns in respect of which he intends to make this claim. The inspector ought to verify this list as soon as possible, and it will then become a standard with reference to which the duties leviable for the short transition period will be settled.

“So much for the Cotton Duties Bill. The other Bill appears in the form of an amendment of the Indian Tariff. As laid before the Council, the Bill substitutes an entirely new Tariff for the existing Tariff, a form of legislation which is much more convenient both to merchants and to Customs Houses than an amending Act which directs certain new entries to be substituted for certain existing entries in the Tariff. The only real amendments are (1) the exemption of yarns from all duty, (2) the levy on woven and other cotton goods of $3\frac{1}{2}$ instead of 5 per cent. duty, and (3) the attachment of a specific duty to certain classes of grey goods in the manner already explained.

“I shall be able to satisfy the Select Committee, to whom, with the permission of the President, I shall presently propose the Bill should be referred, that in every other respect the Tariff now laid before the Council, where it is not word for word a copy of the existing Tariff, corrects it only in respect of notifications of exemption or reduction of duty, or alteration of Tariff value, which the Government has power to carry out by executive order and has actually notified in regular legal fashion.

“In view of the question coming under discussion by the Select Committee, and as it will prevent probably greater delay in finally passing the Bills which might disturb the course of trade, I desire now to move the President to suspend the Rules of Business in order to admit of the said Bills being referred to Select Committees.”

THE PRESIDENT declared the rules to be suspended.

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[*Sir James Westland ; Sir Griffith Evans ; Rai Ananda Charlu Bahadur.*]

The Hon'ble SIR JAMES WESTLAND said :— “In moving that these two Bills be referred to a Select Committee, I perfectly understand that the Members of this Council do not in any way bind themselves at present to the principle of the Bills. It is extremely desirable for many reasons, which I think I had occasion to explain in introducing previous Bills of the same kind, that Bills of this description should pass the Council, if they pass at all, as rapidly as possible. I have taken special precautions to acquaint the people interested in the trade with our proceedings in this matter. To-day all mill-owners at Bombay, and the newspapers there, will receive copies of the speeches which I have delivered, and also of the Bills as they stand and as now introduced before the Council. They will be in immediate communication with us and also with the Government in the Legislative Department regarding all matters connected with these Bills. This is only fair to them, inasmuch as we are discussing the matter at a very great distance from the place they are situated and a matter also in which Bombay is even more interested than Calcutta is. I desire to move that the Bill to provide for the Imposition and Levy of certain Duties on Cotton Goods be referred to a Select Committee consisting of the Hon'ble Sir Alexander Miller, the Hon'ble Sir Charles Pritchard, the Hon'ble Mr. Rees, the Hon'ble Mr. Glendinning, the Hon'ble Mr. Mehta (who may just possibly turn up), the Hon'ble Mr. Playfair and the Mover, with instructions to report in a week.”

The Hon'ble SIR GRIFFITH EVANS said :— “Under ordinary circumstances it would no doubt be objectionable to refer a Bill of this kind to a Select Committee before having the principle of it fully considered ; but as it is impossible to consider the Bill to-day, and as it is most desirable that the details should be considered as soon as possible, and as it is important to have the views of the Select Committee before us in order to aid the Council in the discussion of the measure, and on the understanding that the Council is in no way committed to the principle of the Bill, I see no objection under the circumstances to the proposal to refer it to a Select Committee.”

The Hon'ble RAI ANANDA CHARLU BAHADUR said :— “I agree to the remarks which have fallen from the previous speaker ; but I think a week too short a period. I would say a fortnight, because although the mill-owners might easily communicate their views to us within that period, still there are other people who are entitled to express an opinion upon the question. Madras will not be able to communicate in time within a week. I would, therefore, submit that the period is too short, and I would suggest a fortnight. I would also point out another

[*Rai Ananda Charlu Bahadur ; the President ; Babu Mohiny Mohun Roy ; Sir James Westland.*] [23RD JANUARY,

fact—that Mr. Mehta is not here. As the Hon'ble Mover said, it is just possible he will be here, but it is equally possible that he will not be here, because, as I understand, he will not be in Calcutta until the end of this month."

THE PRESIDENT :— "Am I to understand that you are moving an amendment to the Motion ?"

The Hon'ble RAI ANANDA CHARLU BAHADUR :— "Yes, moving an amendment. I have no objection to make but wish to suggest that a fortnight should be substituted for a week."

The Hon'ble BABU MOHINY MOHUN ROY said :— "I think I ought to second the proposition of the last speaker. The Hon'ble Member in charge of the Bill has assured us, and I am glad of his assurance, that the loss of revenue on the whole account would be something less than 50 lakhs, and this reduction of taxation, he believes, the improvement in our financial position would warrant him in making. This means, I take it, there will be no fresh taxes imposed this year, nor any increase in any of our old taxes. It seems to me, however, that as we are surrendering part of our revenue, we need not do it in such a great hurry, and that one week's time is too short for proper deliberation such as the importance of the measure calls for. I observe also that the Hon'ble Mr. Mehta, Member for Bombay, is not present in Council, nor is likely to be in Calcutta within a week. For these reasons I second the proposition of Rai Ananda Charlu Bahadur that 'a fortnight' be substituted for 'a week.'"

The Hon'ble SIR JAMES WESTLAND said :— "With reference to the proposal that the Select Committee should report within a fortnight, and not within a week, I desire to emphasise what I have already stated. The suspension of a Bill of this kind is a very great inconvenience to trade—both to the import trade and to the mill trade in India. I think that the practice of the House of Commons in this matter is that when a Resolution on a fiscal matter is before it, it practically comes into effect at once, without even a day's delay. We are not talking here without experience, for we are only proposing to do in respect to the proposals now before the Council exactly what was done thirteen months ago, in 1894. If the Select Committee find that they are unable to report in a week, they will no doubt ask for further time, but it seems to me quite unnecessary to begin by telling them to spread

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[*Sir James Westland ; the President.*]

their deliberations over a fortnight, instead of laying upon them some obligation at any rate to come back to Council with their Report in a week if they are able to present it by that time. I therefore oppose the amendment of the Hon'ble Rai Ananda Charlu Bahadur.

“In respect to Mr. Mehta's absence, which has been referred to, I think it highly desirable that the Member for Bombay should be present and on the Select Committee, but we are not responsible for Mr. Mehta's absence, and our object in putting his name on the Select Committee was that, if he could possibly be present, he would be able to take his place at once without any further motion coming before the Council.”

The PRESIDENT said :— “I may say that it is so constantly felt that any unnecessary delay in matters of a fiscal kind is very objectionable, that that was the consideration which moved me at once to assent to the suspension of the rules. If the Select Committee are not to report for a fortnight, they might be appointed next week and there would have been no object in suspending the rules at all. The question is that the Bill to provide for the Imposition and Levy of certain Duties on Cotton Goods be referred to a Select Committee consisting of the Hon'ble Sir Alexander Miller, the Hon'ble Sir Charles Pritchard, the Hon'ble Mr. Rees, the Hon'ble Mr. Glendinning, the Hon'ble Mr. Mehta, the Hon'ble Mr. Playfair and the Mover, with instructions to report in a week.

“An amendment has been moved to substitute for the word ‘week’ the word ‘fortnight.’ I shall follow the course usual in the House of Commons and put the question :—

“ ‘That the word proposed to be left outst and part of the question’ ; that is to say, those who are in favour of the word ‘week’ will say ‘aye,’ and contrary ‘no.’ The ‘ayes’ have it.”

The original Motion was then put and agreed to.

The Hon'ble SIR JAMES WESTLAND also moved that the Bill to amend the Indian Tariff Act, 1894, be referred to a Select Committee consisting of the Hon'ble Sir Alexander Miller, the Hon'ble Sir Charles Pritchard, the Hon'ble Mr. Rees, the Hon'ble Mr. Glendinning, the Hon'ble Mr. Mehta, the Hon'ble Mr. Playfair and the Mover, with instructions to report in a week.

The Motion was put and agreed to.

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The Hon'ble SIR JAMES WESTLAND also moved that the Bills referred to in the foregoing motions be published in the Gazette of India and in the local official Gazettes in English.

The Motion was put and agreed to.

The Council adjourned to Thursday, the 30th January, 1896.

S. HARVEY JAMES,

Secretary to the Government of India,

Legislative Department.

CALCUTTA :
 The 24th January, 1896. }