

*Thursday,  
20th December, 1894*

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

Vol. XXXIII

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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,

1894

VOLUME XXXIII



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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 & 56 Vict., cap. 14).*

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The Council met at Government House on Thursday, the 20th December, 1894.

PRESENT :

His Excellency the Viceroy and Governor General of India, P.C., LL.D., G.M.S.I., G.M.I.E., *presiding*.

His Honour the Lieutenant-Governor of Bengal, K.C.S.I.

The Hon'ble Sir A. E. Miller, KT., Q.C.

The Hon'ble Lieutenant-General H. Brackenbury, K.C.B., R.A.

The Hon'ble Sir C. B. Pritchard, K.C.I.E., C.S.I.

The Hon'ble J. Westland, C.S.I.

The Hon'ble Sir A. P. MacDonnell, K.C.S.I.

The Hon'ble Fazulbhai Vishram.

The Hon'ble C. C. Stevens.

The Hon'ble A. S. Lethbridge, M.D., C.S.I.

The Hon'ble Gangadhar Rao Madhav Chitnavis.

The Hon'ble H. F. Clogstoun, C.S.I.

The Hon'ble P. Playfair.

The Hon'ble Prince Sir Jahan Kadr Meerza Muhammad Wahid Ali Bahádur, K.C.I.E.

The Hon'ble Mohiny Mohun Roy.

The Hon'ble Sir G. H. P. Evans, K.C.I.E.

NEW MEMBERS.

The Hon'ble PRINCE SIR JAHAN KADR MEERZA MUHAMMAD WAHID ALI BAHÁDUR, the Hon'ble MOHINY MOHUN ROY and the Hon'ble SIR GRIFFITH EVANS took their seats as Additional Members of Council.

INDIAN TARIFF ACT, 1894, AMENDMENT BILL.

The Hon'ble MR. WESTLAND 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 Fazulbhai

[*Mr. Westland ; Sir Griffith Evans ; Babu Mohiny* [20TH DECEMBER, *Mohun Roy.*]

Vishram, the Hon'ble Gangadhar Rao Madhav Chitnavis, the Hon'ble Mr. Clogstoun, the Hon'ble Mr. Playfair and the Mover, with instructions to report at the next meeting of the Council.

The Hon'ble SIR GRIFFITH EVANS said:—"I am glad to see that the almost unanimous remonstrance of the Council and of the public in India has borne fruit, though late. The debateable matters in this Bill are matters of detail, and are of a character which ought to be dealt with by a Select Committee before being finally decided by this Council."

The Hon'ble MOHINY MOHUN ROY said:—"I crave permission of Your Excellency to make a few observations upon this Bill. I was not present at the reading of the Bill on Monday. I have studied the subject of Indian finance with some care and written a few articles for the *Calcutta Review* upon taxation in India. One of these articles was upon customs-revenue. It was published in the April number of the *Review* for 1889. I rejoice to find that an import-duty is re-imposed upon cotton goods. This is what I had advocated. But I regret to find that in the export tariff the heavy duty of three annas per maund is retained upon rice. I was for a low one per cent. duty for exports, and for a wide distribution of the duty, and said in my article:—

'The duty upon exports should always be less than one-half of the duty upon imports. This has always been the proportion of the two descriptions of customs-duty. The freight which imports pay are usually small compared to the heavy freight which exports have to pay. There are other economic considerations, besides, in favour of a low export-duty. The duties on both imports and exports being light, there should be very few exemptions. Bullion and coin, precious stones and pearls, horses and other living animals should be free both for imports and exports; but no other articles either of import or export. Special import-duties should be retained upon the following articles, *viz.*, arms and ammunitions, liquors, wines and spirits, salt, opium and petroleum. There should be no special export-duty upon any article. The present heavy duty of three annas per maund, equal to four or five per cent. *ad valorem*, upon rice is a highly objectionable tax. It falls chiefly upon the two provinces of Bengal and Burma, which export by far the largest quantity of rice. Wheat exported from the several provinces of India is now equal in value to the rice exports. There should be an equal duty upon all dutiable articles of export, and the duty so low that it should not be felt by the producers.'

[*The Hon'ble Member here read statements giving the quantities of raw cotton, rice, wheat, hides and skins, raw jute and oil-seeds and other seeds in 1886-87.*]

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[*Babu Mohiny Mohun Roy; Mr. Westland.*]

“ Now the tariff is being revived, I would humbly suggest that a one per cent. export-duty be imposed upon all articles of raw produce, namely :—Rice eight millions in value in 1886 87, wheat eight millions, oil-seeds and other seeds nine, raw jute four, raw cotton thirteen, hides and skins five—total 47 millions. The revenue will not suffer. But the export-duty will be equally and fairly distributed, instead of being confined to one single article and weighing heavily, as it now does, upon the producers of rice.”

The Hon'ble MR. WESTLAND said :—“ I think it necessary to offer one remark with regard to the suggestion made by the hon'ble member who last spoke. I regret that it is one which I cannot in any way recommend to the Government for acceptance. There is one principle to be observed in the case of the imposition of export-duties which my hon'ble friend has somewhat overlooked. It is this, that an export-duty weights our own trade as compared with that of nations which do not impose the same export-duty. The rice duty has been consistently condemned by every writer upon Indian economics. The Government has, for a long time, been under a pledge to abolish that duty, but that pledge they have not, for financial reasons, been able to carry out. This question was under discussion some years ago when the Hon'ble General Strachey made an attack upon the Government policy in the matter of export-duties, and at that time he made the suggestion that a duty should be levied upon jute, rather than upon some of the articles which at that time were taxed. He justified that duty in the same way in which it is possible to justify our present duty on rice—namely, that it is an article in which we have a practical monopoly, in respect to which other countries do not compete with us, and in which the tax is paid by the consumer or can be made to be paid by the consumer in other countries. I think it would be impossible for the Government at the present moment to levy any tax on the export of wheat. Nothing could be more ruinous to the interests of the agricultural and mercantile communities of this country. Wheat has at the present time gone down to a price which renders it extremely difficult for the cultivator to make any profit upon it. I am told that in America, for example, as an effect of the low price of wheat, instead of exporting it, the farmers are obliged even to give it to their pigs. In this country any duty of the kind would, as I have said, be most inadvisable, and in imposing any such duty we would, in fact, be killing one of the geese that lay our golden eggs. For these reasons I could not consent to recommend to Government any alteration in the present export tariff.”

The Motion was put and agreed to.

## COTTON DUTIES BILL.

The Hon'ble MR. WESTLAND also moved 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 Fazulbhai Vishram, the Hon'ble Gangadhar Rao Madhav Chitnavis, the Hon'ble Mr. Clogstoun, the Hon'ble Mr. Playfair and the Mover, with instructions to report at the next meeting of the Council.

The Hon'ble SIR GRIFFITH EVANS said :—“ I do not intend to oppose this Bill being referred to Select Committee, but I think it necessary to explain what my position is in regard to it. The general position, as I understand it, is this. The Secretary of State for India, after a discussion in Parliament and in consultation with Her Majesty's Government in England, has come to the conclusion that an import-duty on cotton yarn and cotton fabrics of 5 per cent. will be protective in its character unless balanced by a countervailing excise on such portions of the Indian manufacture as compete with the English imports. He has, therefore, while sanctioning the introduction by the Government in India of a Bill imposing such a duty, made it a condition that the Government should at the same time introduce a Bill imposing a 5 per cent. excise-duty on the Indian manufactured cotton which is in competition with the English imports. I should like to say a word or two with regard to this subject of protective duty. A protective duty is open to two objections, one which may be raised on behalf of the general public of the country which imposes the duty—*i.e.*, that the duty benefits a certain class of manufacturers at the expense of the ordinary taxpayer; the other, which may concern the foreign manufacturer when his goods are handicapped in competition as against the Native manufacturer. In the case of completely independent States, the first objection only has to be considered by the State which contemplates imposing such a tax, but in the case of a dependency like India the second has also to be considered, and the way it works is this. The material interests of a great commercial nation like England in the East are, and must always be, mainly commercial. It was commerce which brought the English to the East, and but for commerce it is not likely that they would ever have embarked upon the gigantic task of founding or ruling this great Empire of India. Having undertaken the task originally in pursuit of commerce, they have resolved that their rule should be one of justice and fairness to the inhabitants of India. I think the manner in which they have carried out this resolve will, on the whole, meet with the

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favourable verdict of posterity. They have considered that they were bound to allow the inhabitants to progress in manufactures, although that progress was sure to enable them to compete with English manufactures. But, though they have been and are willing to allow India to compete on even terms, they have not been and are not willing to allow her to compete on other than even terms. They say in effect 'you may run in the race of manufacture against us and beat us if you can, but it must be at even weights—if the weight upon us is increased, the weight upon you must be increased to the same extent. We will not consent to be handicapped if in our opinion the extra weight would give rise to any chance of our being beaten.' Now this is probably as much justice as anyone can expect in this world. It falls short of the higher altruism exhibited by Gautama in one of his many incarnations, when he met a starving tigress with cubs, and was so moved with compassion as to allow her to satisfy her hunger by eating him. This was in the Golden Age, and the like is not expected of men in this Age of Iron. No doubt England would enforce this rule on the Colonies also, but she has granted them the power of self-government. She cannot withdraw the gift, and the Colonies, rightly or wrongly, exercise their power by putting on protective duties much to the disgust of the mother-country, who cannot, however, interfere.

"But assuming that it would be impolitic on both grounds to attempt to impose a protective duty, there is a serious difference of opinion as to whether the 5 per cent. import-duty would act as a protective duty. The Indian manufacturer contends—and it appears that the Financial Member agrees with him—that the 5 per cent. import-duty will not operate as a protective duty on the grounds set out by the Bombay millowners in their very able memorial and on other grounds. If this be so, the imposition of an excise-duty of 5 per cent. on Indian manufactures is, of course, wholly unjustifiable. It is onerous, unprofitable and harassing to trade. The English manufacturers and the Secretary of State for India contest this position, and maintain that the duty will be protective, and urge that even if the competition is small now it would increase greatly if the English goods were paralysed by a 5 per cent. impost—whatever might be the motive for imposing it.

"The question is, What should we do now under the circumstances? Although the Secretary of State for India may order the introduction of Bills by the Executive Government before the Legislative Council, yet this Council

[*Sir Griffith Evans; Babu Mohiny Mohun Roy.*] [20<sup>TH</sup> DECEMBER,

is admittedly free to reject them wholly or in part. This Council is the only body in India to which legislative powers in these matters have been delegated by Parliament. I am not an expert in these matters, and my opinion as such cannot carry any weight; but I may say without going into details, which I leave to others more skilled, that, using such intelligence as I possess upon the materials before us, I should come to the conclusion that no sufficient case had been made out for the imposition of this excise. If, therefore, we were dealing with this proposal solely upon its merits, I should divide the Council and vote against the Bill being referred to a Select Committee. But we are not dealing with abstract right, but must consider as practical men what is best to be done under the circumstances. Considering the previous history of the question, and considering the recent discussion in Parliament, and the pledges given then by the Secretary of State for India as a member of Her Majesty's Government, I do not think it is practically open to him at present to sanction an import-duty on cotton without a countervailing excise of some sort. The financial necessity for the imposition of the import-duties is imperative. As we must have these duties and cannot, under present circumstances, have them without a countervailing excise of some sort, I do not think it wise to oppose the Bill being referred to a Select Committee.

"But as to the details of the Bill, and as to whether the limit should be 20s or 24s, I hold myself quite free and in no way bound by the limits which the Secretary of State has telegraphed, and which are consequently incorporated in the Bill. Should the majority of the Members of the Council differ from the Secretary of State on these matters, and alter the limits to 24s, I for one will be perfectly ready to risk the chance of the Secretary of State for India exercising the only constitutional right he has with regard to the proceedings of this Council by vetoing the Bill. It would be a step which he would find it hard to take, and impossible to justify; but this is a matter for consideration at a later stage of the Bill. I mention it merely to show that I think different considerations will apply to the details of the Bill, even those ordered by the Secretary of State for India, and also in order to define my position, so that I may not hereafter be accused of inconsistency in bowing to the decision of the Secretary of State in the one case and refusing to do so in the other."

The Hon'ble MOHINY MOHUN ROY said:—"I have read the very candid statement made by the hon'ble member in charge. I have no hope that the Bill



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will be withdrawn, or that any large modification will be made in it. But I consider it my duty, as one of Your Excellency's Counsellors, to submit for your consideration what we think of it. The duty stood at 5 per cent. from 1859 to 1864. It was raised to  $7\frac{1}{2}$  per cent. by Act XXIII of 1864. It was reduced to 5 per cent. by Act XVI of 1875. This was the beginning of the end, and the end came in 1882, when, by Act XI of 1882, the import-duty was wholly repealed, together with export-duties upon divers articles. How the reduction and repeal of the import-duty affected the revenue may be judged from the following figures:—In 1874-75, customs-revenue was £1,800,000, from 1875-76 to 1881-82 it fluctuated between £1,700,000 and £1,500,000. In 1881-82 it was only £400,000. During the long period from 1859 to 1882 there was no countervailing excise. Only once the question seems to have been raised; it was in the year 1861 when the Hon'ble Samuel Laing, the Finance Member, disposed of it as follows.

“I read from *Calcutta Review* of 1889, page 325. The Hon'ble Samuel Laing says (Financial Statement, April 27th, 1861):—

‘The principle of free trade is to impose taxes for the purposes of revenue only, and if yarn be a fit subject for taxation, there ought to be an excise on the Native manufacture, equal to the customs-duty on the import article, unless the latter be so small in amount that it would be palpably not worth while to establish a countervailing system of excise. With a 5 per cent. import-duty this might be the case, but, at any higher rate, untaxed Native yarn would manifestly be a protected article.’

“This seems to be the true exposition of the principles of free trade. If an import-duty be moderate, not exceeding 5 per cent. *ad valorem*, and imposed *bonâ fide* for purposes of revenue and not for the purpose of protecting an article of home produce, it is not contrary to the principles of free trade. With reference to the repeal of the cotton-duties, Sir Richard Garth in his *Few Plain Truths about India* says:—

‘Of course we all know the true reason for that measure. We all know that it was pressure put upon England by the Lancashire cotton-spinners, although the pretext assigned for it was the plausible one of free trade. But what have we to say with regard to gold and silver manufactures? England's manufactures of that kind have long been admitted into India duty-free, while similar Indian manufactures are still subject in England to a heavy import-duty. Let us hope, from what we hear, that this injustice may soon be discontinued; but it has lasted long enough to make India doubt the sincerity of England's free-trade principles. And what have we to say to the Indian tea industry? No

men in the world have worked harder, or under greater difficulties, to establish their position than the tea-planters in India. What has England done to aid those men? Have we given them the benefit of our vaunted free-trade principles? Although tea is one of the necessities of life, and many people would say one of the special necessities of the poor, Indian tea is now paying a duty to England of six pence per pound, amounting annually, I believe, to upwards of two millions sterling. Is this free-trade? Does the duty upon Indian coffee or Indian rice savour of free-trade?

“Sir Richard Garth’s notions of free-trade appear to be somewhat hazy. Subjecting the gold and silver manufactures of India to a heavy import-duty is, no doubt, contrary to its principles, because it is protective of the same articles of English manufacture. But a heavy tax upon tea or other necessity of the poor has nothing to do with it, because England does not grow any tea which such a tax is likely to protect. It seems that even foreign wheat or other corn may be heavily taxed in England without contravening the principles of free-trade, provided that there be a countervailing excise on the British produce. I apprehend the doctrine of free-trade to be this, that no Government ought to impose a heavy duty upon a foreign article so as to favour and foster the producers of that article in the country, and by keeping up its price to make it profitable to them to produce it. The heavy duty falls indirectly upon the consumers. They may make a grievance of it, and complain that they are made to pay a higher price for the article than is necessary in order that the producers of the home article may thrive. The logical consequences of this doctrine are that every industry which cannot stand foreign competition must perish. To adopt this principle in a rich country, where the wages of labour are high, would seem to be questionable wisdom. For, if this principle were fully acted upon, most of the industries in England must succumb in time to foreign competition. But there is this peculiarity in the political principles of that country, that they are always subordinate to party considerations.

“And again:—

‘An import-duty at 2½ per cent. upon the above articles which are now free under Lord Ripon’s Act would produce £1,314,353, a sum very nearly equal to the loss of customs-revenue caused by that Act. If it be necessary for the purposes of the revenue to raise the duty hereafter to 5 per cent., it can be very easily done. To appease Manchester, it will be necessary to impose a 2½ per cent. excise upon the cotton goods manufactured by our mills. There is no competition. There never was any between the Manchester goods and cloth made by weavers. The two articles are quite distinct from each other. The excise will, therefore, be limited to machine-made cloth, the produce of

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our cotton mills, and to such portion of it as is consumed in the country. A large portion is exported to China and other countries which will pay an export-duty instead. There is an impression that the assessment of excise will be a matter of some difficulty. Our financiers say, how can we re-impose the import-duties without a corresponding excise upon the produce of our cotton mills? They seem to consider this as an insuperable objection. But there does not appear to me to be anything formidable in it. If for the re-imposition of the import-duties it be necessary to have an excise, let us have it by all means. It will be limited, for the reasons stated above, to such portion of the produce of our cotton mills as is sold to country dealers for home consumption. The mills are few in number. There will be no great difficulty in ascertaining the quantity and value of the exciseable produce from the books of the firms.'

"I would humbly suggest—

"First, that the excise should be only  $2\frac{1}{2}$  per cent., or much lower than the import-duty.

"The import-duty may be divided into two parts—one-half or  $2\frac{1}{2}$  per cent. imposed *bona fide* for purposes of revenue. There should be no countervailing excise for this part.

"The other half or  $2\frac{1}{2}$  per cent. may operate as a protection, and we may have an equivalent excise for it.

"Secondly, the process for ascertaining the produce of the Indian mills and such portion thereof as is used for home consumption should be simple and not inquisitorial and harassing.

"Returns made by millowners, as in the case of income-tax, should ordinarily be taken as sufficient."

The Hon'ble MR. PLAYFAIR said:—"My Lord, while the necessity for further taxation upon the people of this country for the purposes of the revenue of the State is greatly to be deplored, it will be hailed as a matter of public satisfaction that Your Excellency's Government has determined to liberate itself from the illogical position in which it was found last March, by now extending the tariff of imports to all classes of goods, including cotton fabrics and yarns. While the public feeling was very deep and pronounced against the exclusion of cotton goods from the Tariff Act, it was generally felt and admitted that the responsibility of that decision did not rest wholly with Your Excellency's Council. The satisfaction will be all the greater that, for the present at all events,

it removes from the public mind the fear of a new resort to that most objectionable financial device, so far as a country like India is concerned—direct taxation. While the straightforward statement which has been made by the hon'ble member in charge of the Bill cannot fail to be appreciated both within and without this Council Chamber, it will be a disappointment that the Government of India has been obliged to associate with this import-duty a countervailing excise on local cotton manufactures. I have found no desire, my Lord, on the part of those directly interested in the manufacture of cotton goods in this country, nor of any section of the community, to bring about a protective tariff. The proposed excise will in itself excite prejudice by what it may seem to lead to as well as by its actual provisions. In itself it will be regarded as pernicious, or, to take the mildest view, not promotive of revenue, or economy, and it must be admitted that the smaller the benefit to the revenue the more forcible is the enunciation of the principle upon which the Government is acting. As a principle it will bring into prominence the overpowering influence of an authority which, if exercised without regard to the immediate interests of India, may take away from this Council all independence and its representative character. It will be assumed—indeed it has already been assumed—that India is not to be allowed to develop any industrial enterprise if that enterprise is likely to compete with an English industry. Nor will the consistency of the principle be appreciated by the people of this country that it should be reasonable and proper for the British Government to realise a customs-duty on India's product—tea, amounting to £2,000,000 sterling per annum, while India may not be permitted to have freedom in the production of her cotton fabrics, which may result in a possible annual pecuniary benefit amounting to £8,000 only. I have received from the Secretary of the Bengal Chamber of Commerce a copy of a resolution passed at a special meeting of the Committee held on Tuesday last, which reads as follows:—

'The Committee of the Chamber of Commerce protest against an excise-duty, not resorted to on its own merits, being levied on Indian goods merely as the result of a decision come to by an authority which, as alleged by the Financial Member of Government, has by the constitution of the Government of India the power to enforce that decision.'

"Time having afforded the opportunity for a more deliberate investigation of the whole question since the passing of the Tariff Act in March last, it has been shown by those more immediately interested in the manufacture of cotton

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goods in this country that the views held by some of the members of this Council were correct, and that the imposition of customs-duties upon what are known as Manchester goods would not in the circumstances be protective of the local industry, for the reason that Lancashire does not now attempt to manufacture, for export to this country, the class of goods produced by Indian mills. The very able letter addressed to Your Excellency's Government by the Secretary to the Millowners Association of Bombay, dated 10th September of this year, dispels the phantom of protection. It is clearly shown in that communication that India does not enter into competition with Lancashire, nor can Lancashire compete with India, the position now being that English spinners have confined their attention to what is to them the more profitable production of fine qualities of yarns manufactured from a quality of cotton superior to the supplies obtainable in this country, and that, combining therewith the advantages of highly skilled labour, and of climate, Lancashire is able to defy competition in these manufactures. It has also been shown that Indian machinery, on the other hand, can be more profitably employed on yarns of a low count, made from the short staple cotton of the country. A careful study of the question has revealed the fact that the production of cotton goods of the world has proceeded on perfectly natural lines, and that since the subject was reviewed by this Council twelve years ago Lancashire has confined her attention to the production of high class goods, leaving India to supply her own wants in the manufacture of goods of low quality. So pronounced has been the change in England to the manufacture of a finer class of goods only, that the export from Bombay to the United Kingdom of the short stapled Indian cotton has fallen from  $62\frac{1}{2}$  per cent. of the total quantity of cotton exported twenty years ago, to the insignificant figure of  $2\frac{1}{2}$  per cent. during the past year. That is to say, while in the year 1873-74 the exports of Indian cotton from Bombay to the United Kingdom amounted to 821,000 bales, the off-take for the United Kingdom during the past year was only 49,000 bales. During the same period the annual consumption of the Indian mills has risen from 83,000 bales to 731,000 bales, while the exports of Indian cotton to the Continent have advanced from 371,000 bales to 860,000 bales, a fact to which I would direct attention as being of considerable significance. In short, India, the Continent of Europe, and more recently Japan, have become the spinners of the short staple cotton which they manufacture into the coarser fabrics required by the poorer classes in the East. These circumstances, I presume, were not known to my hon'ble friend the member for Madras when

in March last he criticised the proposed imposition of customs-duties upon cotton goods as protective in its character and therefore inadmissible. The resolution of the House of Commons of the 11th July, 1877, calling for the repeal of customs-duties on cotton goods, upon which the Secretary of State founds his action, was also based on the supposition that such duties would be protective and therefore contrary to sound commercial policy. I think I may claim that the altered position of the trade which has now been demonstrated does away with any force there might have been in that resolution. Statistics show that 94 per cent. of Indian spinnings represent counts of yarn under No. 24s; the remaining 6 per cent. represent yarns ranging from 24s to 40s. The latter is an infinitesimal portion of the entire production, and, even if such goods enter into competition with Lancashire manufactures, there appears to be no reason to believe that a moderate import-duty, unaccompanied by a countervailing excise, would bring with it an increase in the production of the finer qualities in this country. The whole experience of the manufacturers in India is that it does not pay to make other than low count yarns from the raw material ready to their hand. Four-fifths of the Indian production is exported to the China and Japan markets, the remainder is worked up for the most part on hand-looms, giving employment and a livelihood to many thousands of poor weavers all over India. The proposal, therefore, to levy a countervailing excise-duty upon the very small quantity of the finer counts of Indian yarn coming into a possible competition with Lancashire, is one that will never commend itself to public approval. It will be admitted that an excise-duty is indefensible if the revenue produced is not commensurate with the cost of collection. I assume, my Lord, that productiveness, equity and economy, both with regard to the cost of collection and the loss imposed on the community, are ends to be desired in connection with the imposition of taxation, and this ideal the present proposal of an excise-duty is not likely to realise. It has been estimated by the millowners of Bombay that the total value of yarn produced by all Indian mills amounts to about Rs. 200 lakhs; deducting from this the value of production in Native States, estimated at Rs. 42 lakhs, there remains Rs. 1,158 lakhs, 6 per cent. of which, representing the finer counts, would be equal to Rs. 69½ lakhs. Deducting therefrom 6 per cent. of the value of cottons exported which would become entitled to a drawback, there remains the sum of 32 lakhs of rupees for excise-duty, 5 per cent. of which would amount to the very trifling sum of Rs. 1,60,000. This forecast of income given by Indian millowners is somewhat less than the estimate of

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revenue made by the Hon'ble Member for Finance, placed by him at Rs. 2½ lakhs, and I presuppose that on further investigation the Government of India will find it equitable to exclude from the operation of excise local-made yarns of counts less than 24s. From the income of Rs. 1,60,000 the cost of collection has to be taken before the net value of the tax can be ascertained. It is therefore evident that it will not be a productive tax economically levied, while it will fail in equity, being inquisitorial in its character and therefore a harassment to trade. In short, it will not secure the high return that has been laid down as a necessary accompaniment in justification for the imposition of so vexatious a system as the excise.

“ There is another aspect of the question to which I would respectfully invite the attention of the members of Your Excellency's Council. An examination of the profits realised by the Indian power-loom manufacturers will show that the trade is not a particularly remunerative one, and that the competition which has of late years arisen between Bombay and Japan, and which is now growing in importance, is not likely to render the position of Indian manufacturers more easy in the future. During the past ten years the Japanese have made large strides in the production of the quality of goods turned out by Indian mills, so much so, that not only have the exports from India and the United Kingdom to Japan been greatly reduced, but Japanese manufacturers have entered into serious competition with British and Indian cottons in the Chinese market. The report on the foreign trade of Japan by Her Majesty's Consul shows that the decrease in imported yarns during last year has been most marked in the Bombay yarns with which Japanese-made yarns, exported to China, compete more actively and effectively than with the higher grades from Lancashire ; and with the continued development of spinning in Japan under the highly favourable conditions under which this industry is now conducted and is likely to continue to be pursued, there is every prospect, not only of the entire disappearance of Bombay yarns from the Japanese market, but even of their ultimate expulsion from the markets of China. This, Her Majesty's Consul remarks, is the outcome of the immense advantages obtained by Japan in having machinery of the best and latest kind and a plentiful supply of cheap labour, extremely cheap fuel, and no factory regulations, the operatives being permitted, if they chose and are able, to work from twelve to fourteen hours a day. The position, therefore, may be this, that India's export trade in cotton yarns may diminish without the prospect of locally expanding the sale of the coarser yarns ;

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and with the impossibility of competing successfully with Lancashire in the production of the higher counts, the manufacturing industry may languish to the detriment of the grower as well as of the spinner of Indian cotton.

“My Lord, looking to the interests at stake, and the grave political issues involved, I have gone further into this matter than otherwise I should have considered necessary, but it is absolutely necessary to impose an import-duty on cotton goods, and as the Government is precluded by orders from England from introducing a Bill for that purpose, without also introducing a Bill imposing a countervailing excise, I shall not ask Your Excellency to take a division on the question whether this Bill be referred to a Select Committee.”

The Hon'ble MR. CLOGSTOUN said:—“The hon'ble member who has just spoken has referred to my objection last March to the imposition of duties on cotton goods as being protective. I welcome the Bill which has now been laid on the table, and which with even-handed justice both to the people of England and of India removes from these duties every atom of protection.”

The Hon'ble FAZULBHAJI VISHRAM said:—“My Lord, the Government of India is to be congratulated in having at last succeeded in obtaining sanction for the re-imposition of the cotton-duties. The necessity and justice of the measure were so fully discussed in Council on the former occasion that it is unnecessary to say more about it, though we cannot help regretting the loss of revenue and the dislocation of trade—not to speak of other mischievous consequences—that would have been avoided if Indian interests had not been considered in England of less importance than those of Lancashire.

“But the condition which is attached to this tardy concession of justice minimises the grace of the act. I may say at once that, subject to the qualifications I shall state, I do not wish to oppose the measure for the imposition of the countervailing excise on cotton goods manufactured in India. The position I take up now is the position I assumed when I had the honour of addressing Your Lordship's Council last. The remarks I made then seem to have been somewhat misapprehended in certain quarters, and I therefore beg Your Lordship's permission to quote what I said:—

‘As regards the demand for a countervailing excise-duty upon cotton goods manufactured in India, had there been any parity between the goods upon which we suggest a duty should be imposed and the goods manufactured in India, and had even the levying of such an excise-duty been practicable, the suggestion would be unworthy of the greatest



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nation of the world towards its almost bankrupt dependency. In order, however, to do away with a wrong to the country which results in the appropriation of the Famine Grant and other items ordinarily applicable for the improvement of provincial administration, I, for one, speaking as a millowner, would be willing to support the levying of an excise-duty on cotton goods manufactured in India, assuming, of course, that such an impost can be practically levied without injustice and serious trouble.'

"My Lord, I deprecate most strongly—as strongly as anybody else—the necessity which compels Your Excellency's Government to impose, against its own inclination and considered judgment, a tax which no doubt will more or less cripple the industrial development of this country. It is a matter for regret that the idea of protection, which, speaking with all respect, I am bound to characterise as chimerical, should have induced the authorities in England to hamper the discretion of the Government of India in this question. I ventured to state, in the course of the debates on the Tariff Act that there was very little parity between cotton goods and cotton yarns manufactured in India, and those imported from England, that even if an excise-duty was considered desirable there would be great difficulty in levying the impost. From the speech of my hon'ble friend the Finance Member I understand that all these considerations, which the Government of India as the custodians of the interests of this country must have laid fully and clearly before the Secretary of State, have been put aside. I also gathered that the sanction for the re-imposition of the cotton-duties is based upon the condition of introducing a countervailing excise impost. That being so, in accordance with the promise I ventured to make in Council last March, I give my adhesion to the principle of the Bill. At the same time, I beg to enter an emphatic protest against the proposal to make counts lower than 24 excisable. The Hon'ble Finance Member himself seems to appreciate the inexpediency of imposing a tax upon these low counts. As a matter of fact, counts below 24 (or even 28) do not enter into competition with imported yarns, and to impose a duty upon yarns below that count would, in my opinion, have the effect of materially crippling an industry which every statesman interested in the economic development of the country would endeavour to promote to the best of his abilities. It will not only cripple that industry, but will throw out of employ a large number of people now engaged in the manufacture of cloth. The countervailing duty would be comparatively harmless if Government were to exempt the country's production up to at least 24s counts instead of 20s as it now proposes to do. It will even then mean a tax on 6 per cent. of the Indian outturn. Over 20s counts it will come to about

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20 per cent., but when it is borne in mind that the imports from England contain only about 1 per cent. of low counts below 24s or rather 2 per mille as the Hon'ble Mr. Westland stated on Monday last, it seems to me that it would be disastrous to the cotton industry of India to impose an excise-duty on counts below 24s. For these reasons I would strongly urge upon Government the desirability of placing the excisable limit at 24s instead of 20s. I feel that in saying these words I am to a certain extent running counter to the feelings and wishes of most of the millowners in my part of the world, as may be seen from the powerful memorial and the telegram from the Bombay Millowners Association circulated to us last night; besides which some telegrams have been addressed to me direct objecting to the excise-duty *in toto*, but a strong sense of duty and the conviction that the act of justice which has been accorded to this country can only attain fruition upon the condition that a countervailing duty should be levied upon Indian manufactured goods impels me to give my assent to the proposed measure. At the same time, I feel impelled to urge upon Government the consideration that, in imposing the duty in question, they should not go beyond the necessity of the case, and not do what may prove to be disastrous to an industry from which great results are expected to the prosperity of the country, and which besides has already undergone serious dislocation in consequence of the recent currency legislation and the imposition of duty on silver and on mill stores. It must also be remembered that a duty of 5 per cent. means a charge of nearly half an anna per pound when such a hue-and-cry is raging against the agent's commission of a quarter of an anna per pound of production. It is a serious burden on the poor of the country who use the coarse cloth which is manufactured from yarns below 24s. I appeal, therefore, to the Hon'ble Finance Member to exclude from taxation all counts below 24s, which cannot possibly compete with English yarns, instead of merely reserving a power to do so in future. Considering the facts that stand uncontradicted and the admitted circumstances of the goods manufactured in India and imported from England, such reservation, to say the least, is meaningless."

The Hon'ble MR. WESTLAND said :—"I cannot help thinking that the Government is placed in some difficulty in defending the provisions of a Bill which they have professedly brought forward as imposed upon them by conditions required by the Secretary of State and not by conditions which they themselves entirely, or independently, approve of. Our projected legislation was based upon our financial necessities, and our financial necessities are met by the

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imposition of duties upon imported yarns. So far as we were concerned, and so far as the object with which we impose these duties was concerned, we would have been satisfied with these duties on imported cottons. I freely admit that it is because the Secretary of State or rather Her Majesty's Ministers have laid upon us the condition of accompanying that measure with a measure for excise-duties, that we have brought forward this Bill; and, as I stated last Monday, I did not discuss it then on its merits, but simply stated that the decision was that of the Secretary of State; and I promised to lay, and did lay, upon the Council table the discussions of the subject which had passed between us and the Secretary of State. I am, therefore, of necessity obliged to state to the Council that this measure is recommended to us by superior orders and by orders which we are obliged to obey. In a paper which has been placed in my hands since I entered this room, I observe that the Chamber of Commerce have passed a resolution in which they say they object to, and protest against, the present taxation, because it has not been resorted to on its own merits, the duties having been levied merely as the result of the decision come to by the Secretary of State and Her Majesty's Ministers. I think that is an unfair statement of the case. If I had told the Council that those were the orders of the Secretary of State, and that it was the business of the Council to carry them out, that resolution would have been a just one. But I placed before the Council the full reasons which have recommended this measure to the Secretary of State, and if this measure is to be opposed, it ought to be opposed with reference to those reasons, and not on the ground that it is merely the result of the decision come to by the Secretary of State.

“Nor, as regards the position of this Council, am I at all at one with my honorable friend Sir Griffith Evans. He remarked that when the Legislative Council meets here we are at liberty to look at the matter from a purely independent point of view. That may be the case with members of the Council who are not also members of the Government, but I do not know of any foundation for the theory that, when Your Excellency calls together the additional members of Council to advise the Government of India, the Government thereby acquires an authority which in other respects it does not possess. The orders of the Secretary of State, though they may not be a sufficient excuse for the additional members of this Council voting against what is recommended to us, yet are sufficient for us who are members of the Executive Council, and who exercise our power not by any authority of our own or in our own name, but in the name

of Her Majesty. Her Majesty's Ministers have considered the present subject, and, so far as we know, with the fullest information before them. Our duty has been to lay before them all the facts within our knowledge, and we have also laid before them all the arguments which we could bring to bear on the question. I cannot feel that we have in this respect in any way fallen short of our duty. We have stated the matter as fully as possible, and Her Majesty's Government have had before them a complete case before they pronounced their judgment. The Hon'ble Sir Griffith Evans has stated in words, which I am ready to accept as my own, how the problem presented itself to them. It is clear from his statement there are two sides to that problem. The fact that the Secretary of State has not decided altogether in favour of the proposals placed before him is no evidence that he has shut his eyes to Indian interests and discussed the matter from a purely English point of view. I think it is a matter for regret that in one of the papers, which has not yet been placed before the Council, but which is ready to be presented, a complaint to this effect is made against the Secretary of State. I do not think it is fair to take that position. I think the Secretary of State has acted throughout the matter with as much consideration as we could expect—with even more consideration than many of our public critics did expect. In March last he gave us a pledge that, if necessary, he would allow us to take into consideration the question of imposing the cotton-duties. He has completely fulfilled that pledge, and our hands are now free to do what last March he said he would under certain circumstances permit us to do. On the question of excise he has noted all the objections which have been placed before him. Almost every objectionable feature in the excise-duty has been eliminated. We have not a general excise-duty, but an excise-duty strictly limited to those counts which enter into direct competition with Manchester, and in thus limiting the duty he has laid down a principle which may very well be accepted as fair between the two contending interests. The only question of difference which arises is the precise point at which that principle shall begin to apply or cease to apply. It is on that point mainly that objections have been made to this Bill. We are told that counts below 24 are not competitive, and therefore ought upon this principle to go untaxed. The information given to us on that subject by Mr. Playfair is of value, but a great part of it was already before the Secretary of State, and he has so far met our views as to indicate that the question is not closed, and that it may be possible for him, after fuller enquiry on the subject, to exempt those counts although it is at present proposed to tax them. I think there is,

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therefore, no ground for alleging that the Secretary of State has not held the scales fairly as between English and Indian interests, and I commend the measure to the Council not merely on the allegation that the Secretary of State has laid upon us the obligation to impose it, but because from the merits of the discussion, and upon the facts as shown in the papers before the Council, it may fairly be accepted that the Secretary of State has done equal justice between two opposing interests, and that the measure he has imposed upon us bears upon its face the evidence of due consideration of our claims."

The Motion was put and agreed to.

The Council adjourned to Thursday, the 27th December, 1894.

CALCUTTA ;  
The 22nd December, 1894. }

J. M. MACPHERSON,  
*Offg. Secy. to the Govt. of India,*  
*Legislative Department.*