

Tuesday, 2nd March, 1943

# COUNCIL OF STATE DEBATES

(OFFICIAL REPORT)

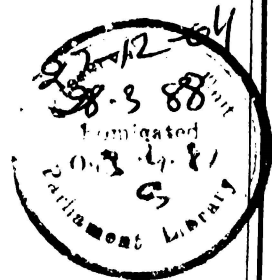
VOLUME I, 1943

*(15th February to 3rd April, 1943)*

## THIRTEENTH SESSION

OF THE

# FOURTH COUNCIL OF STATE, 1943



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1943

# Council of State.

## *President :*

THE HON. SIR MANECKJI DADABHOY, K.C.S.I., K.C.I.E., LL.D., B.A.B.-AT-LAW.

## *Panel of Chairmen :•*

THE HON. SIR DAVID DEVADOSS.

THE HON. MR. M. N. DALAL.

THE HON. SIR RAHIMTOOLA CHINYOY.

THE HON. MR. V. V. KALIKAR.

## *Secretary :*

THE HON. MR. SHAVAX A. LAL, C.I.E.

## *Committee on Petitions :*

THE HON. RAJA CHARANJIT SINGH, *Chairman.*

THE HON. PANDIT HIRDAY NATH KUNZRU.

THE HON. SIR RAMUNNI MENON.

THE HON. HAJI SYED MUHAMMAD HUSAIN.

THE HON. MR. M. N. DALAL.

} *Members.*

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# COUNCIL OF STATE

*Tuesday, 2nd March, 1943.*

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the Chairman (the Honourable Sir David Devadoss) in the Chair.

## MEMBER SWORN :

The Honourable Mr. H. C. Prior (Labour Secretary).

## QUESTIONS AND ANSWERS.

### VISIT OF AN ECONOMIC MISSION FROM THE BELGIAN CONGO.

71. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : Is it a fact that an official Economic Mission from Congo Belgian territory has visited, or is about to visit India, to explore the possibility of exporting to Congo certain Indian products ? If so, will Government state the main details of the scheme ; and consult Indian commercial and trade interests before any definite conclusion or agreement is reached which may adversely affect Indian business interests ?

THE HONOURABLE MR. N. R. PILLAI : It is understood that the Belgian Congo authorities had under consideration a proposal to send a trade mission to India with a view to investigating the possibilities of developing economic relations between India and the Congo. The proposal has since been dropped.

### U. S. FORCES IN INDIA.

72. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : (a) Will Government make a statement relating to the position of the U. S. A.'s military forces in India in regard to the jurisdiction of Indian criminal and civil Courts over them ? Are the troops amenable to the laws and Courts in India ? If not, what is the exact position ?

(b) Will Government also state whether the position of American troops in India, and the position of Chinese troops, if any, in India, are exactly similar, so far as the point referred to in (a) above is concerned ? If not, what are the points of difference between them ?

THE HONOURABLE SIR MAHOMED USMAN : (a) and (b). Members of the forces of the United States and China for the time being in British India are amenable to the normal jurisdiction of the British India civil Courts.

As regards criminal jurisdiction the Allied Forces Ordinance, 1942 (LVI of 1942), has been made applicable both to the United States and to China, with the result that such offences by members of the forces of the United States or China as are under the law of the United States or China, as the case may be, triable by service Courts of the country concerned are so triable in British India. Section 12 of the Ordinance however saves the jurisdiction of the ordinary criminal Courts in British India to try a member of the forces of a foreign power for any offence against the law of British India. This section has been left to its operation in the case of China but has been out of operation in the case of the United States by the Allied Forces (United States of America) Ordinance, 1942 (LVII of 1942), which provides that notwithstanding section 12 of the Allied Forces Ordinance no criminal proceedings shall be prosecuted in British India before any Court in British India against a member of the forces of the United States, unless on representation made on behalf of the Government of the United States in any particular case the Central Government directs otherwise in respect of that particular case. This provision rests on an agreement between the Government of India and the Government of the United States which is of a reciprocal character. Consequently on the recent extra-territorial Treaty with China it is proposed to negotiate a similar reciprocal agreement with China. If such agreement is concluded, it will of course be implemented by legislative provision for China in the sense of that made for the United States by the Allied Forces (United States of America) Ordinance, and the position with respect to the Chinese forces will then be the same in all respects as the position now prevailing with respect to the forces of the United States.

THE HONOURABLE MR. HOSSAIN IMAM : May I ask, Sir, whether there is any other Dominion having similar arrangements as the Government of India has ?

**THE HONOURABLE SIR MAHOMED USMAN :** Notice, Sir.

**AGREEMENT BETWEEN THE U. S. A. AND INDIA UNDER LEASE-LEND OR OTHERWISE.**

**73. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH :** (a) Is there any proposal for a direct agreement between India and the United States, under the Lease-Lend arrangements or otherwise? If so, what is the exact scope of the agreement, and its fiscal implications, including the possible provision for the removal of mutual tariff barriers in order to ensure freer trade between the two countries?

(b) What reservations do Government propose to incorporate in the agreement, in order to ensure fiscal autonomy, and Indian industrial development?

**THE HONOURABLE MR. C. E. JONES :** I would refer the Honourable Member to the answer to his question No. 37 on the 22nd February, 1943.

**RELINQUISHMENT OF EXTRA-TERRITORIAL RIGHTS IN CHINA.**

**74. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH :** Is it a fact that on or about the 11th January a treaty was concluded at Chungking between China, India and the United Kingdom, formally recording the abrogation of extra-territoriality, and certain other matters? If so, will Government specify the other matters embodied in the treaty, so far as India is concerned? Who signed the treaty on behalf of India; and will Government lay a copy of it on the table?

**THE HONOURABLE SIR MAHOMED USMAN :** The answer to the first sentence in the Honourable Member's question is in the affirmative.

The answer to the second sentence is that he will best be able to study the matters covered by the treaty by examination of the copy of the treaty which I shall now lay on the table. A detailed summary moreover was widely published in the Press on the 12th of January.

The answer to the last sentence is that, in the absence from China of the Agent General, the treaty was signed on behalf of India by Mr. Richardson, the Agent General's Secretary. A certified copy of the treaty is placed on the table.

**FROM H. J. SEYMOUR, BRITISH EMBASSY, CHUNGKING, TO THE RIGHT HONOURABLE ANTHONY ADEN, M.C., M.P., FOREIGN OFFICE, LONDON, S. W. 1, NO. 34, DATED THE 13TH JANUARY 1943.**

*(Copied to Government of India No. 6).*

With reference to your telegram No. 23 of January 6th, I have the honour to transmit herewith three certified copies of the Treaty between His Majesty, in respect of the United Kingdom and India, and the President of the National Government of the Republic of China, and of the Exchange of Notes and Agreed Minute attached thereto, concerning the relinquishment of extraterritorial rights in China and the regulation of related matters, signed at Chungking on January 11th, 1943.

#### **TREATY.**

His Majesty the King of Great Britain, Ireland and of the British Dominions beyond the Seas, Emperor of India, and His Excellency the President of the National Government of the Republic of China :

Being desirous of defining more clearly in a spirit of friendship the general relations between them, and for this purpose to settle certain matters relating to jurisdiction in China ;

Have decided to conclude a Treaty for this purpose and to that end have appointed as their Plenipotentiaries :

His Majesty the King of Great Britain, Ireland and of the British Dominions beyond the Seas, Emperor of India (hereinafter referred to as His Majesty the King) :

For the United Kingdom of Great Britain and Northern Ireland :

His Excellency, Sir Horace James Seymour, K.C.M.G., C.V.O., His Majesty's Ambassador Extraordinary and Plenipotentiary to the Republic of China ;

For India :

Hugh Edward Richardson, Esq., an officer of the Indian Political Service ;

His Excellency the President of the National Government of Republic of China ;

H. E., Doctor Tse Vung Soong, Minister for Foreign Affairs of the Republic of China ;

Who, having communicated to each other their full powers, found to be in good and due form, have agreed as follows :—

#### **Article 1.**

(1) The territories of the High Contracting Parties to which the present Treaty applies are, on the part of His Majesty the King, the United Kingdom of Great Britain and Northern Ireland, India, all colonies, overseas territories, protectorates of His Majesty, all territories under His protection or suzerainty and all mandated territories in respect of which the mandate is exercised by His Government in the United Kingdom ; and on the part of His Excellency the President of the National Government of the Republic of China, all the territories of the Republic of China. Any reference in subsequent articles of the present Treaty to the territories of one or the other High Contracting Party shall be deemed to relate to those territories of that High Contracting Party to which the present Treaty applies.

(2) In the present Treaty, the term "nationals of the one (or of the other) High Contracting Party" shall in relation to His Majesty the King mean all British subjects and all British protected persons belonging to the territories to which the present Treaty applies; and in relation to the Republic of China, all nationals of the Republic of China.

(3) The expression "companies of the one (or of the other) High Contracting Party" shall for the purpose of the present Treaty be interpreted as meaning limited liability and other companies, partnerships and associations constituted under the law of the territories of that High Contracting Party to which the present Treaty applies.

*Article 2.*

All those provisions of treaties or agreements in force between His Majesty the King and His Excellency the President of the National Government of the Republic of China which authorise His Majesty or His representatives to exercise jurisdiction over nationals or companies of His Majesty in the territory of the Republic of China are hereby abrogated. Nationals and companies of His Majesty the King shall be subject in the territory of the Republic of China to the jurisdiction of the Government of the Republic of China, in accordance with the principles of international law and practice.

*Article 3.*

(1) His Majesty the King considers that the Final Protocol concluded at Peking on September 7th, 1901, between the Chinese Government and other Governments, including His Majesty's Government in the United Kingdom, should be terminated, and agrees that the rights accorded to His Majesty's Government in the United Kingdom under that Protocol and under the agreements supplementary thereto shall cease.

(2) His Majesty's Government in the United Kingdom will co-operate with the Government of the Republic of China for the reaching of any necessary agreements with the other Governments concerned for the transfer to the Government of the Republic of China of the administration and control of the diplomatic quarter at Peiping, including the official assets and the official obligations of the diplomatic quarter, it being mutually understood that the Government of the Republic of China, in taking over administration and control of the diplomatic quarter, will make provision for the assumption and discharge of the official obligations and liabilities of the diplomatic quarter and for the recognition and protection of all legitimate rights therein.

(3) The Government of the Republic of China shall accord to His Majesty's Government in the United Kingdom a continued right to use for official purposes the land which has been allocated to His Majesty's Government in the United Kingdom in the diplomatic quarter in Peiping, on parts of which are located buildings belonging to His Majesty's Government in the United Kingdom.

*Article 4.*

(1) His Majesty the King considers that the International Settlements at Shanghai and Amoy should revert to the administration and control of the Government of the Republic of China and agrees that the rights accorded to His Majesty in relation to those Settlements shall cease.

(2) His Majesty's Government in the United Kingdom will co-operate with the Government of the Republic of China for the reaching of any necessary agreements with the other Governments concerned for the transfer to the Government of the Republic of China of the administration and control of the International Settlements at Shanghai and Amoy, including the official assets and the official obligations of those Settlements, it being mutually understood that the Government of the Republic of China, in taking over administration and control of those Settlements, will make provision for the assumption and discharge of the official obligations and liabilities of those Settlements and for the recognition and protection of all legitimate rights therein.

(3) His Majesty the King agrees that the British Concession (including the whole British municipal area) at Tientsin and the British Concession at Canton shall revert to the administration and control of the Government of the Republic of China and that the rights accorded to His Majesty in relation to those Concessions shall cease.

(4) The administration and control of the British Concession (including the whole British municipal area) at Tientsin and the British Concession at Canton, including their official assets and official obligations shall be transferred to the Government of the Republic of China, it being mutually understood that the Government of the Republic of China in taking over administration and control of those Concessions will make provision for the assumption and discharge of the official obligations and liabilities of those Concessions and for the recognition and protection of all legitimate rights therein.

*Article 5.*

(1) In order to obviate any questions as to existing rights in respect of or as to existing titles to real property in the territory of the Republic of China possessed by nationals and companies of His Majesty the King, or by His Majesty's Government in the United Kingdom, and in particular questions which might arise from the abrogation of the provisions of treaties and agreements provided for in Article 2 of the present Treaty, the High Contracting Parties agree that such existing rights or titles shall be indefeasible and shall not be questioned upon any ground except upon proof, established through due process of law, of fraud or of fraudulent or dishonest practices in the acquisition of such rights or titles, it being understood that no right or title shall be rendered invalid by virtue of any subsequent change in the original procedure through which it was acquired. It is also agreed that the exercise of these rights or titles shall be subject to the laws and regulations of the Republic of China concerning taxation, national defence and the right of eminent domain; and that no such rights or titles may be alienated to the government or nationals (including companies) of any third country without the express consent of the Government of the Republic of China.

(2) The High Contracting Parties also agree that if it should be the desire of the Government of the Republic of China to replace by new deeds of ownership existing leases in perpetuity of

other documentary evidence relating to real property held by nationals or companies of His Majesty the King or by His Majesty's Government in the United Kingdom, the replacement shall be made by the Chinese authorities without charges of any sort and the new deeds of ownership shall fully protect the holders of such leases or other documentary evidence, and their legal heirs and assigns without diminution of their prior rights and interests, including the right of alienation.

(3) The High Contracting Parties agree further that nationals or companies of His Majesty the King or His Majesty's Government in the United Kingdom shall not be required or asked by the Chinese authorities to make any payments of fees in connection with land transfers for or with relation to any period prior to the effective date of this Treaty.

#### Article 6.

His Majesty the King having long accorded rights to nationals of the Republic of China within each of the territories of His Majesty to travel, reside and carry on commerce throughout the whole extent of that territory, the Government of the Republic of China agrees to accord similar rights to nationals of His Majesty within the territory of the Republic of China. Each High Contracting Party will endeavour to accord in his territories to nationals and companies of the other High Contracting Party in regard to all legal proceedings and in matters relating to the administration of justice and the levying of taxes and requirements in connexion therewith treatment not less favourable than that accorded to his own nationals and companies.

#### Article 7.

The consular officers of one High Contracting Party, duly provided with exequaturs, shall be permitted to reside in such ports, places and cities of the territories of the other High Contracting Party as may be agreed upon. The consular officers of one High Contracting Party shall have the right within their districts in the territories of the other High Contracting Party to interview, communicate with and to advise the nationals and companies of the former High Contracting Party, and the nationals and companies of one High Contracting Party within the territories of the other High Contracting Party shall have the right at all times to communicate with the consular officers of the former High Contracting Party. The consular officers of one High Contracting Party in the territories of the other shall be informed immediately by the appropriate local authorities when any of their nationals are arrested or detained in their consular districts by the local authorities. They shall have the right to visit within the limits of their districts any of their nationals who are under arrest or awaiting trial in prison. Communications from the nationals of one High Contracting Party in prison in the territories of the other High Contracting Party addressed to the consular officers of the former High Contracting Party will be forwarded to the appropriate consular officers by the local authorities. Consular officers of one High Contracting Party shall be accorded in the territories of the other High Contracting Party the rights, privileges and immunities enjoyed by consular officers under modern international usage.

#### Article 8.

(1) The High Contracting Parties will enter into negotiations for the conclusion of a comprehensive modern treaty or treaties of friendship, commerce, navigation and consular rights upon the request of either of them or in any case within six months after the cessation of the hostilities in the war against the common enemies in which they are both now engaged. The treaty or treaties to be thus negotiated will be based upon the principles of international law and practice as reflected in modern international procedure and in the modern treaties which each of the High Contracting Parties have respectively concluded with other Powers in recent years.

(2) Pending the conclusion of the comprehensive treaty or treaties referred to in the preceding paragraph, if any questions affecting the rights in the territory of the Republic of China of the nationals or companies of His Majesty the King, or of His Majesty's Government in the United Kingdom or of the Government of India, should arise in future and if these questions are not covered by the present Treaty and the Exchange of Notes or by the provisions of existing treaties, conventions and agreements between the High Contracting Parties which are not abrogated by or inconsistent with the present Treaty and Exchange of Notes, such questions shall be discussed by representatives of the High Contracting Parties and shall be decided in accordance with the generally accepted principles of international law and with modern international practice.

#### Article 9.

The present Treaty shall be ratified and the instruments of ratification shall be exchanged at Chungking as soon as possible. The Treaty shall come into force on the day of the exchange of ratifications.

In witness whereof the abovementioned Plenipotentiaries have signed the present Treaty and affixed thereto their seals.

Done at Chungking the Eleventh day of January, 1943, corresponding to the Eleventh day of the First month of the 32nd year of the Republic of China in duplicate in English and Chinese, both texts being equally authentic.

(L. S.)

H. J. SEYMOUR

(L. S.)

H. E. RICHARDSON.

(L. S.)

TSE VUNG SOONG.

#### EXCHANGE OF NOTES.

A.—Note from Dr. Tse Vung Soong, Chinese Minister for Foreign Affairs, to Sir Horace James Seymour, Chungking, January 11th, 1943.

During the negotiations for the treaty signed today between His Excellency the President of the National Government of the Republic of China and His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India, for the United Kingdom of Great Britain and Northern Ireland, and India, a number of questions have been discussed upon which agreement has been reached. The understandings reached with regard to these

points are recorded in the annex to the present note, which annex shall be considered as an integral part of the Treaty signed today and shall be considered as effective upon the date of the entrance into force of that Treaty. I should be glad if Your Excellency would confirm these understandings on behalf of His Majesty's Government in the United Kingdom.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

ANNEX.

1. With reference to Article 2 and Article 8 (2) of the Treaty, it is understood that :

(a) His Majesty the King relinquishes all existing Treaty rights relating to the system of Treaty Ports in China. His Excellency the President of the National Government of the Republic of China and His Majesty the King mutually agree that the merchant vessels of the one High Contracting Party shall be permitted freely to come to ports, places and waters in the territories of the other High Contracting Party which are or may be opened to overseas merchant shipping and that the treatment accorded to such vessels in such ports, places and waters shall be no less favourable than that accorded to national vessels and shall be as favourable as that accorded to vessels of any third country. The term "vessels" of a High Contracting Party means all vessels registered under the law of any of the territories of that High Contracting Party to which the Treaty signed this day applies.

(b) His Majesty the King relinquishes all existing rights relating to the special courts in the International Settlements at Shanghai and Amoy.

(c) His Majesty the King relinquishes all existing rights with regard to the employment of foreign pilots in the ports of the territories of the Republic of China.

(d) His Majesty the King relinquishes all existing Treaty rights relating to the entry of His naval vessels into the waters of the Republic of China ; and the Government of the Republic of China and His Majesty's Government in the United Kingdom shall extend to each other in connexion with the visits of the warships of the one High Contracting Party to the ports of the other High Contracting Party mutual courtesy in accordance with ordinary international usage.

(e) His Majesty the King relinquishes any right to claim the appointment of a British subject as Inspector-General of the Chinese Customs.

(f) All the courts of His Majesty the King which have hitherto been sitting in the territories of the Republic of China having been closed down in accordance with Article 2 of the Treaty signed this day, the orders, decrees, judgments and other acts of any of His Majesty's courts in China shall be considered as *res judicata* and shall when necessary be enforced by the Chinese authorities ; further, any cases pending before any of His Majesty's courts in China at the time of the coming into effect of the Treaty shall if the plaintiff or the petitioner so desires be remitted to the appropriate courts of the Government of the Republic of China which shall proceed to dispose of them as expeditiously as possible and in so doing shall so far as practicable apply the law which the court of His Majesty would have applied.

(g) His Majesty the King relinquishes the special rights which his vessels have been accorded with regard to coasting trade and inland navigation in the waters of the Republic of China, and the Government of the Republic of China are prepared to take over any properties of His Majesty's nationals or companies which have been used for the purposes of these trades and which the owners may wish to dispose of and to pay adequate compensation therefor. The Government of the Republic of China relinquish the special rights which have been accorded to Chinese vessels in respect of navigation on the river Irrawaddy under Article 12 of the Convention signed in London on March 1st, 1894. Should one High Contracting Party accord in any of his territories the right of coasting trade or inland navigation to the vessels of any third country, such rights would similarly be accorded to the vessels of the other High Contracting Party provided that the latter High Contracting Party permits the vessels of the former High Contracting Party to engage in the coasting trade or inland navigation of his territories. Coasting trade and inland navigation are excepted from the requirement of national treatment and are to be regulated according to the laws of each High Contracting Party in relation thereto. It is agreed, however, that the vessels of either High Contracting Party shall enjoy within the territories of the other High Contracting Party with regard to coasting trade and inland navigation treatment as favourable as that accorded to the vessels of any third country subject to the abovementioned proviso.

2. With reference to the last sentence of Article 5 (1) of the Treaty, the Government of the Republic of China declare that the restriction on the right of alienation of existing rights and titles to real property referred to in that Article will be applied by the Chinese authorities in an equitable manner and that, if and when the Chinese Government decline to assent to a proposed transfer, the Chinese Government will, in a spirit of justice and with a view to precluding loss on the part of the nationals or companies of His Majesty the King whose interests are affected, undertake, if so requested by the national or company of His Majesty to whom permission to alienate has been refused, to take over the rights and titles in question and pay adequate compensation therefor.

3. It is understood that the abolition of the system of the Treaty Ports will not affect existing property rights and that the nationals of each High Contracting Party will enjoy the right to acquire and hold real property throughout the territories of the other High Contracting Party in accordance with the conditions and requirements prescribed in the laws and regulations of that High Contracting Party.

4. It is further agreed that questions which may affect the sovereignty of the Republic of China and which are not covered by the present Treaty or by the preceding provisions of the present Note shall be discussed by the Representatives the Government of the Republic of China and His Majesty's Government in the United Kingdom and decided in accordance with the generally accepted principles of international law and modern international practice.



B.—*Note from Sir Horace James Seymour, to Dr. Tse Vung Soong, Chinese Minister for Foreign Affairs, Chungking, January 11th, 1943.*

I have the honour to acknowledge receipt of Your Excellency's Note of today's date reading as follows :

"During the negotiations for the Treaty signed today between His Excellency the President of the National Government of the Republic of China and His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India, for the United Kingdom of Great Britain and Northern Ireland and India, a number of questions have been discussed upon which agreement has been reached. The understandings reached with regard to these points are recorded in the annex to the present Note, which annex shall be considered as an integral part of the Treaty signed today and shall be considered as effective upon the date of the entrance into force of that Treaty. I should be glad if Your Excellency would confirm these understandings on behalf of His Majesty's Government in the United Kingdom."

I have the honour on behalf of His Majesty's Government in the United Kingdom to confirm the understandings reached between us as recorded in the annex to Your Excellency's Note, which annex shall be considered as an integral part of the Treaty signed today and shall be considered as effective upon the date of the entrance into force of that Treaty.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

C.—*Note from Dr. Tse Vung Soong, Chinese Minister for Foreign Affairs, to Mr. Hugh Edward Richardson Chungking, January 11th, 1943.*

During the negotiations for the Treaty signed today between His Excellency the President of the National Government of the Republic of China and His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India, for the United Kingdom of Great Britain and Northern Ireland and India, a number of questions have been discussed upon which agreement has been reached. The understandings reached with regard to these points are recorded in the annex to the present Note, which annex shall be considered as an integral part of the Treaty signed today and shall be considered as effective upon the date of the entrance into force of that Treaty. I should be glad if you would confirm these understandings on behalf of the Government of India.

I avail myself of this opportunity to offer to you the assurance of my high consideration.

#### ANNEX.

1. With reference to Article 2 and Article 8 (2) of the Treaty, it is understood that :

(a) His Majesty the King Emperor relinquishes all existing treaty rights relating to the system of Treaty Ports in China. His Excellency the President of the National Government of the Republic of China and His Majesty the King Emperor mutually agree that the merchant vessels of the one High Contracting Party shall be permitted freely to come to ports, places and waters in the territories of the other High Contracting Party which are or may be opened to overseas merchant shipping and that the treatment accorded to such vessels in such ports, places and waters shall be no less favourable than that accorded to national vessels and shall be as favourable as that accorded to vessels of any third country. The term "Vessels" of a High Contracting Party means all vessels registered under the law of any of the territories of that High Contracting Party to which the Treaty signed this day applies.

(b) His Majesty the King Emperor relinquishes all existing treaty rights relating to the special courts in the International Settlements at Shanghai and Amoy.

(c) His Majesty the King Emperor relinquishes all existing rights with regard to the employment of foreign pilots in the ports of the territories of the Republic of China.

(d) His Majesty the King Emperor relinquishes all existing treaty rights relating to the entry of His naval vessels into the waters of the Republic of China ; and the Government of the Republic of China and the Government of India shall extend to each other in connexion with the visits of the warships of the one High Contracting Party to the ports of the other High Contracting Party mutual courtesy in accordance with ordinary international usage.

(e) His Majesty the King Emperor relinquishes any right to claim the appointment of a British subject as Inspector-General of the Chinese Customs.

(f) All the courts of His Majesty the King Emperor which have hitherto been sitting in the territories of the Republic of China having been closed down in accordance with article 2 of the Treaty signed this day, the orders, decrees, judgments and other acts of any of His Majesty's courts in China shall be considered as *res judicata* and shall when necessary be enforced by the Chinese authorities ; further, any cases pending before any of His Majesty's courts in China at the time of the coming into effect of the Treaty shall if the plaintiff or the petitioner so desires be remitted to the appropriate courts of the Government of the Republic of China which shall proceed to dispose of them as expeditiously as possible and in so doing shall so far as practicable apply the law which the court of His Majesty would have applied.

(g) His Majesty the King Emperor relinquishes the special rights which His vessels have been accorded with regard to coasting trade and inland navigation in the waters of the Republic of China, and the Government of the Republic of China are prepared to take over any properties of His Majesty's Nationals or companies which have been used for the purposes of those trades and which the owners may wish to dispose of and to pay adequate compensation therefor. The Government of the Republic of China relinquish the special rights which have been accorded to Chinese vessels in respect of navigation on the river Irrawaddy under Article 12 of the Convention signed in London on March 1st, 1894. Should one High Contracting Party accord in any of his territories the right of coasting trade or inland navigation to the vessels of any third country, such rights would similarly be accorded to the vessels of the other High Contracting Party provided that the latter High Contracting Party permits the vessels of the former High Contracting

Party to engage in the coasting trade or inland navigation of his territories. Coasting trade and inland navigation are excepted from the requirement of national treatment and are to be regulated according to the laws of each High Contracting Party in relation thereto. It is agreed, however, that the vessels of either High Contracting Party shall enjoy within the territories of the other High Contracting Party with regard to coasting trade and inland navigation treatment as favourable as that accorded to the vessels of any third country subject to the abovementioned proviso.

2. With reference to the last sentence of Article 5 (1) of the Treaty, the Government of the Republic of China declare that the restriction on the right of alienation of existing rights and titles to real property referred to in that Article will be applied by the Chinese authorities in an equitable manner and that, if and when the Chinese Government decline to assent to a proposed transfer, the Chinese Government will, in a spirit of justice and with a view of precluding loss on the part of the nationals or companies of His Majesty the King Emperor whose interests are affected, undertake, if so requested by the national or company of His Majesty to whom permission to alienate has been refused, to take over the rights and titles in question and pay adequate compensation therefor.

3. It is understood that the abolition of the system of the Treaty Ports will not affect existing property rights and that the nationals of each High Contracting Party will enjoy the right to acquire and hold real property throughout the territories of the other High Contracting Party in accordance with the conditions and requirements prescribed in the laws and regulations of that High Contracting Party.

4. It is further agreed that questions which may affect the sovereignty of the Republic of China and which are not covered by the present Treaty or by the preceding provisions of the present Note shall be discussed by the Representatives of the Government of the Republic of China and the Government of India and decided in accordance with the generally accepted principles of international law and modern international practice.

*D.—Note from Mr. Hugh Edward Richardson, to Dr. Tse Vung Soong, Chinese Minister for Foreign Affairs, Chungking, January 11th, 1943.*

I have the honour to acknowledge receipt of Your Excellency's Note of today's date reading as follows :

"During the negotiations for the Treaty signed today between His Excellency the President of the National Government of the Republic of China and His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India, for the United Kingdom of Great Britain and Northern Ireland and India, a number of questions have been discussed upon which agreement has been reached. The understandings reached with regard to these points are recorded in the annex to the present Note, which annex shall be considered as an integral part of the Treaty signed today and shall be considered as effective upon the date of the entrance into force of that Treaty. I should be glad if you would confirm these understandings on behalf of the Government of India.

I have the honour on behalf of the Government of India to confirm the understandings reached between us as recorded in the annex to Your Excellency's Note, which annex shall be considered as an integral part of the Treaty signed today and shall be considered as effective upon the date of the entrance into force of that Treaty.

I avail myself of this opportunity to offer to Your Excellency the assurance of my highest consideration.

#### AGREED MINUTE.

With reference to paragraph 1 (a) of the Annex to the Note from the Chinese Minister for Foreign Affairs to His Majesty's Ambassador in connection with the Treaty signed today, it is understood that both High Contracting Parties reserve the right to close any port to all overseas merchant shipping for reasons of national security.

With reference to paragraph 1 (g) of the Annex to the Note from the Chinese Minister for Foreign Affairs to His Majesty's Ambassador in connexion with the Treaty signed today, His Majesty's Ambassador informed the Chinese Government that trade between India on the one hand and Burma or Ceylon on the other has always been regarded as coasting trade.

CHUNGKING ;  
January 11th, 1943.

H. J. SEYMOUR,  
TSE VUNG SOONG.

I hereby certify this to be a true copy of the original.  
BRITISH EMBASSY, CHUNGKING: *Seal of British Embassy,*  
January 13th, 1943. *Chungking.*

BARKELEY GAGE,  
*First Secretary.*

#### HEARING OF CASES BY THE FEDERAL COURT.

75. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : Has the attention of Government been drawn to a report published in the *Hindustan Times*, dated the 2nd January, 1943, to the effect that the Federal Court has not heard a single case since about the last four months ; and that of the three Judges, one has been doing political propaganda in New York, and America, even advocating Pakistan ? Will Government state what truth there is in the above statement ?

**THE HONOURABLE SIR MAHOMED USMAN :** The attention of the Government of India has been drawn to a comment of the *Hindustan Times*, dated the 31st January, 1943, which it is presumed is the report which the Honourable Member refers to. The Federal Court had three sittings in the month of October and there would have been further sittings of the Court during February but for the fact that two of the parties concerned asked for postponement of the cases. Certain cases have been fixed for hearing in the first week of March.

**THE HONOURABLE MR. HOSSAIN IMAM :** Is it a fact that a Judge has been appointed now?

**THE HONOURABLE SIR MAHOMED USMAN :** The Honourable Member must have seen it in the newspapers.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Has he been appointed in order to have three Judges so that the Court may be able to go on with its proceedings?

**THE HONOURABLE SIR MAHOMED USMAN :** He has been appointed so that the hearing of the cases may go on.

**THE HONOURABLE MR. P. N. SAPRU :** When was he appointed?

**THE HONOURABLE SIR MAHOMED USMAN :** Last week, I suppose.

**THE HONOURABLE MR. P. N. SAPRU :** For what period have cases been accumulating in the Federal Court?

**THE HONOURABLE SIR MAHOMED USMAN :** Cases have not been accumulating at all. They must have been heard yesterday or they will be heard very soon, now that the Judge has been appointed.

**THE HONOURABLE MR. P. N. SAPRU :** Am I to understand that the Federal Court has no work for months together and that there has been no case for the last four months?

**THE HONOURABLE SIR MAHOMED USMAN :** If the Honourable Member will give me notice, I will answer the question.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** May we know how long the third permanent Judge has been absent from his duties?

**THE HONOURABLE SIR MAHOMED USMAN :** I answered this question and I gave the details in reply to a question on the day when my Honourable friends opposite walked out. The office must have those answers.

**THE HONOURABLE MR. P. N. SAPRU :** Do Government approve of the principle of appointing Federal Court Judges to diplomatic positions?

**THE HONOURABLE THE CHAIRMAN (SIR DAVID DEVADOSS) :** That does not arise from this.

**TRADE ACTIVITIES OF THE UNITED KINGDOM COMMERCIAL CORPORATION.**

**76. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH :** (a) Is it a fact that the trade activities of the United Kingdom Commercial Corporation were designed to be in operation only for the period of war?

(b) Has the attention of Government been drawn to a Press report (*vide the Pioneer*, dated the 4th February, 1943) in which it is stated that Dr. Dalton, President of the Board of Trade, England, "firmly refused to give any assurance that the Corporation's activities would be terminated at the end of the war"?

(c) Will Government make a statement on the subject?

**THE HONOURABLE MR. N. R. PILLAI :** (a) The United Kingdom Commercial Corporation owes its origin to the exigencies of the war, but it is possible that His Majesty's Government may find it necessary to utilise the agency of the Corporation in the conditions immediately following the war period.

(b) Yes.

(c) The main activities of the United Kingdom Commercial Corporation constituting some 90 per cent. of their operations in India, are connected with arranging inter-governmental supplies to Russia which displace no private enterprise. The Corporation's activities in India as principals are negligible and such as cannot be seriously regarded as interfering with normal trade. Nor is it likely that any extension of the Corporation's activities in India will take place without the Government of India being consulted. There is no reason to apprehend that the Corporation's operations in India will be allowed to develop in such a manner as may prove detrimental to Indian trade and industry.

**THE HONOURABLE MR. P. N. SAPRU :** May I ask a supplementary question, Sir? What was the basis of the belief that Sir Alan Lloyd entertained that the Corporation's activities would terminate after the war? I ask that question because this was the statement made in the House when I moved a Resolution on this subject. What was the basis of the belief?

**THE HONOURABLE MR. N. R. PILLAI :** I can only say, Sir, that as the Corporation was established as a result of war conditions my predecessor must have assumed that it would be liquidated immediately after the war.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Sir, with reference to the answer previously given by the Honourable Member, may I ask him whether he is aware that the export trade in sugar has been taken away from Indians—I mean so far as it concerns Persia—and made over to the United Kingdom Commercial Corporation?

**THE HONOURABLE MR. N. R. PILLAI :** That is not a correct statement, Sir. Before September, 1942, it was not possible for any private exports to have taken place because of the operation of the International Sugar Agreement.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Is the Honourable Member aware that sugar was exported from India to Persia by the land route and that the Indians who were engaged in that trade were ousted from the position which they occupied and sugar began to be exported wholly through the United Kingdom Commercial Corporation on the ground that it was easier to send sugar by sea to Persia?

**THE HONOURABLE MR. N. R. PILLAI :** The pre-war normal trade in sugar by the land route never exceeded 12 tons a year. This has been stopped and I am correct, I think, in saying that not a single ton of Indian sugar has been exported by the United Kingdom Commercial Corporation.

**THE HONOURABLE MR. P. N. SAPRU :** Am I to understand that the International Sugar Agreement was abrogated in order to facilitate the activities of the United Kingdom Commercial Corporation?

**THE HONOURABLE MR. N. R. PILLAI :** Most certainly not, Sir.

**THE HONOURABLE MR. P. N. SAPRU :** Certainly, yes. Exploitation. *(Laughter.)*

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Is it a fact that although technically speaking all the sugar that is needed for export is bought by His Majesty's Government it is exported through the United Kingdom Commercial Corporation?

**THE HONOURABLE THE CHAIRMAN (SIR DAVID DEVADOSS) :** What is your question? It is not a question.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** The Honourable Member said that the United Kingdom Commercial Corporation was not engaged in any sugar trade. Is it the position that technically speaking the Government of the United Kingdom themselves buy sugar and then send it through the United Kingdom Commercial Corporation?

**THE HONOURABLE MR. N. R. PILLAI :** Sir, His Majesty's Government bought some time ago some 20,000 tons of Indian sugar but to what country it was exported I do not know. So far as my information goes the transaction was carried out by Ralli Bros. and not by the United Kingdom Commercial Corporation.

**THE HONOURABLE MR. P. N. SAPRU :** Sir, arising out of this question, what are the channels of trade open to Indian traders in Saudi Arabia, Iraq, Iran, Turkey and Russia? Where do the activities of this East India Company extend?

**THE HONOURABLE THE CHAIRMAN (SIR DAVID DEVADOSS) :** Don't you think it is a very large order? You may put a separate question.

**OBLIGATIONS INCURRED BY INDIA TO THE U. S. A. UNDER LEASE-LEND.**

**77. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** (a) What are the obligations incurred by India under the Lease-Lend arrangements established between it and the U.S.A.?

(b) Are Government supplying the U. S. A. with any of their requirements either in India or elsewhere free of charge? If so, will they give full particulars of the assistance that has been given?

**THE HONOURABLE MR. C. E. JONES :** (a) I would refer the Honourable Member to my reply to question No. 37 by the Honourable Raja Yuveraj Dutta Singh on the 22nd of February, 1943.

(b) Certain supplies and services such as rations, accommodation, repairs to aircraft and aerodrome facilities are provided free of charge to the United States Forces in India.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** What is the total value of the assistance so provided ?

**THE HONOURABLE MR. C. E. JONES :** I would refer the Honourable Member to the Budget speech.

**THE HONOURABLE MR. HOSSAIN IMAM :** May we know if the pay and emoluments of the United States Forces are given by the Lease-Lend or are charged to His Majesty's Government's account ?

**THE HONOURABLE MR. C. E. JONES :** Reciprocal Lease-Lend aid does not cover the pay of the United States Forces in India.

#### SUBSCRIPTIONS TO DEFENCE LOANS, ETC.

**78. THE HONOURABLE SIR SHANTIDAS ASKURAN :** Will Government give information regarding the amount of loans of different categories raised in the current financial year ?

**THE HONOURABLE MR. C. E. JONES :** A statement is laid on the table.

*Statement showing figures of subscriptions to Defence Loans, etc., for the period from the 1st April, 1942 to the 31st January, 1943.*

|  | (Rs. crores.)      |
|--|--------------------|
| I. (a) 3 per cent. Loan, 1951-54 . . . . .               | 31.45              |
| (b) Interest-free Defence Bonds . . . . .                | 33                 |
| (c) Special issue of 3 per cent. Loan, 1963-65 . . . . . | 15.00              |
| II. (a) Sale of counterparts . . . . .                   | 36.10              |
| (b) Defence Savings Certificates . . . . .               | 1.45               |
| (c) Defence Savings Bank Deposits . . . . .              | 20                 |
| III. Treasury Bills . . . . .                            | 126.43             |
|  | <hr/> 210.96 <hr/> |

#### PUBLIC DEBT OF INDIA.

**79. THE HONOURABLE SIR SHANTIDAS ASKURAN :** Will Government give figures regarding the total public debt of India under different heads up to date ?

**THE HONOURABLE MR. C. E. JONES :** The attention of the Honourable Member is invited to Statement No. XX in the Explanatory Memorandum on the Budget for the year 1943-44.

#### RUPEE COUNTERPARTS CREATED SINCE THE BEGINNING OF REPATRIATION OPERATIONS.

**80. THE HONOURABLE SIR SHANTIDAS ASKURAN :** Will Government give figures of the amount of rupee counterparts issued against the repatriation of sterling debt ? To whom have these counterparts been issued ?

**THE HONOURABLE MR. C. E. JONES :** The total amount of rupee counterparts created since the beginning of repatriation operations is of the order of Rs. 238 crores. Of this, the public took about Rs. 17 crores under the option given to them to transfer their holdings from London to Indian books, and Rs. 102 crores have been sold to the public. A portion of the balance has been cancelled as being surplus to market requirements, and the remainder is being held with Government.

**THE HONOURABLE MR. HOSSAIN IMAM :** Do we think that no part of it is held by the Reserve Bank of India ?

**THE HONOURABLE MR. C. E. JONES :** Part of it is certainly held by the Reserve Bank which the Bank bought from the Government.

**THE HONOURABLE MR. HOSSAIN IMAM :** Will the Honourable Member give the figures for the Reserve Bank separately ?

**THE HONOURABLE MR. C. E. JONES :** I do not think the Reserve Bank publish particulars of their investment holdings, Sir.

**THE HONOURABLE MR. HOSSAIN IMAM :** What part is held by the Government ?

**THE HONOURABLE MR. C. E. JONES :** Speaking from memory, Sir, I think it is something of the order of Rs. 70 crores.

INFLATION IN INDIA.

81. THE HONOURABLE SIR SHANTIDAS ASKURAN : Is Government aware of the fact that inflationary conditions exist in the country ? If so, will Government state what steps they propose to take to stop the evil ?

THE HONOURABLE MR. C. E. JONES : The attention of the Honourable Member is invited to the Budget speech for the year 1943-44 delivered on the 27th of February, 1943.

RUPEE LOANS FOR HIS MAJESTY'S GOVERNMENT.

82. THE HONOURABLE SIR SHANTIDAS ASKURAN : Will Government state whether they have considered the suggestion to raise rupee finance for His Majesty's Government in India by raising rupee loans in the market on the security of British commercial assets in India ? If so, whether they propose to make early arrangements for the same instead of printing notes for this purpose as hitherto ?

THE HONOURABLE MR. C. E. JONES : The Government are not aware of any such suggestion.

ALLOCATION OF DEFENCE EXPENDITURE.

83. THE HONOURABLE SIR SHANTIDAS ASKURAN : Will Government state the exact arrangements made between the United Kingdom and India regarding the allocation of war expenditure between the two countries ?

THE HONOURABLE MR. C. E. JONES : The attention of the Honourable Member is invited to the Budget speech for the year 1940-41 and the Appropriation Accounts of the Defence Services for the years 1939-40 and 1940-41 in which the agreement reached between the Government of India and His Majesty's Government in regard to the apportionment of Defence expenditure during the period of the war has been explained. The position was also fully reviewed in the Budget speech for the year 1943-44 delivered on the 27th February, 1943.

THE HONOURABLE MR. HOSSAIN IMAM : Will the Honourable Member state on what account the proposal of His Majesty's Government for revision broke down ?

THE HONOURABLE MR. C. E. JONES : I am sorry, I do not understand the question, Sir.

THE HONOURABLE MR. HOSSAIN IMAM : Last session we were told that a revision was under consideration. I want to know why the revision broke down, the reasons for its breakdown.

THE HONOURABLE MR. C. E. JONES : If the Honourable Member had been present when the Budget speech was delivered, Sir, he would have known that the question of revision is no longer under consideration.

STERLING ASSETS OF INDIA.

84. THE HONOURABLE SIR SHANTIDAS ASKURAN : Will Government state the way in which the sterling assets of India now accumulating at a rapid rate will be utilised ? Will Government state the steps they propose to take to prevent the depreciation of India's sterling assets ?

THE HONOURABLE MR. C. E. JONES : As regards the first part of the question, I would refer the Honourable Member to the Budget speech. So far as the second part is concerned, the Government are not prepared to answer questions such as this which are based on premises of a hypothetical or speculative nature.

THE HONOURABLE SIR SHANTIDAS ASKURAN : How does the Honourable Member say that the question is based on premises of a speculative nature ?

THE HONOURABLE MR. C. E. JONES : It proceeds on the assumption that India's sterling assets are bound to depreciate. That, I say, is a matter purely of speculation, of hypothesis, and of opinion.

STERLING ASSETS OF INDIA.

85. THE HONOURABLE SIR SHANTIDAS ASKURAN : Are Government aware of the view put forward by Professor C. N. Vakil that the sterling assets will be utilised to prevent the fall in the exchange value of the rupee ?

THE HONOURABLE MR. C. E. JONES : Yes.

RECONSTRUCTION COMMITTEES.

86. THE HONOURABLE SIR SHANTIDAS ASKURAN : Will Government state the progress made by the different Reconstruction Committees appointed by them ? Will Government consider the advisability of creating a Department of

Reconstruction with which eminent businessmen and economists could be actively associated to make timely plans for reconstruction after war ?

THE HONOURABLE MR. N. R. PILLAI : Two meetings of Reconstruction Committee IV (Trade, International Trade Policy and Agricultural Policy) have been held so far. The Consultative Committee of Economists has also met twice, and preliminary conclusions on one or two topics have been reached. The machinery now in existence for the study of Reconstruction problems is considered adequate at this stage, and it is not proposed to create a separate Department of Reconstruction.

#### NOTICE OF MOTION FOR ADJOURNMENT.

THE HONOURABLE THE CHAIRMAN (SIR DAVID DEVADOSS) : Honourable Members, I have received from the Honourable Mr. Hossain Imam a notice of a Motion for the adjournment of the House to discuss a matter of urgent public importance. It reads as follows :—

" I wish to move that the House do adjourn to consider a matter of definite urgent public importance, namely, the unsatisfactory nature of the apportionment of Defence expenditure between H. M. G. and the Government of India as stated by the Honourable the Finance Member on the 27th February 1943 in his Budget speech "

I would ask the Honourable Member to inform the House as to how it is a matter of urgent public importance, seeing that this matter will be discussed on the 6th of March in this House. In view of that, I wish to know how the House can now adjourn for the purpose of discussing this matter.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : The position is that in the General Budget there are so many features that we cannot concentrate on this vital item which predominates the whole picture of the Budget, because if there is what we feel to be a right apportionment, our Budget would be reduced enormously, and the need for fresh taxation and loans would not arise, because all that would be covered if there is a proper settlement. For this reason I wish to move the adjournment of the House.

THE HONOURABLE THE CHAIRMAN (SIR DAVID DEVADOSS) : Under rule 38, the adjournment of the business of the Council for the purpose of discussing a definite matter of urgent public importance may be made with the consent of the President.

I think this is a subject which will come up for discussion on the 6th instant. I do not think that anything will be gained by taking up the matter today. Further, the only reason urged by the Honourable Member is that there will be so many things discussed on that day that he will not have time to have this point discussed fully. That is no ground for adjourning the business of the House today. I believe there are so many points arising out of the Budget which may be discussed here, and every one of them could be urged as a matter which should be discussed on an adjournment Motion.

I therefore think there is no reason for allowing the adjournment of the House this afternoon, and I disallow the Motion.

Now we take up Resolutions. Discussion on the Resolution of the Honourable Mr. Hossain Imam will proceed. But I would draw attention to the fact that the question of foodstuffs was fully discussed the other day ; therefore, the Honourable Member may refer to it in passing, but he should not devote much time to it.

#### RESOLUTION RE FOODSTUFFS—contd.

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. Chairman, the Resolution† which I moved the other day was brought forward with the object of placing before the Government the troubles and the difficulties of the Indian public in everyday life. The Resolution consists of three parts. The first part deals with an indictment. The second part suggests a method of investigation. And the third part shows how the result of the investigation should be implemented.

\* Not corrected by the Honourable Member.

† " Whereas Government has failed to secure satisfactory distribution and control of prices of the necessities of life specially of foodstuffs, this Council recommends to the Governor General in Council to form immediately a committee of economists and representatives of parties in the Central Legislature to examine the whole subject and to suggest remedial methods, which should be implemented by Government as soon as possible."

Sir, it may appear on the face of it a very sweeping charge for me to say that Government has failed to secure satisfactory distribution and control of prices. But if we examine the situation coolly and without regard for prestige, we shall come to the conclusion that so far the Government has really failed. The first proof which I get to support my indictment is from the Government of India itself. The very creation of the Food Department three months back is an admission that so far the efforts of the Government had been a failure. If the methods which the Government had adopted for three years, since the beginning of the war right up to about October, 1942, had been a success, there would have been no need for the formation of a Food Department. That, Sir, is the first admission by the accused himself. Secondly, I come to the revelations made by the Honourable Member in charge of Railways, who, in his speech introducing the Railway Budget, told us frankly that the wagon position had become difficult owing to the fact that military requirements and delays caused by military goods traffic and other military traffic were responsible for non-availability of wagons for common use. That is the second admission on the part of the Government. The last and most telling factor is the abnormal rise in prices of all the necessities of life, in a manner which clearly shows how the distribution has failed. I stress this fact: there are instances of places near about where there is great difference between the prices of the same commodity owing to there being no carrier available to take that commodity from one place to another.

Now, Sir, that control has failed is apparent from the fact that as long as we had control on wheat no wheat was available in the market, but as soon as control was removed, enormous quantities came to the surface, showing thereby that you were not able to get out the stocks that had been hidden, or that you did not make efforts to find out where stocks were being held. This is either a sin of omission or commission.

Fourthly, Sir, the prices at the producing centre and the distribution place are not related. For instance, take coal. What is the price at the pit's head, what is the cost of bringing it to Delhi and what is the price at which it is being sold here? This is because of the fact that certain privileged persons get hold of the stocks, and bring them, and other competitors cannot come into the field because they do not hold permits for priority. The man who has brought his stock with the help and goodwill of the Government exploits the market. I saw an instance only a few days back in Delhi. It was stated that at such-and-such a price coal will be available at the railway siding and the intimation was made that it will be free from dust. That reveals a story which every one who lives in Delhi knows. If you get the coal at the controlled price, it consists of one-third dust and two-thirds coal. This sort of thing is going on because the price control is ineffective, and that ineffectiveness is due to multifarious causes. First, it is the defect of distribution. There is no free supply of wagons. There is no competition and those who hold stocks have a monopoly and they force the people to buy at a higher rate than the controlled rate because of the inferior quality of the goods which they supply at the controlled rate. I do not say that the Control Officers are inefficient, but the system which you have evolved is inefficient. A Control Officer appointed for an area cannot be expected to go and look at everything and every place, how every shopkeeper is selling and what he is selling. It is impossible for any man to do. What is required is a new system, a system which eliminates the rapaciousness of the sellers and at the same time guarding his genuine interests that he should not be penalised. The consumer does not come into the picture of the Government conclaves. They either consult the trader or the Government officials and the representatives of the consumers find a very small place in the Government conclaves. This is because of the non-co-ordination that exists at the moment. The prices charged by the retailers as compared with the prices taken by the producer, be it coal or cloth or foodstuffs, are so much enhanced, and the enhancement has been brought about by the fact that there is lack of competition and lack of competition is brought about by orders of priority given to certain specific people. The greatest trouble in the countryside is that you do not allow any one to step in who has not been in the trade for a long time. That is placing a premium on exploitation. I may be excused for saying this. At the moment I do not blame the traders if they want to make as much



[Mr. Hossain Imam.]

money as they can because they have to pay higher income-tax and excess profits tax. But, at the same time, I cannot consent to the exploitation of the masses by the Government which pass such orders. If public-spirited people in every *mohalla* of a town were permitted to open shops, not for gain but as a help for the down-and-out and poor people, under the supervision of a *mohalla* committee—you have got in every town municipal bodies—that kind of co-ordination would greatly facilitate the distribution of the necessities of life to the public in a manner which would be less harmful to the consumer, and which will not bring any botheration on the Government's head. The Government of India, because of its bureaucratic character, and the lack of contact with the public on the parts of its higher officers, does not understand the difficulties to which the poor consumers are put. Secondly, Sir, the bureaucracy, with all its defects, had at least one advantage. It can muddle through things on precedents. Unfortunately, there is no precedent for this. This is an unprecedented matter, and so they feel at sea. The Honourable Members of the Executive Council have not the privilege of belonging to any political party, and as such, they do not stand out as strongly for what they feel to be the correct position as representatives of a Party will have done. It is no blame to them. They are constitutionally unable to exert that influence and to command that attention which the representative organisations, if they had sent their nominees, would have commanded. Thirdly, Sir, I find that the efforts of the Government of India are one-sided. Take, for instance, the food question. A new Department has been formed, and everybody feels happy now that the right thing has been done at least after three years. But what are the difficulties of the Food Department? The Food Department cannot create wagons overnight. It is the Military Department which must be made to understand that it owes a duty to the country, to the people and to itself. All these posters we used to see at railway stations asking people to load and unload quickly—are these meant only for the traders and not for the military? The Defence Department must also co-operate not only verbally but by action. We should get statistics of how long it takes a military wagon to be loaded and unloaded. There must be a job analysis to find out whether the Defence Department is alive to the necessities of the situation or not. Then it is necessary that the provinces should also—here I am speaking on rather tender points—be made to understand that in the greater interests of the greater India and the public contentment they must not hoard. There are instances where not only provinces but districts start hoarding. One district has got enough of a supply and is not prepared to pass it on to the neighbouring district, with the result that you get a most miserable kind of dislocation of trade. People think that all this trouble has been brought about by retailers and wholesalers; they are absolutely wrong in this. They have benefited no doubt, but they are not the primary cause of these difficulties; there are so many causes working together that it is impossible to single out any one as the main culprit. The great advantage which the British Government conferred on India was to make it into one whole by making transport easy. The difficulties which we used to encounter in the former days of famines where one country was dying of famine whereas others had plenty was erased. How was it erased? By means of easy transport. Now it is there that the whole trouble centres. I have suggested a method for easing the situation, that we should have a committee to examine the whole situation. I am not prepared at the moment to lay the blame on the shoulders of the Government for these troubles. I realise that the question has not been seriously studied. I say, Sir, that the question should be studied. There is a great deal of difference between tackling the situation, say in England and in India. In England you get almost 75 per cent. of your food supplies from outside. There the question is one of distribution from the ports; whereas the question in India is to get at the goods from the farms, villages, markets, towns. You do not have a centralised place where you can tackle the whole thing. The question ought to be studied. A conference does not serve the purpose. Conferences are all right to place the difficulties before the Government. By means of conferences you can come to know what are the particular troubles of Bihar and Bengal; but how to cure that trouble is the work of a committee—a small committee of, at the most, 12 or 15 people. That committee must

study the whole question and find out how best we can deal with this difficult situation. In the first place, I want the economist to come in because they have made a study of the subject from the theoretical point of view. He will be able to tell us what are the surpluses and how we can get at them and how we can distribute them. Then I want the representatives of the people to come in so that they may be able to help the Government in coming to a right solution of this difficulty. And thirdly, I want Government officials to be there in order to give the benefit of the experience which they have of administration and of handling the situation. This Resolution, Sir, is not a Resolution of condemnation of the Government of India in the sense that it considers that the Government of India has done nothing. It is an advice to the Government of India not to be swollen-headed, not to think that they know everything and they do not want any more advice. If they have a swollen head, I certainly condemn them and I do wish that the Government of India will not have a false sense of prestige and stand in the way of finding a solution of this difficult problem.

The last part of the Resolution asks that the recommendations of the committee should be implemented by Government without waiting for the sanction of the House or for any other purpose. They should examine the whole question calmly and in a spirit of justice and equity. They must realise that the country is a big one, that these problems are big problems and to admit that Government can learn things from us does not bring the Government into hatred or contempt. A democratic Government is based on the assumption that it believes in collective wisdom and collective action. It is not an autocratic Government which would fall to pieces the moment it admitted that others have also something to tell it. If the Government really want to serve India and ease our difficulties, they should with the same openness with which they have now created the Food Department, associate people who want to come in and advise the Government. It would be an evil day for the Government to refuse to co-operate with the people. So far we have been hearing of the non-co-operation of the public with the Government. If Government does not realise its own position, it will be condemned for non-co-operating with the public opinion of India. I have purposely made my Resolution wide. I have not provided for the quota of economists, for the quota of Government officials and for the quota of representatives of parties, as I do not wish to hamper the Government.

**THE HONOURABLE SIR SHANTIDAS ASKURAN:** Is the Honourable Member referring to the Central Government or to the Provincial Governments? I may explain that in Bombay the Government of Bombay has appointed a committee for food supplies and 20 or 25 of the best businessmen have been invited to serve on the committee.

**THE HONOURABLE MR. HOSSAIN IMAM:** I am very glad to have this information from Sir Shantidas Askuran. It should be an example to the Government of India in forming a committee. What were the difficulties which the Bombay Government had to face and the great efforts which the Governor of Bombay made to ease the situation. There is, I admit, a defect in my Resolution, because I have not suggested business men. But that is easy. I have no grouse against businessmen and I would be very glad to have them on this committee. I therefore commend my Resolution to the Government in the hope that they will not stand on ceremonies and accept this proposal in the spirit in which it has been made.

**THE HONOURABLE MR. M. N. DALAL (Bombay: Non-Muhammadan):** Mr. Chairman, the hardships which the consumers have to undergo in getting their daily necessities of life like sugar, *gur*, *attu*, rice, can best be imagined by the long queues of people waiting at the foodgrain shops in the city of Bombay. Most of these people, Sir, have to wait for hours together and some may even have to go away without getting their daily rations. There is no country in the British Empire where a primary food-producing population has to suffer such privations.

Before the war, Sir, Honourable Members are aware that we were dependent on getting essential imports of foodstuffs like rice from Burma, which is now completely stopped.

[Mr. M. N. Dalal.]

There are apprehensions in the public mind that Government are exporting foodgrains from this country. Recently an agreement was signed between Great Britain and the U.S.A. at Teheran by which Great Britain and America were to export wheat to Persia. The public suspect that these supplies are made from the British Army surpluses which are replenished by exports from this country. The United Kingdom Commercial Corporation has also created a certain amount of apprehension in the minds of the public. I would, therefore, request Government to make strenuous efforts to bring the situation under control. I am not for a moment suggesting that Government are not making strenuous efforts but at the moment Government Departments are mostly managed by senior I.C.S. officials without much popular support. In this respect, Sir, I should like to quote the words of Mr. W. A. Morrison, the Minister for Food. He says :—

"The intention is that the task of food distribution shall remain in the hands of traders men who know it from A to Z, and who merely become the agents of Government, which is another way of saying, agents of the public".

It is found from experience that the policy of working closely with the trades concerned in creating and administering control schemes is quite sound and that no Government Department could possibly replace all or even a major part of the trades by Civil Servants and expect to maintain the distribution mechanism without serious breakdown.

I am aware, Mr. Chairman, that there are Provincial Food Councils. I am also aware that there is a Central Food Advisory Council but if my information is correct during the last eleven months the Central Food Advisory Council has not met more than twice.

Therefore, Sir, if it is the intention of my Honourable friend Mr. Hossain Imam to ask for a committee of representatives of Parties in the Central Legislature, consisting not only of economists but also business men—business men who have experience of the control, management and distribution of foodstuffs—I am prepared to support the Resolution.

\*THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, I support the suggestion which has been made in the Resolution for associating non-official agency with the officials in the solving of the food problem. Sir, though I am at one with my Honourable friend Mr. Hossain Imam in thinking that there is this need for associating the non-official element and for seeking the co-operation of the non-officials and business men, I do not think that the Government has utterly failed to do what it can to solve the food problem. I am glad that the Honourable the Mover also, even though he started with a vehement indictment of the Government, ultimately admitted that he did not actually mean to accuse the Government of perfect indifference in this matter but this has to be admitted, Sir, that the Government has been somewhat remiss in tackling the situation. There were reasons also for this. During the last war, the food situation had not become so serious as it has come to be during this war. Possibly this was one of the reasons why the Government did not think that the situation would assume such serious and grave proportions. But, Sir, the Government ought to have known that this war is altogether different from the last war and so they should have had imagination to see from the outset that the steps that they take to tackle with the problems that would arise in the prosecution of this war should not be merely the steps that they took in tackling the question during the last war, but anyhow, Sir, we are glad that, even though late, the Government have come to realise the importance and the seriousness of the food situation and the necessity of tackling it in the best way possible. It is a good thing that the Government has established the Food Department and it is very satisfactory to note that this Department has secured to itself one of our esteemed colleagues, the Honourable Mr. Holdsworth, to be in charge of it. Mr. Holdsworth has knowledge of the agricultural problem. He had opportunities of studying this problem in our province and Mr. Holdsworth has given proof of the earnestness with which he is going about his business by convening a meeting of the Food Council within a few days of the Food Department having come into existence.

\*Not corrected by the Honourable Member.

Sir, as regards the food question, I do not think I need stress the point because this question has been discussed in this House already. I should like to make only one point in this connection, Sir. I feel that the supplying of food to the civil population at home is as vitally necessary as the question of supplies to the forces at the front. The question of foodstuffs, Sir, offers a problem which is one of the most important problems to be tackled in connection with Civil Defence. It is, therefore, necessary, that even in the interests of the prosecution of the war the Government ought to do what it can to see that the food problem is satisfactorily tackled. The association of non-official element in a matter like this is sure to go a long way in helping the Government to explore fresh possibilities in regard to the solving of the food question. As Mr. Hossain Imam has stated, the Government officials are not in a position to know all that happens in the country. As Mr. Hossain Imam has said the Control Officer, who might be doing his duty quite honestly and efficiently, would nevertheless be not in a position to go about and find everything that has got to be known in connection with the solution of this problem. It is, therefore, very necessary, Sir, that business men, economists and people who have got the interest of the consumers also and who know the difficulties of the man in the street, all these people should be associated in the task of solving this food situation. I would therefore support this Resolution.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhamadan) : Mr. Chairman, the concrete suggestion which the Honourable Mr. Hossain

12 NOON. Imam has made in his Resolution is that there should be formed immediately a committee of economists and representatives of parties in the Central Legislature to examine the whole subject of food control, and to suggest remedial measures, which should be implemented by Government as soon as possible. I think in refraining from mentioning the other interests, namely, commerce, labour and consumers, my Honourable friend did not intend to limit this committee to the interests that he has specifically mentioned. I think he had all those other interests in mind. I would, therefore, support a committee which includes all the various interests which need representation in any committee which is to be of effective assistance to the Government. It is no use confining the committee to economists, who are inclined at times to be too theoretical and speculative in their approach to a problem. It is no use confining the committee to members of a jaded Central Legislature. You want real living representation of classes which are affected by the food situation and by the situation in regard to other essential commodities. Therefore, the committee envisaged by my Honourable friend the Mover should be of a more representative character than that which he has—unintentionally, I take it—due, perhaps, to faulty draftsmanship—proposed in the Resolution now before the House.

THE HONOURABLE MR. HOSSAIN IMAM : I expected you to table an amendment.

THE HONOURABLE MR. P. N. SAPRU : There can be no doubt as to the seriousness of the situation, not only in regard to foodstuffs, but in regard to other essential commodities. I shall instance the case of cloth.

THE HONOURABLE SIR A. P. PATRO : There is a Resolution covering cloth.

THE HONOURABLE MR. P. N. SAPRU : I thought it was covered by this. About 60 per cent. of the textile production is taken up at the present moment by the Defence and Supply Departments.

THE HONOURABLE SIR SANTIDAS ASKURAN : Including standard cloth.

THE HONOURABLE MR. P. N. SAPRU : Including standard cloth. I read somewhere that we produce something like 39 million yards, and that 24 million yards are consumed by the Government Departments—Supply and Defence—in some form or other. Therefore, we are left with only about 40 per cent. of what is produced in India for consumption by the common man. This production does not represent even 25 per cent. of the annual consumption of cloth by the people of the country. Our imports from Japan and from England have absolutely stopped, and the common man has to depend for cloth upon home-manufactured textiles. In the best of circumstances he is not well clad. He is very ill clad. If a person cannot clothe himself properly, he subjects himself to disease and various other ailments of body and mind. Therefore, the cloth position is as serious in many ways as the

[Mr. P. N. Saprū.]

food position. Until the cloth position improves substantially, export of cloth to Iraq, Iran and the Middle East should stop, and the Defence and Supply Department requirements should be substantially reduced. In a total war, you have not only to consider questions from the point of view of Defence requirements: you have to consider questions also from the point of view of the requirements of the civilian population. And it strikes me that it is not fair to the civilian population that it should have to go without sufficient cloth. Cloth is one of the essential necessities of life. The average man in India does not need much cloth; he needs about 12 yards. But here we like to have a tie; we like to have a collar; we like to have good suits. And we have probably accumulated stocks which can last us for years. So far as the average man, the poor man, is concerned, he has not got these accumulated stocks. He just has one or two pairs of *dhotis*, and they last him for a whole year. Well, he cannot buy *dhotis* cheap in the market. The rates are absolutely prohibitive. I think before the war you could get a pair of *dhotis* for Rs. 1-8-0 or Rs. Rs. 1-14-0; now you cannot get them for less than Rs. 6 or Rs. 7 or Rs. 8. Not only is there a shortage of cloth, but the price of cloth has also gone up very much. Therefore, importance should be attached to this question of shortage of cloth and some steps should be taken to remedy this shortage. The health, the vitality and the efficiency of the people will suffer if steps are not taken to tackle this question of cloth shortage in a big and imaginative manner.

I will not go into the question of why control has failed. It is quite clear that price control has not succeeded. It is also quite clear that we have deficit provinces and surplus provinces and that there has been no co-ordination in the past between surplus provinces and deficit provinces. In my own province, there has been no co-ordination between surplus districts and deficit districts. Saharanpur, for example, in the matter of wheat production, is a surplus district; Allahabad is a deficit district. But owing to wagon shortage, and owing also to freezing orders by Government, free flow from one district to another was restricted. And you had, on the top of it, price control. Government was able to purchase food-stuffs at controlled prices. But what happened was this; this control gave rise to a flourishing black market. And the sufferer, on account of this black market, was the common man. I do not think that the agriculturist has benefited by this rise in prices. The person who may have benefited—if any one has benefited at all—is the middleman. The agriculturist has very little bargaining power. He has to sell his stocks within a certain time, and if he does withhold some of the stocks, the reason is quite obvious. He wants to use them for consumption purposes. If you want to use the grain produced by you for consumption purposes, you cannot justifiably be accused of hoarding. Too much has been made of this business of hoarding. The fact of the matter is that before a policy of control can succeed, you must be able to control the supply and distribution, and there must be co-ordination between these two essential things, supply and distribution. There is no common policy being pursued in regard to transport by the various lines. The E.I.R. and the G.I.P.R. have different policies in regard to transport. Therefore, there is need for a co-ordinated and centralised policy. There is need for co-ordination not only between provinces and the Centre but also between the different railway systems and you should review this question of giving priorities to the military over foodstuffs. I think there has been a welcome change in that policy. But, what I have not been able to understand is, why there is so much over-crowding in trains with military officers. I can understand movement to the Assam frontier, but I cannot understand movement from the Assam side to Delhi or the Punjab side, because the danger is not in the north. The danger is in the Assam side. You have only to get into a train from Allahabad to Delhi and you find that the train is over-crowded—

THE HONOURABLE SIR SHANTIDAS ASKURAN: Not only from Allahabad to Delhi but you find that everywhere, even in Rajputana and Kathiawar.

THE HONOURABLE MR. P. N. SAPRU: Why these frequent transfers of one regiment from one place to another? Why these frequent transfers of officers from one place to another? Why can't you have a more rational system in this respect? I agree with the suggestion of the Honourable Mr. Hossain Imam that there is

need for what might be called a Ministry of Food at the Centre. I should like a Member of the Executive Council to devote himself entirely to the question of food and direct the policy of the country from the Centre in regard to food. He may be entrusted with work in regard to other essential commodities also. He should act as a co-ordinating authority and he should have power to enforce his orders for the period of the war on any Provincial Administration which refuses to co-operate wholeheartedly with the Centre.

I should also like to make one small suggestion apart from this bigger committee which is contemplated. I find there is no Standing Committee attached to the Department of Food and steps should be taken at an early date to have a Standing Committee of the Legislature attached to the Department of Food. There are Standing Committees attached to other Departments like the Department of Supply and the Department of Civil Defence. I see no reason why the Department of Food should not have a Standing Committee attached to it. I have not been able to understand why it was necessary to import a food expert from England. Common sense tells us that the expert has not much experience of Indian conditions. He has come out to a country with the language, manners, customs and habits of which he is absolutely unfamiliar, and when you have got to deal with a situation which affects the life of the common man who does not understand English, and who is not used to foreign ways of thinking, you want an indigenous agency for that purpose. I should have thought that in the Indian ranks of the permanent services in this country there was sufficient talent for supplying a food expert. It strikes me that there is no case for appointing a food expert from England. It is just one of those appointments with which we in wartime have become familiar.

There is much that we want to say about the food situation. Not only have we to pay a heavy price for our ghi and wheat, but the ghi and wheat that we get are not of pure quality. They are adulterated. It is very difficult even in this Imperial City of Delhi to get, even at exorbitant prices, good wheat. Therefore, I cannot congratulate the Government on the way they have handled the situation. More than three years have elapsed since the war broke out. What has this wonderful Government done to relieve the food situation? The people of India are very patient people. They have been taught to believe by their forefathers that everything which happens is according to the Divine plan of *karma*, and it is for this reason that they have tolerated this Government. If this Government is not prepared to give them food, then they will begin to think seriously as to what is wrong with this Government. I was talking to a loyal man, not unknown perhaps to members of this House, the other day and his opinion of a Government was this. A Government must be able at least to provide shelter and food for the people. If it does not provide shelter and food for the people, then it cannot claim the allegiance of the people. That is what the common man is saying today. Do not, therefore, neglect to handle this question of food supply in a big manner. It is in your own interests that this question should be tackled with the full co-operation of the people of the country, and if you do not care for the full co-operation of the people of the country, you will never be able to tackle this question in a serious manner. That is all that I have got to say, Sir.

THE HONOURABLE SIR JOGENDRA SINGH (Education, Health and Lands Member): Sir, I feel happy that my friend the Honourable Mr. Hossain Imam who generally rejoices in flirting with the idea of separating a Holy land for himself, recognises the need of the provinces pooling their resources together and serving the larger interests of an integrated India. The more he studies the economic problem of modern times the more he will be led to recognise not only that the economic unity of India should be maintained but there is such a thing as the economic unity of the world. The Honourable Member dwelt at some length on the rapacity of the traders. He also spoke about the employment of a limited number of commission agents for the procurement of food and he emphasised the claims of the consumer. But he left alone the villain of the piece, the producer, without whose tireless labours it would be impossible either to increase production or to arrange its distribution. It is a strange irony of fate that agricultural interests do not receive that attention which they deserve even from people like my Honourable friend Mr. Hossain Imam. Now, what is the problem? It is of producing sufficiency of food. If there is a

[Sir Jogendra Singh.]

sufficiency of food it can be distributed evenly ; but if there is not sufficient food no department of Government can arrange its distribution in an equitable manner. The present position if I may say so is—and I can speak with some authority—that India has been able to meet all its food requirements even in the worst famines without calling in other resources. What has happened in this year of grace ? Distribution has suffered and the supply is not meeting the needs of our population. I would leave Honourable Members to discover and answer these questions.

THE HONOURABLE MR. HOSSAIN IMAM : Please answer them yourself.

THE HONOURABLE SIR JOGENDRA SINGH : I need your assistance in this matter. The question of food production, as you know, has been engaging the attention of the Government of India and we can, without violating any canons of modesty, claim that we have brought 8 million acres under food crops and produced at least 28 lakh tons of food. But now the question arises what inducement can we offer to the cultivator so that he may continue to grow food. A great deal of attention is paid to the price factor. The price is a measure in money of the labour of a man. If costs of production increase, I ask you, is it possible to peg down prices to any fixed level ? If not, is it not reasonable to search some scientific basis on which prices could be regulated ? Remember that since control over price has been removed in the Punjab, the result has been, not a rise in prices, but the price has been slowly going down in relation to supply and demand. That is a lesson for us which we should not ignore. The question of prices is intimately related to the agricultural wage. The agricultural wage also operates on the industrial wage. I would ask the Honourable Member to study what is the agricultural and industrial wage which obtains in some of the civilised countries of the world. Is it his intention that our agricultural wage should never be raised, that it should remain at a fixed level and that no more money should flow into the pockets of the producers and that their purchasing power should be permanently curtailed.

The Honourable Mr. Sapru dwelt on the scanty clothing of some of our people. They are scantily clothed because their labour does not bring them sufficient purchasing power. The question is, how can we increase their purchasing power ? If the purchasing power of the masses increases, the consumption of cloth will increase from 10 yards per head to 20 yards per head. The result would be that you would have at least to double the number of weaving mills to meet the increased demand and we shall no more look to outside markets for the consumption of our cotton. It is the whole rural economy which needs your attention. It is with the prosperity of the agriculturists that the towns can prosper. May I say there is no scarcity of food in 700,000 villages, that the small towns that are situated in the rural areas also can get their food supplies, that scarcity is limited to large towns with a population of more than 100,000 and it ought to be possible for us to arrange that either the wages of these people rise to and keep pace with price levels or they get food at concession rates. But by concentrating attention on a small urban population we should not sacrifice the interests of the major population of India on whose prosperity and on whose labours the whole prosperity of India depends. Lastly, I would ask you to consider and to determine which is the best agency for procurement and distribution of food. When you come to a conclusion on that point, you will be in a position to make recommendations.

The Honourable Member spoke of the position of the Executive Councillors in the Cabinet. I can assure him that by occupying these Benches we have not lost contact with realities. We still know what our people need. We still try to serve their needs and will continue to serve their needs to the best of our power. So far, politics have absorbed much of our attention, and I am glad that economics are now receiving an increased amount of attention. I am hoping that if we solve our economic problems the political problem will also find a solvent.

\*THE HONOURABLE SIR SHANTIDAS ASKURAN : Sir, the seriousness of the food question is getting more acute and is giving an anxious time even to the smallest of people. Several arguments have been placed before the Government by various speakers. What I would like to say is this. Mr. Sarker has said that

\*Not corrected by the Honourable Member.

the total deficit is only 5 per cent. If that is so, the only question is how to get over the 5 per cent. deficit. First of all 5 per cent. is only one meal in the week. If it is proportionately reduced in all the meals, the question can be easily solved. But the attention of Government has not been drawn to the wastage which occurs in feasts, on occasions of marriages, at tea parties and banquets. In Bombay the Government have already ordered that no more than 50 persons should be fed at a time. I would rather that the Government of India should pass this order, this Ordinance if I may say so, that no more than 50 persons should be called to feast on any occasion whether the man giving the feast is a prince or a pauper. That will solve a great deal of the difficulty which is considered so serious today.

THE HONOURABLE MR. HOSSAIN IMAM : Has the Sind Government already done that ?

THE HONOURABLE SIR SHANTIDAS ASKURAN : No. The Bombay Government has done it.

AN HONOURABLE MEMBER : If you invite a person then he does not say he will eat at your place, but so far as food is concerned there is no saving.

THE HONOURABLE SIR SHANTIDAS ASKURAN : Yes, you have to use ghi, sugar, etc., more freely.

Then another thing is this, Sir, and I hope the Defence Department will go carefully into this matter. It was reported in Bombay—I do not know how far it is true—that the stock which had been stored for the use of the Defence Department was neglected or was not required for a certain time and was spoilt. In a time of scarcity I think all these things have to be considered and steps should be taken immediately because even if the committees are appointed, as suggested, then we know the procedure of the committees, the slowness with which they work and my idea is that it is advisable not to waste time.

With these words, Sir, I hope that the Government will do all it can to cope with this matter.

THE HONOURABLE SARDAR BAHADUR SOBHA SINGH (Nominated Non-Official) : Sir, I feel that in view of the seriousness and importance of the question the Government has already taken steps and have realised the importance of this problem. By removing the control from wheat they have got a practical experience of the advantages of control and no control.

The next step which I feel that Government should immediately take, and induce the Provincial Governments also to consider, is the removal of control from a province to province and let the trade take its usual course. I am sure if this is done half of the difficulties will be removed. I take the example of Delhi. Delhi is sandwiched between the United Provinces and the Punjab and has got absolutely very little or no agricultural area of its own. The result is that the big town of Delhi is always short of supplies and the difficulties which the Honourable Members feel, Sir, about the supply of coal, sugar, wheat and flour, and as a matter of fact of everything, are due to that. Neither the Punjab nor the United Provinces allows their foodstuffs to be imported into Delhi. I think that if control is to be kept then Delhi may be added to the Punjab for this purpose, then in my opinion the difficulty of the supply of foodgrains in Delhi will be removed ; and I request the Government to take immediate steps to save Delhi from all this trouble. Although now the situation has eased down and I think there is nothing one should fear about facing an alarming situation again, there was a time, a month before, when people were fearing that the day would come when they would not be able to get any supplies in Delhi, and I think there will be no harm in having a committee not of the nature that has been suggested by the Honourable the Mover, but in any other form the Government thinks proper, to consider the situation of the food supplies in India as a whole.

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces : General) : Sir, I rise to support the Resolution so ably moved by my Honourable friend Mr. Hossain Imam. The food situation is really very serious in India, not only the food situation, but people experience great hardship for want of the necessities of life also. I do not at all subscribe to the view that the Government has not done anything up till now to ease the situation but the haphazard policy followed by this Government and the policy followed by the various Provincial Governments is also responsible for the acuteness of the situation in India.



[Mr. V. V. Kalikar.]

I take the case, Sir, of my own province, the Central Provinces. We were thinking that at least in the Central Provinces the food situation will not be so acute so far as rice and wheat is concerned but for want of transport, to some extent hoarding, to some extent inflation policy, the currency policy of the Government of India and the haphazard policy followed by the Central Government as well as the wrong policy followed by the Provincial Governments in controlling is responsible for creating a grave situation in my province.

Sir, in my province the foodstuffs are allowed to go from one district to another district by road but not by rail. Of course, the Government can say—the Provincial Government can say—that for want of wagons they have to adopt that policy.

THE HONOURABLE SIR SATYENDRA NATH ROY : What is your suggestion ?

THE HONOURABLE MR. V. V. KALIKAR : My suggestion is that you should build wagons in India in a very large number to ease the situation.

THE HONOURABLE SIR A. P. PATRO : You cannot do it in one day.

THE HONOURABLE MR. V. V. KALIKAR : You have got to face the situation and to take proper measures to remedy it. You did not build a sufficient number of wagons in India. You want to import engines from America. I do not know when the engines will come here and when you will be able to meet the situation. The Government of India in part is responsible for creating the situation in India. You tell us to sustain the morale of Indians. How do you expect that the morale of Indians will be sustained when the food situation is so serious, when the poor people do not get necessities of life ?

Then consider for a moment the situation. God forbid that there be an invasion by Japan but if there is actually an invasion by Japan what will happen if the morale of the people is not sustained ? Sir, I quite agree with my Honourable friend Sir Jogendra Singh that the producer really does not benefit by a rise in prices. I am a producer on a very small scale and I know how much the producer gets. Well, Sir, the Government of India and the Provincial Governments must find out some remedy to ease the situation. When the Punjab Government says "No, we won't send wheat to other deficit provinces, other provincial Governments say : "No, we will not send to other provinces".

THE HONOURABLE SIR SHANTIDAS ASKURAN : The control is with the Central Government.

THE HONOURABLE MR. V. V. KALIKAR : And they admit that control has failed. If control has failed in spite of the help which experts have rendered to the Government of India, how can you expect laymen to solve the difficulty ? I support my Honourable friend's Resolution because he says that economists, traders, public men and all those concerned should put their heads together and find out a common plan to ease the situation. You ought to take into consideration your inflationary policy in regard to the currency in India. I think the present position is the cumulative result of all these causes, which have created so much agitation and so much hardship in India. Sir, I think we must face the situation as it is and we must find a solution for it.

Much has been said about hoarding. I do not say there is no hoarding at all. There is hoarding ; but not to the extent to which it is imagined that the traders hoard. There is some hoarding. But before control was put on, there was no hoarding. In my own city of Nagpur, after control was withdrawn wheat began to come in very large quantities on the market. Prices have gone down to some extent. That shows that your policy was not correct. Who is to decide that ? If your experts cannot decide the policy, do you expect laymen like us to decide the policy ? What are you here for ? You have to take into consideration the situation as it exists. You have to take into confidence the tradesmen, the producers, you have to take into confidence those who are affected, and see that the situation is eased. You cannot solve this problem by importing foreign experts into India as food experts or rationing experts. What does such an expert know of the conditions in India ? What does he know about production in India ? What does he know about the nature of the people, about the habits of the people ? He is not expected to know anything. Are you in dearth of Indian experts ? I cannot understand this policy.

You can find any number of Indian experts who will help you to solve the problem. Take the case of coal which has been referred to. I do not want to take up the time of the House in repeating the argument which has been put forward. We have to resort to the black market because we cannot get coal in Delhi. That is my personal experience. I have to pay Rs. 6 per maund of coal. This is the condition everywhere. Go to the shops which have been opened in big cities. In Nagpur Government opened some shops. A man who wants to purchase wheat worth one rupee has to wait from 11 A.M. to 6 P.M. Take the case of kerosene. The condition is the same. It is the duty of the Government of the day to find out some remedy to ease the situation.

With these words, Sir, I wholeheartedly support the Resolution moved by my Honourable friend Mr. Hossain Imam.

**THE HONOURABLE SIR SATYENDRA NATH ROY** (War Transport Secretary) : Sir, as my Honourable friend the Mover of this Resolution said, there are many causes which have influenced the present food position. I am concerned only with one of them, and that is the transport side ; and I propose to deal briefly with the situation as it has been influenced by the alleged lack of transport.

I think it would be best if I were to begin by dealing with the point which my Honourable friend Mr. Sapru raised when he said that the G. I. P. R. and the E. I. R. had different transport policies and that there was no co-ordination between them. I think he is mistaken in assuming—

**THE HONOURABLE MR. V. V. KALIKAR** : There is no co-ordination between the various Departments of the Government of India either.

**THE HONOURABLE SIR SATYENDRA NATH ROY** : I think the Honourable Mr. Sapru is mistaken in thinking that there is not any co-ordination. As long ago as March last year, a co-ordinating machinery, in a tentative form, was set up ; that has been gradually expanded, until now practically all the railway movements are co-ordinated by Priority Control Officers.

**THE HONOURABLE MR. P. N. SAPRU** : May I explain what I meant ? There are wide discrepancies in the wagon quotas allotted by different railway lines serving one route, with the result that goods cannot be moved up and down those routes where service is provided by more than one railway line. That was my point.

**THE HONOURABLE SIR SATYENDRA NATH ROY** : I quite appreciate that point. That is a point which deals with a very technical question—wagon interchange. The question of wagon interchange is dealt with by a special officer, known as the Controller of Wagon Interchange. We have every month a meeting of General Managers in order to review the whole of this wagon interchange position. To put it very briefly, what happens is this. A particular railway has got to move certain quotas of goods ; it therefore needs so many wagons. These wagons, in the course of daily movement, go into another railway. They are not easily replaced, because once a wagon starts on its journey, it is difficult to get it back again. Therefore, every month this question has to be thoroughly examined with reference to the position of wagons in the different railways, and with reference to the requirements which each railway has to meet ; and a debit and credit balance is struck, and orders are issued that so many wagons are to be given up by one particular railway to another railway. This is a procedure which goes on right throughout the year, and this is a procedure which has to be related to the orders of the Priority Control Authorities who regulate the amount of priority traffic that is to be moved over certain railways.

Now, in considering the question of wagon deficiencies, it should be remembered that, apart from the shortage of wagons that may exist owing to the number of wagons being inadequate for the large volume of traffic which they have to carry, there are also operational difficulties resulting from the fact that at certain points only a certain number of trains can pass on a particular day. There are bottlenecks of that kind at many points on the railways. Thus, if the capacity of a particular point is, let us say, ten trains a day, and you want to push through twelve trains, it just cannot be done : two trains must be cut out.

The wagon difficulties that have arisen within the last few months have been the result of several causes. First of all, there have been, of course, the difficulties connected with floods. During the floods, on the N.W.R., the M.&S.M.R., the B.N.R., and certain sections of the B.&N.W.R. and Bengal Assam

[Sir Satyendra Nath Roy.]

Railway, there were large and extensive interruptions, which lasted for varying periods, but on the whole some of them lasted quite a long time. When a situation of that kind arises, it completely dislocates traffic over that particular area. To give you an instance : if the east coast line to Madras goes out of action, it means that all that traffic to the south has to be diverted by other routes. They have to be diverted, for example, *via* Raipur, or the Nizam's State into Madras. The difficulty that arises there is again line capacity. You run certain trains along certain lines, a particular line is interrupted, and you have to divert all the traffic to the remaining line and that remaining line cannot take it. Apart from difficulties of this kind, we have been particularly unfortunate this year in having had two cyclones which caused very great damage and destruction. But, in spite of all that—this has a bearing on the distribution of coal to which I will refer in a minute—I do not think it is a fact that the transport of food has been affected by lack of wagons in any appreciable degree. From last August onwards, we have given the highest priority to the movement of foodgrains, and, to my knowledge, until about two or three months ago, very considerable movements of foodgrains took place as a result of the priority given. About three months ago a situation arose when wagons were being offered and there was nothing coming forward to load. What that was due to, I will not try to deal with. My Honourable friend Mr. Holdsworth or possibly Mr. Pillai may be able to do so. But it is a fact that wagons were being offered and there was nothing to load them with.

THE HONOURABLE MR. HOSSAIN IMAM : In which part of the country, Sir ?

THE HONOURABLE SIR SATYENDRA NATH ROY : That was very largely the case in the Punjab. One of the points which has been referred to by more than one speaker in the course of the debate was the difficulty which Bombay has experienced in the matter of food supply recently. To show what we have done to help in this matter I may mention that after the Governor of Bombay came here early in January and asked that special steps should be taken to move food into Bombay, we took every action possible not merely to place wagons for loading, but to watch them through the junction points to see that there was no delay in passing the wagons and I am glad to say that on his last visit here, a few days ago, Mr. Knight, told us that considerable improvements had been effected in the food supply of Bombay as the result of the measures that had been taken. The Bombay Government sent up a special officer to do their purchasing for them. That was at a time when the Food Department was just in the process of being created, and their machinery had not got going. It was only by taking special steps of that kind that it was possible to obtain the supplies to move to Bombay. It was not a question of wagons ; it was a question of lack of supplies. I have got certain figures to show what we have actually moved to Bombay. In January, we moved 21,520 tons of wheat, 35,222 tons of rice, 27,925 tons of *jowar* and *bajra*, and 15,525 tons of gram and pulse, a not unsatisfactory performance. That is only in regard to Bombay. With regard to certain other deficit areas like Cochin and Travancore, we were told some time in December that there was shortage and we were asked to take steps to see that transport was provided. We took steps to see that additional transport was provided for the quantities which were given to us, the quantities, I think, being 15,000 tons in January and 15,000 tons in February. I hope my Honourable friend will correct me if I am wrong. This is for Cochin and Travancore from the Central Provinces.

THE HONOURABLE MR. B. G. HOLDSWORTH : It is 10,000 tons all told.

THE HONOURABLE SIR SATYENDRA NATH ROY : Rice traffic was fixed at 15,000 tons ex-Central Provinces in January and 15,000 tons ex-Central Provinces in February. Actually, the rice was very late in being offered from the Central Provinces. The wagons were there but there was nothing coming forward to move. The rice did not start moving in any quantities until the middle of January, nearly 15 days after we had taken special steps. By the end of January 7,000 tons had moved and the latest report which I have received shows that 22,250 tons had passed Nagpur by the 19th of February. I am merely giving that as an illustration of the kind of difficulty that has been occurring. There is always a tendency to put the blame on transport but it is not always transport that is to blame. I do not mean

to suggest by that that the transport situation is not extremely tight. It is very tight. We are constantly having to juggle about with different kinds of traffic in order that essential traffic might move. To give you an illustration. In order to enable all this rice to be moved and all the food movements to be carried out, and to increase wagon supply for coal we stopped movement of manganese to Bombay from Calcutta. But we cannot allow ships which have come in to go back empty, and we have had to resume this movement recently but this movement was stopped for a month. That is the kind of thing that is continually going on. We have to stop one particular movement in order that another movement might take place, because we have not got a surplus of wagons which we can put on to any particular type of traffic. As to the quantity of traffic in goods moved I have not got the figures for 1942-43 but in 1941-42 (i.e., last year) as compared with 1940-41, there was a 10 per cent. increase in the grains and oilseeds carried. It is possible that there may have been a certain decrease in 1942-43 because, as the war goes on, naturally the demands on transport become more intense. But, whatever those demands may be, Government have never for a moment overlooked the urgency of providing transport for the food supplies of the people.

My Honourable friend Mr. Hossain Imam said that his Resolution was not a condemnation of the Government and that if only the Government Benches would care to learn wisdom, they would be able to carry on the administration to the satisfaction of the public. I was listening in the hope that some suggestions would come from his lips, and looking back on his speech there is nothing tangible that I can get hold of. He referred to coal. He said coal at control price consists of one-third of dust. That is very possible. I have no personal knowledge of it but I shall pass it on to the Deputy Commissioner here and I shall find out what the real facts are. But let me explain what the arrangements are for moving coal. Just as in the case of priority control the rudiments of the organisation were laid about this time last year, so in the case of coal a Controller of Coal Distribution in the person of Mr. Faruque was appointed in March last year. In the other House the other day in the course of the debate one of the members said that the important thing in these matters is to find the right person and let him have a free hand. I think if Honourable Members were to take a census of the opinion both of the coal trade and of the large consumers they would find that in the person of Mr. Faruque we have been able to satisfy the test mentioned. Mr. Faruque has the confidence of the coal associations and the coal trade in general to such an extent that on many occasions they have been content to accept any suggestion that Mr. Faruque has made. That is only by the way, because I wanted to make it clear that the officer who is doing this work has the confidence of the coal trade.

Turning to shortage in coal, it is perfectly true that in the last two or three months there have been difficulties. The reasons primarily are that we were unable to recover from the interruptions which the forces of nature and other causes imposed upon us, but the situation is improving now. The procedure that the Controller of Coal Distribution follows is to meet first the priority demands, and then to make a certain allocation of wagons for public supplies, that is, for domestic purposes, and for small industries like rice mills, oil mills and the like. At the beginning when he took up his job the percentage of wagons which he could allocate for public supplies was adequate. But latterly in the last three months the total number so allocated has dropped, with the result that there has been a considerable shortage at various places. At the last meeting of the General Managers, it was decided that everything possible must be done to increase the supply of wagons for coal and the improvement is already showing itself; within the last few days the number of wagons which have been offered for coal loading is considerably greater than before and is approaching the standard which we have laid down, which is 2,850 wagons a day.

Now, Sir, as regards the price at which coal is sold we as a Department, the War Transport Department, have never considered that they are responsible for fixing prices. But we found that if we could get the coal trade as a whole to come to a voluntary agreement, some sort of price control could be achieved through the control of wagons. After many months of negotiation I am glad to say that

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about three months ago the principal colliery owners' associations came to an agreement to fix a maximum price at the pithead to be altered from time to time in the light of circumstances. Honourable Members may think that that maximum price is too high or too low. From our point of view the important thing is that these associations have agreed to accept a maximum price and this maximum price will be altered from time to time according to the market conditions. But Honourable Members will realise that in arriving at this voluntary agreement there were considerable difficulties, because the small colliery owner naturally felt that a particular price may put him out of the business; on the other hand, if the price was fixed higher, the large colliery owner whose cost of production was less would benefit, so that figure had to be taken which would be acceptable to all and I do not think it is reasonable to criticise that figure merely on the ground that certain Honourable Members feel that it should have been less. The people who had to negotiate this agreement were satisfied that nothing better could have been achieved. Now, having got that agreement, this Department felt that it was necessary to initiate some machinery by which the effect of this price control at the pithead could be passed on to the consumer; otherwise the dealers would get the advantage of that maximum price at the pithead and then sell at whatever rate they liked. Therefore the scheme known as the Provincial Coal Control Scheme, was initiated. According to that scheme the local authorities in a particular area decide who are the people who should be allowed to handle the quotas which are fixed by the Controller of Coal Distribution for each area. The Controller of Coal Distribution first decides what the quota of wagons in a particular area should be. Then he distributes those quotas amongst the collieries. It is necessary to keep the smaller collieries working and so he makes a special effort to see that domestic coal is taken to the small collieries and he fixes a quota for all these smaller collieries for each province. When the district officer decides who are to be the people to whom these quotas would be allowed—and the general instructions of Government are that the ordinary trade channels should be followed and nothing in the nature of a monopoly should be permitted—when the district officer decides who these people are to be they place their contracts with the collieries within the quotas fixed for them, these quotas having been published in the form of a pamphlet and widely circulated, so that every one knows what are the collieries which have been allowed quotas for a particular province. When these contracts have been placed, the Controller of Coal Distribution issues a programme according to which wagons are allotted. I should explain that this system only came into force from the 1st of January. But actually it has not been effective in every place from that date because difficulties have arisen with various authorities as to the manner in which the *bama* or local agency should be constituted. It must take time to get a complicated scheme of this kind into full operation but I am glad to say that the position now has been straightened out, and as far as I know the system is now working satisfactorily. It should work satisfactorily provided that the quota of wagons can be supplied by the railways. If there should be an appreciable reduction in the supply, well I am not prepared to say that there will not be cause for complaint, but it will be our endeavour to see that an adequate supply of wagons is maintained so far as possible.

THE HONOURABLE THE CHAIRMAN (SIR DAVID DEVADOSS) : Will the Honourable Member take long?

THE HONOURABLE SIR SATYENDRA NATH ROY : No, Sir, I think I have finished. One word more about the priority control to which Mr. Sapru referred, or rather to the co-ordination to which Mr. Sapru referred. Priority control now extends, as I said, to most of the railways. There is a Priority Controller in Bombay, whose business it is to control movements over the G.I.P.R. and the B.,B.&C.I.R. There is a Priority Controller in Madras who likewise exercises control over the M. & S. M. R. and S. I. R. There is a Priority Controller in Calcutta and there is a second Priority Controller recently appointed. The function of one of them is to control priority movements over the B.N.R., the E.I.R., and the B. & N. W. R. and of the other to control movements over the Bengal and Assam Railway and the river systems to Assam. Rail and river movements have to be very

closely co-ordinated to get the best out of them and to use their capacities to the fullest. But no Priority Controller has yet been appointed for the N. W. R. The matter has been under discussion for the last two and a half months but I am hoping that an officer will be appointed very shortly. When this is done the scheme of priority control will be complete and it will spread all over India, so that my Honourable friend Mr. Sapru may rest assured that co-ordination between the railways will be effected to the greatest extent possible.

The Council then adjourned for Lunch till a Quarter to Three of the Clock.

The Council re-assembled after Lunch at a Quarter to Three of the Clock, the Honourable the Chairman (Sir David Devadoss) in the Chair.

THE HONOURABLE SIR SATYENDRA NATH ROY: Sir, I have only one or two words to add in conclusion.

As an illustration of what I was saying before, that every effort is made to meet demands on transport for movement of food supplies, I have a letter from the Regional Controller of Priorities, Madras, in which he quotes an extract from the proceedings of the Transport Board of that province—I may add that all these provinces have Transport Boards, which are in close touch with the Regional Controllers of Priorities:—

“At the meeting of the Madras Board of Transport on the 22nd January, 1943 the Chairman remarked that between the 9th December, 1942 and 16th January, 1943, the M. & S. M. R. had loaded 4,776 wagons of rice, which worked out to two trains per day, which was more than was considered possible. The administration was specially thanked for this achievement.”

I merely quote this as an illustration of the fact that in every province we do try as far as we possibly can to meet all demands for transport for the movement of food supplies.

The only other point I would make is this. It should not be understood from what I have said that there is no shortage of wagons. There is a very definite shortage of wagons for the amount of traffic that they are required to carry; and no one can expect in these days to get their supplies on the scale that they were accustomed to in the pre-war times. I hope, therefore, that, if it should be found from time to time that there is shortage of any particular commodity, allowance will be made for the fact that there are quantities of traffic to be moved and that we are trying to do our best in meeting all these requirements.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Sir, I should like to place before the House the situation that exists at present with regard to the supply of cloth. I should have liked, if time had permitted, to deal with some of the remarks that fell from my Honourable friend Sir Jogendra Singh. His speeches are always interesting, and offer so many points for criticism. But I shall refrain from that temptation, because there are many Resolutions yet to be discussed by the House. I should, however, like to say, before I pass on to the subject of cloth, that, although he accused us of being oblivious of the interest of the producer, I deny the charge *in toto*. I know of no time when those who put pressure on the Government to supply the people with adequate food, and at prices within their means, ever desired that the cultivator should not be paid a fair price for what he produced. I for my part have always been willing that the interests of the producer should be fully safeguarded.

But even my Honourable friend Sir Jogendra Singh, who always thinks of the interests of the agriculturist—perhaps he thinks even middlemen like zamindars to be in the same category as agriculturists—even he will not deny that there must be a limit to the rise in prices—

THE HONOURABLE MR. V. V. KALIKAR: Zamindars are not middlemen.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU—and that if they rise unduly, it is not merely the urban population that will be hit. The economic enquiries that have been held on the subject of prices have shown that very high prices do not benefit even the poor producers. It is to their interest that prices should rise; but there should be no excessive rise in them, if their prosperity is to be maintained on a stable basis. And all those who have spoken today about the interests of the consumer have only borne in mind the results of these economic

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enquiries, which are confirmed by our experience. I hope, however, that whatever his views with regard to the prices of agricultural produce might be, he will make no complaint if in dealing with cloth I draw attention only to the difficulties of the consumer.

Next to cloth, food is the most essential thing that every man wants; and a Government that fails to provide the people with both food and clothing does not deserve to be entrusted with the responsibilities which pertain to the governance of millions of human beings. Before the war, about 25 per cent. of our cloth was produced by handloom weavers, and the remaining 75 per cent. consisted partly of imports and partly of cloth manufactured in India. The imports from England had in recent years fallen to a very small amount, and the production of the Indian mills had risen correspondingly. Now, the late Commerce Member, Mr. Sarker, said in a public statement the other day that about two-thirds of the looms in the mills would be available for the production of cloth for civilian needs. At a time like this, when Defence requirements are heavy, the quantity of cloth which, according to Mr. Sarker's statement, we should have, seems to be fair. But I should like to ask my Honourable friend Mr. Pillai whether we shall get all the production of the Indian mills for consumption in India. A certain amount of it was always exported, but I understand from those who are competent to speak about this matter that the exports of cloth from India have risen considerably on account of the war. Thanks to Government, we do not know what the export of cloth in the year 1941-42 was or what it is likely to be in the current year. But my Honourable friend Mr. Pillai doubtless knows to what extent, if any, it has increased, and I hope that he will not regard the information in his possession as confidential. In any case, I should like a clear statement from Government with regard to the quantity of cloth that we might expect to get from the mills in comparison with what we were getting from them before the war. We should also like to know from him whether it is possible to discourage exports without losing our overseas markets in order to satisfy the needs of the people here. Lastly, I should like to ask him what efforts have been made to increase the production of cloth by utilising the services of the handloom weavers more extensively. Government have been taking an interest in this question for a number of years. They appointed the other day a Facts Finding Committee. But are the results of their committees and investigations meant only to be pigeon-holed in the Secretariat or are they meant to be made use of for any practical purpose? We have not yet been told, Sir, what the recommendations of the Facts Finding Committee were. Its Report has not been published. I wonder whether it is going to be treated as a confidential document. But my complaint chiefly is that notwithstanding the inquiries that are held from time to time in order to satisfy the public that the Government are alive to the importance of helping the handloom weavers and keeping them up as an important source of the supply of cloth, nothing has been done by them up to the present time, so far as we know, to make use of them to the extent that they ought to at the present time. I do not know whether enough yarn will be forthcoming. I only hope that it will be. But if sufficient yarn is not forthcoming, Government can make use of the facilities available in villages for the spinning of yarn. For political reasons they have closed down the stores belonging to the All-India Spinners' Association. But they can make use of its activities under their own auspices, if they think of the needs of the country and try seriously to relieve the difficulties from which the people are suffering. My Honourable friend Mr. Kalikar complained of want of co-ordination between the various Government Departments. He ought to have said that all Government Departments are lukewarm in the discharge of their duties where the essential needs of the people are concerned. Negligence is writ large on the measures that have so far been adopted by the Government of India in dealing with the situation that confronts the people—

THE HONOURABLE SIR JOGENDRA SINGH: I do not plead guilty.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU—in regard to the satisfaction of their elementary needs. Sir, I should like; before I deal with other points, to draw the attention of the House to the fact that the price of cloth which the poor people require has risen enormously since the war broke out. It is about

three to four times what it was before the war. What is being done by Government, at any rate, to provide cloth for the poor man at a reasonable price? We have been told that the millowners have generously consented to charge for the standard cloth that they are going to produce 30 per cent. less than the market price. But, considering the heights to which the prices of cloth have soared, this reduction will, while affording some relief to the poor people, I am afraid not solve their difficulties.

I shall now pass on to the third difficulty of the poor man which is in regard to fuel. My Honourable friend Sir Satyendra Nath Roy dealt with the matter fully. But he dealt, so far as I could see, only with coal, that is, with soft coke. There are certain other kinds of fuel also which are used by people and they are firewood and charcoal. What arrangements have been made for their transport? I do not know whether the various controlling officers whom the Railway Board have appointed have ever paid any attention to this matter. But, so far as the United Provinces is concerned, I know that charcoal and firewood are for ordinary purposes of much greater importance than soft coke. As regards my own city of Allahabad, the quantity of fuel available there has gone down considerably. Allahabad gets its fuel chiefly from a place called Manikpur which is on the G.I.P.R. line. I do not know whether Manikpur is one of those difficult operational points of which my Honourable friend Sir Satyendra Nath Roy spoke. But I hope that just as notwithstanding all difficulties he is trying to accelerate the despatch of foodgrains to Bombay, so he will try to make the kinds of fuel ordinarily consumed in the United Provinces available to the people there.

Sir, I have perhaps spoken as long as I was entitled to, but I hope, Sir, that you will allow me to draw the attention of Sir Satyendra Nath Roy to another question in connection with firewood, and that is that it enjoys a low priority.

3-5 P.M. ity. Now, it may seem absurd to place firewood in the same category as foodgrains and oilseeds. Yet of what use are foodgrains if the people do not get sufficient fuel to cook them. I do not know in which group firewood and charcoal have been placed by the Railway Board. I believe they are in the third or fourth group. They therefore enjoy no priority in practice. If it is so, this is a matter that the Railway Board ought to look into. These are the main points that I wished to draw the attention of the Government to and I hope that those who take part in this debate now, that is Mr. N. R. Pillai and Mr. Holdsworth, will be able to give us more satisfactory replies than Mr. Holdsworth was able to give us the other day. I entertain that hope particularly because after the debate that was held in this House in connection with foodstuffs, Government held a Food Conference and, I think, we are entitled to know what the main recommendations of this Food Conference were and to what extent they will help us in removing the difficulties that we are suffering from. I should also like to get from my Honourable friend Mr. Holdsworth a clearer description of the duties of the Food Expert who has been obtained from England. I am sure he is totally ignorant of the seasons and crops of India. He will perhaps not be able to distinguish one foodgrain from another. He will take time to acquire the knowledge that he must possess before he can usefully advise Government on any topic. I thought he had been called here as a rationing expert, but that was denied by my Honourable friend Mr. Holdsworth the other day. I should, therefore, like to know why a new man who does not know anything about the kinds of food produced in India and the habits and customs of the people has been brought over from England when competent men belonging to the country could have discharged the duties entrusted to him more efficiently? The appointment of a Food Expert, though a small thing in comparison with the magnitude of the question which we are discussing, shows the manner in which the Government act. It is surprising that even at a time like this they should persist in their old policies and move in a leisurely way, thinking that India is meant primarily to enable the Britisher to feel that he occupies a privileged position here.

THE HONOURABLE MR. N. R. PILLAI (Commerce Secretary): Sir, it falls to me to answer the criticisms made in the course of this debate regarding Government's handling of the problems of distribution and price control in relation to certain essential commodities other than foodstuffs. In addressing myself to this task, I am acutely conscious of a very serious disability that I am labouring under, because to me is denied that rich and choice gift of trenchant expression which my



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Honourable friends opposite possess in such abundant measure. Realising this drawback, Sir, I shall attempt to do no more than give a bare recital of the facts of the case, leaving the facts to speak for themselves. The criticisms urged in the course of this debate have been many and varied, and have ranged over an extensive field covering a large number of oddly assorted items, of which those which concern me, as the spokesman of the Commerce Department, are charcoal and firewood, in certain of their aspects, kerosene and cotton piecegoods. These are of varying degrees of essentiality and importance, and it will perhaps be convenient if I attempt to get the minor items out of the way. I shall begin, Sir, with charcoal, fuel generally, pass on to kerosene and end with piecegoods. In regard to charcoal, I think I can speak just as feelingly as any Honourable Member of this House, because but for the generosity of a friend who sent us some coal one evening I and my family would probably have gone without cooked food for a whole day. But from this to argue that there is a perpetual shortage of charcoal in Delhi would be to magnify one's personal grievance and I should myself be content to think that we in certain weeks of January and February struck a very bad patch. The trouble with charcoal is that it is not the product of an organised industry, with the result that it does not lend itself to central control and distribution and the solution of the many problems connected with supply and transport has to be left to local initiative and endeavour. Sporadic complaints have reached us, Sir, of local shortages in various cities of India, but our general information is that suitable action has in every case been taken by the local authorities. Coming nearer home, to the position in Delhi, the difficulty complained of was due in a large measure to a difference of opinion with the Gwalior State which imposed a ban on exports of charcoal to Delhi, because it felt that it was not receiving sufficient coke. This grievance was redressed and the Darbar has now agreed to release 90,000 maunds of charcoal lying at present at railway stations and a further large amount from other parts of the State. Unfortunately the wagons carrying this charcoal have got to come over a very congested section of line. But this difficulty has been partly met, I understand, by a decision that arrangements should be made for a large amount of charcoal to be transported by road. It is also welcome news that coal merchants have succeeded in obtaining wagons from the N.W.R. and considerable quantities of charcoal are now moving into Delhi from the northern districts and from the United Provinces. Although this is not a subject where the Central Government can do very much, nevertheless the whole matter is under examination with a view to seeing whether any possible assistance can be given to Provincial Governments and Administrations and it is hoped that very soon a very important step will be taken in this direction.

I have not very much to say in regard to firewood. I understand that firewood did not enjoy priority until a few weeks ago. At present the N.W.R. is giving 15 wagons for firewood a day for Delhi and stocks are reported to be coming in regularly. This is reported to have eased the firewood situation considerably and it is estimated that stocks of firewood in the city are now reasonably adequate.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Where ?

THE HONOURABLE MR. N. R. PILLAI : Here in Delhi.

I now pass on to kerosene. Owing to the very limited supplies now being received it has been found necessary to impose a scheme of bulk rationing under which consuming areas are given quantities approximately equal to half their consumption in 1941. This is being done in arrangement with, and with the co-operation of, the oil distributing companies, but responsibility for detailed arrangements for rationing within each consuming area has been delegated, and rightly delegated, to the provincial authorities.

My Honourable friend Mr. Kalikar had certain complaints to make about the distributive arrangements in the Central Provinces. I shall personally look into them myself and, if necessary, take up the matter with the Central Provinces Government with a view to remedial action being taken.

I now come, Sir, to the most important of the non-food items—cotton piecegoods. With the general statement of the conditions of the problem given by my friend the Honourable Pandit Kunzru, I can have but little quarrel. Prices of

cloth have, in common with those of other commodities, shown an upward trend since the outbreak of war, and have risen very steeply during the last six or seven months and they are now nearly three times as high as they were in April, 1941. Occasionally, checks and setbacks have taken place, but, broadly speaking, it is correct to say that the uprush of prices has not been arrested, and Government are fully aware that considerable suffering and hardship has been caused to the public, particularly to the poorer sections of the public, as a result of this high and ascending level of prices. This disturbing price movement is not wholly attributable, as some people suggest, to profiteering. It is a resultant of a large number of factors, chief of them being the heavy increases that have taken place in the prices or charges for all those elements which go to make up the cost of production. I have been looking at certain figures, and, while I cannot vouch for the accuracy of all the figures that I may quote, I notice that between April, 1941 and now the index number for raw cotton has gone up by about 70 per cent., wages and fuel by 60 per cent. and mill stores by 175 per cent. Allowing for all that, it must be admitted that the increase in the price of cloth has been more than in proportion to the increase in the cost of production, and the reason for this must be sought in the physical shortage of goods in relation to current demand. It has been Government's endeavour to rectify this disequilibrium, and they have proceeded along lines which, though not spectacular, are at any rate in the short run likely to be more effective. It is obvious that, whatever form of control is undertaken, one of the first things to do is to try and increase the quantity available for civilian consumption. This involves, firstly, the stepping up of production, secondly, reducing the demand for cloth required for purposes other than civilian consumption and, thirdly, adoption of measures to prevent hoarding and speculation.

In regard to the first point, procurement and shipping difficulties make it impossible to contemplate an extension of the existing plant and machinery in India, and the same factors impose a serious limitation on the quantity of essential mill stores which must necessarily be obtained from abroad. Nevertheless within the limits imposed by these factors, it is possible, by standardisation of designs and types and by the adoption of a variety of methods, into which I need not now enter to increase to a substantial extent the productive capacity of Indian mills. I can assure the House that Government have the whole question under their most anxious consideration.

At this point I must refer to the specific question put to me by the Honourable Pandit Kunzru about handloom production. I must confess that I am not in a position to give any interesting details which may satisfy him but I know that the Provincial Governments which are most interested in the development of handloom industry—Madras and Bihar—are taking very active steps to increase handloom production. The question whether the Report of the Handloom Committee should be published or not is now under consideration, and a very early announcement will be made of Government's decision.

Now, Sir, I pass on to the second of the steps to be taken, namely, reducing the demand for cloth for purposes other than civilian consumption, that is to say, Supply Department's offtake and exports. The whole question has been carefully examined. Supply Department's requirements have been subjected to the severest scrutiny and pruning and it is expected that purchases to be made by Government this year will be on a very much lower scale than in 1942. (*Hear, hear.*)

Concurrently, the volume of exports has been ruthlessly scaled down. I was asked why it is necessary to permit exports at all. That, Sir, is a very pertinent question—expressing a point of view with which most people will have considerable sympathy—but I should like to place before the House certain considerations which must affect a decision on the point. The position, Sir, is this. With the elimination of Japan and the Central European countries from the markets of the world, the responsibility for meeting the requirements for cloth of Allied and friendly nations has now to be shared between the United Kingdom, the United States of America and India, the three largest cotton goods producing countries. The United States of America takes care of the Western Hemisphere, the United Kingdom of a large number of markets in Africa and the Middle East, and India, as part of her war effort and on humanitarian grounds, has to satisfy, in part, the

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essential minimum requirements of a wide belt of countries extending from West Africa in the West to Australia in the East. These countries, to the extent that they are not in a position to satisfy their requirements either from their own resources or from imports from the United Kingdom, are wholly dependent on India; and to deny them the essential supplies which they need would reduce them to conditions of indescribable hardship and misery and incapacitate them for sustained effort in the cause of the United Nations.

That, Sir, is not the only reason why we should do what we can to keep these countries going. Apart from its being a moral obligation, it is sound business. One of our commercial objectives, and also one of the cherished ambitions of the industry itself, has been to develop external markets for our piecegoods, because only so could the foundations be laid of a healthy industry not wholly absorbed in the contemplation of the possibilities of a large but protected domestic market. The war gave us that opportunity, and we must seize it. I do not suggest that the development of export markets should be our sole preoccupation. But I do say this, that if we want to retain the markets that we have now captured, we must supply part at least of the minimum requirements of the countries which have come within our commercial orbit. At the same time, Sir, as I have said, a very drastic reduction has been made in the quota of exports. I am afraid I am not at liberty to give the actual figures, but the percentage cut has been in the neighbourhood of 55 per cent.—which, Honourable Members will agree, is a very, very substantial reduction indeed.

Now, Sir, I turn to my third point—adoption of measures to prevent hoarding and speculation. This is a field where the application of effective measures is a matter of extreme difficulty. But arrangements are in train which, if they are put into effect, as we hope to fairly soon will go a long way towards removing these anti-social evils.

I come now to what I conceive to be the most notable contribution of Government to the solution of the cloth position, and that is the introduction of the standard cloth scheme. I see my Honourable friend Mr. Hossain Imam is smiling to himself at this statement. And no wonder, because talk of standard cloth has gone on for so long and the results so far obtained are, according to some, so exiguous that any mention of it may provoke derisive comment. But, Sir, the production of standard cloth is now an accomplished fact. I do not wish to review the events of the last 18 months; nor do I wish to try and apportion blame for the delay amongst the various parties who were concerned in the preparation of the scheme. But I am bound to say this, that the Government of India have never relaxed in their efforts to get the scheme going, and the inertia displayed by certain people was probably due to the fact that it was not until six months ago that the cloth problem became really acute. In November last we knew what was coming; and although we had not received the acquiescence of all the parties concerned, we proceeded to place orders for about 16 million yards of standard cloth straightaway. Of this, 1½ lakhs of yards has been delivered and supplied to Assam; a further quantity of 15 million yards will be on sale in different parts of India by the middle of this month. I am told that the bulk of this quantity has either been despatched to the various destinations or is ready to be despatched. But this arrangement, which was purely tentative, has now been superseded by a more permanent scheme, agreement to which was secured at the discussions held in Bombay on the 31st of January. And here I should say that the scheme would not have seen the light of day but for the enthusiasm, perseverance and wise guidance of my late chief, Mr. Sarker, and the helpful, accommodating and co-operative attitude of all sections of the industry, which have all of them subordinated the profit motive to the motive of public service. The central feature of the scheme is this, that the industry is pledged to reserve 60 per cent. of its productive capacity for the manufacture of goods ordered by the Supply Department or of standard cloth. This means, in effect, that as large a quantity as 1,500 million yards—perhaps more—of standard cloth will be available, in time for distribution. Prices will be fixed by Government, and they are expected to be not less than 40 per cent. below the current level of prices. I must make this point quite clear. The Honourable Pandit Kunzru

said that prices today were about four times as high as they were before the outbreak of war; that is to say, if 100 were taken as the index number for August, 1939, the index number today is about 400. Now, this 40 per cent. reduction is to be calculated on the figure of 400, not on 100; that is to say, if a person now has to pay Rs. 400, he will only have to pay Rs. 240 for the standard cloth produced under the scheme. That, I consider, is a very big reduction; it is not one to be scoffed at.

I do not think I need go into the details of the scheme. But I should like to emphasise again that the scheme, when it is in full operation, will go a long way towards solving the cloth problem.

I hope, Sir, that I have said enough to convince the House that Government have, in concert with the industry, made a practical and effective approach to the solution of this problem; and it seems to me that it would serve very little purpose if we were to appoint a committee now to go into the whole question afresh. Government are at all times prepared, indeed anxious, to obtain guidance and assistance from this House through the medium of debates of this character. But Honourable Members will appreciate that the appointment of further committees when the stage for action has been reached will be of little avail. I trust, in the circumstances, that the House will endorse the view, that I submit to it, that in the steadfast pursuit of the policy which Government have set before themselves, rather than in the creation of a multiplicity of committees, lies our best hope of securing the object which we have all of us so much at heart. (*Applause.*)

THE HONOURABLE MR. B. G. HOLDSWORTH (Food Secretary): Sir, before this Resolution was moved, you requested Honourable Members to refrain as much as possible from the subject of food on the ground that it had already been adequately discussed in this Council. I detected, Sir, on the part of most speakers a genuine attempt to comply with your request. But, somehow or another, despite their best endeavours, food, like the famous King Charles' head, would keep on slipping out into the speech. The subject proved itself too compelling to be resisted. I have therefore to inflict myself on this Council again despite the rather frequent occasions on which I have had to do so recently. I am encouraged, Sir, on this occasion by a fancy that I detected in the words of the Honourable Mover a somewhat less severe tone than he adopted when he spoke on the Resolution of the Honourable Pandit Kunzru a few days ago. On that occasion there was no name which was too bad for the Government. On this occasion, the Honourable Mover seemed prepared to admit that we are trying to do something. I cannot flatter myself that this fancied change of attitude is due to any remarks of mine because, if I remember correctly, the Honourable Mover was not present when I replied to the previous Resolution. I can only hope, Sir, that his change in tone is due to a realisation that there has been a definite improvement in the food situation in the country. In that connection, I regret, Sir, that the Honourable Mr. Dalal referred in his speech to the queues of people standing outside the food shops in Bombay. I am assured by a number of persons from Bombay that the queues which certainly existed a couple of months ago are now, if not entirely unknown, extremely rare.

Before coming to the substantial part of the Resolution which, curiously enough, has been referred to by only a few of the speakers in this debate, I must attempt an answer to a few incidental points which were raised. We were told by the Honourable Mover of the Resolution that the formation of the Food Department was a confession of failure and in the same speech it was suggested that the Government of India had failed in not creating a Food Department earlier. Sir, surely that position is somewhat inconsistent. If the formation of the Department is a confession of failure, you should not quarrel with the Government because they delayed confessing the failure for so many years. The formation of the Food Department is not a confession of failure but a recognition of a problem which now has to be solved. This problem has only comparatively recently arisen in this country. Honourable Members are perhaps apt to forget that for a considerable time after the outbreak of war, the food problem of the Government of India was not to force prices down but to lift prices up. The price of agricultural commodities was depressed before the war and for a long period after the outbreak of the war these prices failed to show the recovery which it was anticipated war conditions would bring about. The origin of our present

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problems can be dated, I think, to the interruption in our imports from Burma. The fall of Burma was not an event which had been anticipated. It is, therefore, not surprising that the Government was not prepared for an entire reversal of the position in a very short space of time. Efforts have been made since then to deal with the difficulties as they arose, and those efforts have culminated in the formation of a separate Department to deal with the subject. That Department is doing all it can and I have already described the line of action which we are adopting.

Another question raised by the Honourable Mr. Dalal was whether we were still exporting foodgrains to Persia. I believe that such an impression is generally prevalent and I am glad, Sir, to have the opportunity of stating that that is entirely unfounded. Certain foodgrains from this country were purchased on behalf of Persia in the year 1941 at a time before there was any question of shortage in India, at a time when the problem was not to force prices down but to lift prices up. But, since those exports, there has been, I think I am correct in saying, with the exception of an odd parcel of 2,000 tons, no export of foodgrains to Persia, and certainly no export of foodgrains under cover of despatches to the army in the Middle East.

I was also asked whether the Department was aware of the possibility of wastage in respect of stocks held by the Defence forces. I can only say that we are not aware of any such wastage and that no case has been brought to the notice of the Department which would suggest that the stocks held by the Defence forces are allowed to deteriorate through being kept too long in stock. I am quite certain that the Defence authorities would be the first to take steps to prevent any such development. The authorities of General Headquarters are as much alive to the necessity for economising in foodstuffs in this country as any member of the Food Department. Another Honourable Member, Sir Shantidas Askuran, urged legislation to secure economy in food and the limitation of parties. Such legislation would be easy to draft. It would be easy to produce an Ordinance to enforce such a proposal: but it would be extremely difficult to ensure that such an Ordinance is obeyed. The ways of defeating it and evading it are many and it is almost impossible to cope with them all. On the other hand, the suggestion that every effort should be made to secure personal economy in foodstuffs and an attitude of austerity towards foodstuffs is one of great value at the present juncture and the Department hope to institute a campaign to this end through propaganda rather than through penal provisions. The Honourable Sardar Sobha Singh asked for the removal of movement control. The Food Department feel that while price control in the primary wholesale market may be an impediment in our way, it is essential if we are to secure a fair distribution of the available supplies of the country that there should be movement control at certain points in order that we may know what is moving and where it is moving to. The obvious points to establish such controls are on the frontiers of the various Administrations. The Honourable Sardar Sobha Singh had in mind, I think most particularly, the case of Delhi. Delhi is of course a unique Administration in that it has a large consumption and a very small production. There may be good reasons for different arrangements in the case of Delhi from those which prevail in respect of other Provincial Administrations, and I can assure the Honourable Member that the suggestion which he made is under consideration and is engaging the attention of the Government of India. I was also asked why the Government of India had brought out an expert from England. It was suggested that this expert would be completely unacquainted with Indian conditions; it was even suggested he would not know one grain from another and it was asked of what use such an expert could be? The expert who has recently arrived from England is an official from the Ministry of Food who has devoted the whole of his service to matters connected with cereals mainly under the Ministry of Agriculture. It is, therefore, an exaggeration to suggest that he is a person who will not know one Indian grain from another. This officer, as I have said, has spent his official lifetime in close touch with problems connected with cereals and one of his earliest appointments was that of Secretary to what was called the Indian Wheat Committee. Although that Committee did not visit India, he was engaged in the United Kingdom in dealing with imports of wheat from this country into Great Britain. An officer who has spent the whole of his service in the special study of cereal problems, particularly wheat, may

be expected to have a very wide knowledge of wheat conditions all over the world, in India as well as outside India. But that is not the reason why this expert has been brought out from England at this stage to advise the Food Department. The position is that in this country we have nobody who has any practical experience of State control of the supply and distribution of foodgrains. We have experts with experience of the cultivation of such foodgrains. There are persons no doubt who have commercial experience in the purchase and sale of such foodgrains. But there is no one here who has been engaged on a scheme for the State control of supply and distribution. Such a measure has problems of its own, practical problems which arise in the day-to-day administration of the scheme and I am confident that the experience which our expert has gained in administering the scheme of control which has worked so satisfactorily in Great Britain will be found invaluable in developing the scheme which we have formed in this country. Incidentally this officer will be able to give us advice on rationing, but that will be incidental. The main purpose which we had in mind in asking for his services was to have by us at a time when we were formulating and developing our scheme a person with practical experience of work of that sort who would be able to assist us in the many difficulties which we expected to arise.

Sir, I now come to the substantive part of the Resolution which is that a committee of economists and members of the Legislature should be formed to study the situation. This Resolution has not been accepted quite as it stands by all the members who have spoken in favour of it and the opinion has been voiced that the Resolution keeps the Committee too circumscribed, that its constitution should be widened, so as to include representatives of commercial interests and of the consumers. However, the Resolution as it stands asks for a committee of economists and of members of the Legislature. I regret, Sir, that I cannot accept the Resolution on this occasion. I agree that the situation is one that calls for study; the situation is one which demands serious consideration not only of the Government but of everyone in the country. But it is well known that when it is desired to procrastinate, when a subject is embarrassing and it is thought preferable to put it out of the way for a little while, the most commonly accepted practice is to appoint a committee, and I am surprised that when we are faced with a problem so immediate and urgent as the one we are dealing with today the time-wasting device of a committee should be recommended to us as a means of dealing with it. We were urged not to be swollen-headed about this and I should like, Sir, to assure the Honourable the Mover that if we cannot accept the Resolution it is not because we are swollen-headed. The Honourable the Mover himself sees to it that we should not be swollen-headed with his candid comments on our activities.

(In the course of today's debate a number of suggestions have been made—many of them extremely valuable—and I should like to say that the Food Department gratefully accept those suggestions. The Honourable the Mover himself urged that we should associate representatives of consumers with supply and price control. That policy has already been adopted in many of the provinces as we have been informed by other speakers today. It has already been adopted, for example, in the Delhi Province. It is not so easy, however, to adopt it in the case of the Government of India. It is a device which is excellent for dealing with local problems, but it is rather difficult to form a similar non-official Central Government of India Committee which can adequately advise on the situation all over India and to keep such a Committee constantly in session. The differences between handling an all-India problem and a local and provincial problem in this respect is obvious.

The Honourable Mr. Dalal read us an extract from a speech of the Food Minister in England, in which the value of utilising existing trade machinery for the purpose of supply and price control was emphasised. That is a policy which the Food Department are endeavouring to follow. The Government purchasing organisation which we are setting up aims at making the fullest possible use of the existing commercial machinery in this country. The position in India is however very different in this respect from that in Great Britain. There there are a number of associations and organisations, many of them semi-Governmental in character, which knit together the great food-producing and food-dealing activities of the country. In India there are no such country-wide organisations and therefore we have not to hand the weapon which has been used so effectively in Great Britain. We hope, however, to

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make the fullest possible use of such commercial machinery as we find in existence in the country in carrying out our policy of securing control of the greatest possible volume of foodgrains.

We were urged also to see that the provinces and the districts did not hoard. That, Sir, is at the very basis of our present plans. The recent Conference, about which the Honourable Pandit Kunzru asked in particular, the recent Conference which has just been held, was attended by representatives of every province and of many of the States in India. That Conference was not one at which the various representatives merely urged the claims of their own areas. It was not a conference of that sort at all. It was a conference which had before it a scheme in full detail for the setting up and running of a purchasing agency under Government control in each of the Administrations of India. These details were threshed out in Committee and a greater unanimity than we had anticipated was eventually secured. It is impossible for me to go into all these details without taking up too much of the time of the House but as a result of the Conference the provincial officers, who attended, have gone away with a clear-cut idea not only of the problem before us but of the solution which the Food Department recommend and of the methods which they have worked out for dealing with the situation. The discussions at the Conference will be followed up and it is hoped that before long there will be operating in all the Provincial Administrations and in as many State Administrations as we can persuade to fall into line an agency for purchasing foodgrains which will be distributed under the control of the Government. (*Hear, hear.*) The Central Government will control the inter-provincial distribution while the Provincial or State Governments will control distribution within their own administrative boundaries.

Well, Sir, the Food Department has studied the situation most anxiously and carefully. It is a situation which many of the speakers this morning have admitted to be complex and complicated. The causes are many, but we are convinced that the fundamental cause is lack of confidence and we are setting ourselves to re-establish confidence in every way possible. We have made a diagnosis and we have formed a plan. It is essential that whatever is done should be done quickly and I would suggest to the House that it is preferable that we should go ahead with our plan for the re-establishment of confidence rather than that we should hold back until a Committee of economists and members of the Legislature should evolve probably as many different plans as there are members of the Committee. We should then be faced

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with an embarrassingly rich assortment of choices; our confidence would be sapped; our activities would be retarded. Whatever may be the correct solution of our present difficulties, I am confident that one thing is required, and that is speedy action. I would, therefore, suggest that the time is not opportune for the appointment of a committee, which can only result in delayed action. In the course of the speeches this morning it was also suggested that a standing committee of the Legislature might be associated with the Food Department. That is quite a different suggestion from the one contained in the Resolution; and I would not rule it out. If the suggestion is made in the prescribed manner, it will be carefully and sympathetically considered. The proposal in the Resolution, however, I regret I am unable to accept.

\*THE HONOURABLE MR. HOSSAIN IMAM : Mr. Chairman, this Resolution has been replied to by the one-and-indivisible Government in its four different aspects : the agricultural aspect ; the commercial aspect ; the food aspect ; and the war transport aspect—the four facets of the same one-and-indivisible Government. I should like, Sir, to begin from the end. The Honourable the Food Secretary was pleased to say that he had diagnosed the main cause of the trouble as lack of confidence. I think, Sir, his diagnosis is absolutely correct. Whatever defect there might be in the dealings and the actions of the Commerce and the Food Departments, there is no gainsaying the fact that the whole trouble is due to lack of confidence on the part of the people in the present-day Government and its occupants.

THE HONOURABLE SIR MAHOMED USMAN (Leader of the House) : Question.

**THE HONOURABLE MR. HOSSAIN IMAM :** That has been enunciated by part and parcel of the mighty Government itself—that the public has no confidence. I admire his courage in making this statement. We find many such statements every day, but I was glad to hear it from the Food Secretary.

**THE HONOURABLE MR. B. G. HOLDSWORTH :** I really must protest against what is clearly a misrepresentation of what I said. I spoke of a lack of public confidence in the situation in general, and not of a lack of confidence in the Government of India.

**THE HONOURABLE MR. HOSSAIN IMAM :** The lack of confidence in the situation in general is due to the fact that there is no confidence in the Government ; one is the result of the other.

Sir, the Honourable the Food Secretary has also correctly stated that the troubles arose really from the time of, not exactly the fall of Burma, but the commencement of the Japanese war—because the imports from Burma stopped months before the actual fall of Burma came about. It was really from February, 1942 that the situation deteriorated. Our difficulty is that if we make a suggestion to the Government early enough, the Government refuses to recognise the seriousness of the situation. If we make the suggestion late, we are told : “ Now the time is for action and not for conception ”. So, “ Heads we win, tails you lose ”. There is never time for consultation of public opinion. The Government of India has neither the courage to state in so many words that it apes Nazis, nor has it the decency to work according to democratic principles. It wants to pass muster as a democratic Government, work as an oligarchy, and be regarded by its own officials as autocratic. So, it wants to maintain three fronts—one for itself, one for others to see, and one for its officials.

Sir, my Honourable colleague Pandit Kunzru had questioned the wisdom of the appointment of an expert from outside. The reply was that he had some experience which people in India lacked. The people of India lack experience because there has never been occasion to learn these things. And you do not propose even now to start a rationing scheme. Where is the necessity of having rationing experience ? If you want to ration foodstuffs, come out boldly and tell us : “ We want to introduce rationing ; therefore we want a rationing expert ”. But you are averse to having control in the primary markets. You are not likely to start food rationing. And yet the experts must have experience of rationing. I for one have failed to understand the logic of this argument. There are economists in India—in the colleges, in other spheres of life—who have enough experience and enough knowledge of Indian conditions to be able to advise Government on the food situation and its difficulties. I think the Government of India is not fair to its Economic Adviser in laying the burden of all economic advice on his shoulders alone. The Economic Adviser to the Government of India is a competent man, enjoying not only confidence but fame for his knowledge. But it is unfair to him to be burdened with all sorts of economic advice required by the Government of India—reconstruction aspect, financial aspect, food distribution aspect, and so on. Everything has to pass through him alone ; there is nobody else in the Government of India who is competent to advise on these matters. It is that kind of swollen-headedness to which I referred last time. They think—if the House will excuse my saying so—that as long as a man is here he is all-mighty and indispensable —

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Wherever he is—if he is a Britisher.

**THE HONOURABLE MR. HOSSAIN IMAM —**and as soon as he goes out, he is a nobody : especially if he is an Indian and he goes out, he becomes a nonentity. Our imported food expert—because you cannot import any more foodstuffs, you have to import a foodstuffs expert. (*Interruption.*) That is a small quantity of wheat that we are going to get from Australia—I wonder whether our imported food expert knows anything about our peculiar Indian grains such as *bajra* and *jowar*. These grains are indigenous to India, and they play a very great part in the feeding of the poor in this country.

Now, Sir, I should like to say one word more about the reply of the Honourable Mr. Holdsworth. He accepted the suggestion made by my Honourable friend Mr. Sapru that a standing committee should be formed for this Department. So far so good. I will not quarrel with him for not being very explicit. Whatever he has



[Mr. Hossain Imam.]

said amounts to this, "Do not look a gift horse in the mouth". He said that although the situation was such that it required study and inquiry, because they were engaged in taking certain actions, it was inadvisable to have a committee. It is this aspect of the question which I wish to discuss a little. A committee, merely by its creation, would not in any way over-ride your present line of action. It is quite possible that the committee may report that whatever action you have taken was the correct line of action which you can take. It is quite possible that the committee may report that the methods adopted by the Government, in the circumstances in which they were taken, were the correct methods. But new things also may come out. You yourself admitted that you could not be dogmatic on the situation. There are so many contradictory factors which have brought about this deterioration. For any one to say that there is absolutely nothing further to find out would be tantamount to saying that they are the one and the only people who can understand things, and that there is nobody else who has even any knowledge of the thing. You cannot move in two directions at the same time. You cannot say that you have not studied the situation fully and at the same time say that whatever action you have decided on is the only correct action. It is doggedness, a sort of foolish insistence. But I have recognised that a bureaucratic Government is the most difficult Government to deal with. It has a propensity to stick to whatever it may decide on, and unless it is jolted rudely and in a disconcerting fashion, it is not likely to change over. Let us, therefore, wait and see what fresh discoveries the Food Department makes. Now it is only three months young, let us see what it does, next time we meet.

Now I come to the very able advocacy of the Honourable the Commerce Secretary. Although he started very modestly, when he got into his stride and felt secure of his reins, he was very vehement, although I must say that he has some ground for this vehemence. I shall only deal with the cotton cloth business. I personally left out this aspect of the essential supplies because I have a Motion\* down below, a copy of which I shall lay on the table, which I had intended to move. But now that this subject has been sufficiently discussed, there will not be any need for me to move that Resolution. May I say, Sir, that the aspect which I wanted to be explored as far as cotton cloth was concerned was the possibility of using substitutes for cotton cloth in the Supply Department requirements? For instance, to take one item, cloth used in the tents is now made of cotton yarn. It is easy to substitute jute yarn for that. Coir can also be used for that. You are not making your tent to last you for a lifetime. They are war requirements. Germany has specialised in producing *ersatz*. We need not go so far as the Germans have done, but when you have got two things, one in abundance and the other in scarcity, why can't you change over? If the yarn were set free, the handloom industry would welcome it as a Godsend, and they will be able to manufacture hand-made cloths in large quantities from the yarn so set free. It is possible, Sir, even for this wise and all-mighty Government to learn things. My own experience is that it does learn things although it learns after its failures, without admitting that it has learnt something. I wonder if an inquiry has been made whether all the textile mills are working or there are still some lying idle, and whether they are working full three shifts. If these methods are adopted and if you utilise all the resources to their full capacity, then you can have freedom from want, which is what we want. I am not very positive, Sir, and I should like the Honourable Mr. Pillai to mention what was the quantity of standard cloth which he said would be made available to us in one year.

THE HONOURABLE MR. N. R. PILLAI: When the scheme is in full operation, the quantity will be not less than 1,500 million yards.

THE HONOURABLE MR. HOSSAIN IMAM: When the scheme is in full working order! It is just as remote, Sir, as the peak production of America which we have been waiting to be reached in spite of the hustle. The Government of India, which does not know the meaning of the word "hustle" is never likely to reach that peak

\*Whereas the prices of cloths have gone up too high, due to high profits made by the capital and labour; this Council recommends to the Governor General in Council that (i) the textile industry be nationalised for the duration of war, (ii) the shareholders be paid the average profits of 1940-42, and (iii) dealings in cloth be restricted to licensed dealers alone who should be required to submit returns of sales and purchases.

even by the end of this year. Even when this peak is reached, what will be the per quota allotment of the cloth? Two and a half yards. In a country with 400 million population, you are going to give us 1,500 million yards, less than four yards for each person.

**THE HONOURABLE SIR SHANTIDAS ASKURAN:** No. It is only for the poor people.

**THE HONOURABLE MR. HOSSAIN IMAM:** My Honourable friend thinks everybody is like the Bombay millowners—

**THE HONOURABLE THE CHAIRMAN (SIR DAVID DEVADOSS):** Order, order. I do not want any talk between Honourable Members. They must address the Chair.

**THE HONOURABLE MR. HOSSAIN IMAM:** Mr. Chairman, the number of assesses of income-tax is so small in India that I would be justified in saying that out of the 400 millions of Indians, there are at least 399·9 million people who are poor. It is only probably 10 lakhs of people who can be called rich in India, if income-tax returns are to be believed. The War Transport Department had its say, but the main Department from which we wished to hear was the Defence Department; but it has remained silent as usual. The Honourable Sir Jogendra Singh had his fling against Pakistan. But we believe, Sir, that we cannot tackle all at one and the same time. We were face to face with the British Government and as long as we remain united we cannot help but feel united and work united. It is only when we separate and get my own patrimony that we shall manage my own estate according to my own conception. Sir, one thing has been borne out by all Honourable Members that it is the unanimous desire of the House that the Government should do something. The Government have stated their case, in certain respects a good case, in some respects a bad case; but they have shown their unwillingness to co-operate with the people and our standing complaint has been that the non-co-operation of the Congress is the result of the lessons which we have received from the Treasury Benches. I do not therefore find my way to withdraw my Resolution.

**THE HONOURABLE THE CHAIRMAN (SIR DAVID DEVADOSS):** Resolution moved:—

“Whereas Government has failed to secure satisfactory distribution and control of prices of the necessities of life specially of foodstuffs; this Council recommends to the Governor General in Council to form immediately a committee of economists and representatives of parties in the Central Legislature to examine the whole subject and to suggest remedial methods, which should be implemented by Government as soon as possible.”

Question put and Motion negatived.

## RESOLUTION *RE* STERLING RESOURCES AND EXPANSION OF CURRENCY.

**THE HONOURABLE MR. M. N. DALAL (Bombay: Non-Muhammadian):** Mr. Chairman, at this stage after we have discussed the food situation by bringing forward two Resolutions before this Honourable House, I should like to move the second of the Resolutions standing in my name, with your permission, if the Finance Secretary has no objection.

**THE HONOURABLE THE CHAIRMAN (SIR DAVID DEVADOSS):** The first has I think been covered already.

**THE HONOURABLE MR. C. E. JONES (Finance Secretary):** I have no objection to raise.

**THE HONOURABLE MR. M. N. DALAL:** Sir, I move:—

“This Council recommends to the Governor General in Council that prompt and speedy measures be taken in regard to the situation created by (i) the huge accumulations of sterling resources in the United Kingdom; and (ii) the huge expansion in the volume of currency.”

Mr. Chairman, the heavy accumulations of sterling resources and the large expansion in the volume of currency that has taken place are real live issues today. They are sufficiently inter-related to merit a simultaneous approach.

Just before the commencement of the war, sterling resources of the Reserve Bank stood at Rs. 65 crores. They have been growing at such a fast pace that by the end of 1942 a huge total of Rs. 627 crores was reached. Although a considerable part has been utilised for meeting the repatriation of various sterling loans, for paying off railway annuities, etc., on the 29th January, 1943, from a statement of the Reserve

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Bank of India, we find that these assets accounted for as much as Rs. 355 crores. If the "balances held abroad" amounting to Rs. 85 crores are added it makes a huge total of Rs. 440 crores. At the present rate of accumulations, our sterling credits are increasing on an average by Rs. 20 crores per month. The heavy accumulation has been partly the result of a large favourable balance of trade which India enjoys in regard to her foreign trade. We may mention in this connection that the favourable balance of trade that occurred during the first 28 months of the war amounted to as much as Rs. 204 crores as compared with Rs. 100 crores for the corresponding period before the war. The abnormal expenditure incurred in India by the Allied Governments has also richly contributed its share. We are informed that the value of the contracts placed by the Department of Supply from the outbreak of war to the 31st of December, 1942 amounts to Rs. 454.5 crores. Wartime restrictions on imports of goods and treasure, which in other words make it impossible for India to convert any appreciable proportion of the favourable balance either into imports of goods or gold, have all added their full quota to the tremendous increase in the sterling assets. The net result of these restrictions, interferences in the normal economic forces and the consequent accumulation of sterling in the United Kingdom is that India's currency structure has today become lop-sided. The percentage of gold coin and bullion to notes issued has declined from 21.1 in 1938-39 to 7.4 in January, 1943. It may be that our sterling resources in the United Kingdom could be found useful to assist India's purchase of essential materials such as machinery, capital goods, etc., after the war is over. But then this very fact makes Indian business men and economists uneasy. The accumulation of these assets in the United Kingdom creates an apprehension that after the war we would only have to purchase in that country and we shall not be able to make use of the best available market. In this connection the Finance Member in his Budget speech has said that Government are considering something in the nature of a "Reconstruction Fund", to be utilised by India after the war is over, to purchase her requirements of plant, machinery, etc. This idea again, Sir, creates an apprehension that England might execute long term contracts to build in this country aerodromes, roads, etc., so that British aircraft—residue of the war and British motor cars—manufactured by the same factories manufacturing tanks today, might be dumped in numbers in this country, while her key industries are not allowed to be developed in spite of India's ample resource promising a successful establishment of such industries. On the strength of sterling credit, Sir, the Reserve Bank of India has been issuing currency notes which, as I would show shortly, has been the result of this inflation. Now, there is a particular observation made by Professor Vakil which I should like to mention at this stage. Professor Vakil, the much discussed author of *The Falling Rupee*, observes :

"We suffer now by inflation and high prices in financing British purchases ; we shall suffer later by low prices and deflation in maintaining the statutory exchange value of the rupee, and in the process the much talked of sterling assets will disappear. We shall have in the bargain low prices, depression and unemployment. The sterling will be obtained mainly by the exchange banks, or exchange speculators who will then be able to finance British imports into India. These may necessarily be capital goods that we want or competitive goods. A few individuals, British or Indian, will gain at the cost of national loss."

Apart from the suggestions put forward by the Finance Member in his Budget speech, various suggestions have been put forth for the effective utilisation of our sterling resources.

**No. 1—Durable goods.**—In the first place there appears to be no necessity whatsoever to wait until the end of the war for the purchase of plant and machinery. On India's ability to be the arsenal of democracies in the East the future of the British Commonwealth depends. This is an accepted fact. If the British Government really and truly recognise this fact there seems to be no reason whatsoever preventing her, restraining her, from giving her effective aid in establishing automobile aircraft and the several other industries in this country. Here we may contrast the policy followed by Australia. Australia in this war has been able to import plant and machinery. Australia in this war has started new ship-building and aircraft factories and it has considerably increased its steel output.

*No. 2—Redemption of rupee investments of British nationals.*—The mobilisation of the rupee investments in possession of British nationals and transferring them to India for exchange for sterling securities, the redemption of British investments in port trusts, improvement trusts, etc., and those in the industrial and joint stock companies are some of the well-known suggestions made in this connection. British investments in industrial and commercial ventures in this country have been put by various economists at various figures. It has varied from Rs. 1,000 crores to Rs. 500 crores but even assuming the very modest figure of Rs. 300 crores I for one feel that it will go a long way to reduce our sterling assets. In expounding this argument I hope my British friends will not misunderstand me. British nationals have as much right to trade in this country—that is what I feel, Sir,—and if anything is to be done it should be done in co-operation with them.

*No. 3—Transfer of British-owned merchantships.*—The transfer of British-owned merchantships to the Indian register is also another matter for consideration by Government.

*No. 4—Payment in gold or tangible assets.*—We may mention in this connection, Sir, that the Dominions of Canada and South Africa have been insisting recently on payment of their dues partly in gold and partly in British-owned Canadian or South African stocks. It is also mentioned that according to the financial arrangements arrived at between His Majesty's Government and Canada 40 per cent. of the purchases by His Majesty's Government from Canada was paid in gold and 40 per cent. by transfer of British assets in Canada.

I have already mentioned, Sir, that the sterling credits have formed the basis of the increased note circulation. When we go into the figures, we are simply struck at the magnitude of the expansion of currency in this country. Notes in circulation in India stood at Rs. 172 crores in September, 1939; in December, 1939 they mounted up to Rs. 236 crores; in July, 1941, they further increased to Rs. 277 crores; in December, 1941, a figure of Rs. 325 crores was reached; they amounted in July, 1942, to Rs. 450 crores; on the 25th of December, 1942 the figure reached Rs. 570 crores and during the current month the amount is more than Rs. 600 crores. In other words, there has been an increase of more than 300 per cent. ever since the war started. The worst has not yet come! During the week ending February 5, Rs. 9 crores of notes were added. If at this rate the paper currency is printed, we can well imagine, Sir, the catastrophe that would overtake us in this country. The immediate effect of this huge addition to our currency is the unheard of rise in prices. The increased prices, especially during the year 1942 and the last two months, is indeed terrific. The index number of wholesale prices in Calcutta for all commodities stood at 108 in 1939, increased by 12 points to 120 in 1940; rose by further 19 points to 139 in 1941 and increased by a terrific addition of 46 points to 185 in 1942, and climbed vertically, as it were, to 254 during the January of this year.

Expansion in currency, Sir, would be nothing very much to worry about if there was a corresponding expansion in the economic activities in the country, and increased production, industrially or otherwise. It is highly unfortunate that there is no adequate or comprehensive statistical data available in regard to the production whether industrial or agricultural. It is, however, significant that all estimates that have recently been made in regard to an increase in production have varied between 10 to 20 per cent. No one has dared to put the industrial increase at more than 20 per cent. While production has increased by 20 per cent. the currency has increased by 300 per cent. The Honourable the Finance Member and several other financiers in the country are of the opinion that there is no real inflation but only a temporary situation caused by an increase in the purchasing power impinging on a stationary or diminishing volume of goods. I for one, Sir, have no doubt that inflation of the worst type has set in. Every one of us, Sir, is familiar with the far-reaching havoc caused by it. Prices have simply soared and many goods could not be obtained at all at any price within one's reach. While currency has expanded by 300 per cent. the wages have not gone up. The remunerations of many classes have not increased by any comparison with the currency. If it be asked that the agriculturist gets very much more for his produce it must also be remembered that he has to pay so much more for the essential necessities of life, like *gur*, kerosene, matches; and so on. It is true, Sir, that there are other causes which have led up to the rise in prices—for instance

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hoarding—but then hoarding, Sir, has not only been on the part of the public. There has also been a certain amount of hoarding by Government.

The measures to combat inflation are very largely the measures required for utilising the heavy accumulation of sterling resources. The pooling of the industrial and commercial hoarding of the British nationals is one of the methods which has already been discussed. Greater industrialisation of the country resulting in increased production and better efficiency is one of the tried methods. Agricultural production also should be systematically and strenuously brought up to a higher pitch. Every possible and conceivable method should be employed for increasing production. Better and more scientific methods should be placed at the disposal of the agriculturist. Subsidies may be granted liberally wherever necessary. Here again we have the precedence both in the United Kingdom and the United States of America. The other well-known methods for curbing the inflation are taxation and loans. So far as taxation is concerned, Sir, I think we have already reached the limit. So far as loans are concerned the three years or more of war have only resulted in about Rs. 145 crores of the Defence Loans being absorbed by the country. I admit once again that it is the political *impasse* which is the cause of this want of subscriptions to the war loans.

I do not claim, Sir, to have propounded any new scheme in the theory of finance. Whatever suggestions I have made are known to all financiers. But the suggestions, with the examples of other Dominions, are worthy of reconsideration by Government. I should like to know at this stage whether Government can throw any further light apart from their Budget proposals on the intricacies of this very important and burning question of the day—the solution of the currency problem of India.

THE HONOURABLE MR. P. N. SAPRU: (United Provinces Southern: Non-Muhammadan): Mr. Chairman, as I may not be present here on the 10th, I thought that I might utilise this opportunity to place my point of view on this Resolution before the House. I am glad that the Honourable Mr. Dalal has raised a discussion on the question of accumulation of sterling resources in the United Kingdom. He has pointed out that the sterling balances now accumulated in the United Kingdom have reached the extent of Rs. 444 crores, and they are increasing at the rate of about Rs. 20 crores per month. They are due to the favourable balance of trade which India has been enjoying. The contracts placed by the Supply Department itself amount to Rs. 455 crores.

Now, Sir, the question is, what is to be done with these sterling resources. The Honourable the Finance Member in his speech has suggested that they might be used for replacement purposes in the post-war period. His argument appears to be that in the post-war world there will be a scramble for goods; India should plan ahead, and should utilise these resources for replacing her plant and machinery and building up her industrial strength. Though the Honourable the Finance Member has not said so in so many words, yet one's experience is that those words have a significance which it is important for us to appreciate and realise. The idea seems to be to utilise these sterling resources, not for the purpose of building up India's industrial strength in the post-war world, but for helping post-war reconstruction in Britain. The object would seem to be to help the post-war reconstruction of Britain, not that of India.

But let us visualise what the situation in the world will be after the war. It is difficult for us to be absolutely sure what the conditions in the world will be after the war. One apprehends that there will be fierce competition for export trade. Lord Beaverbrook has been emphasising that Britain must plan for the expansion of her export trade from now on. Therefore, the apprehension is entertained that these sterling resources may be utilised merely for the purpose of expanding the export trade of Britain in a world of diminishing markets for the British exporter. We therefore claim that we should have the same right over these sterling resources as the Dominions have over their resources. The Dominions have not been so charitable and so generous, even though they are the kith and kin of Britain, as we have been, or as Britain would like us to be. They have been demanding gold in return for goods supplied; they have not been accepting sterling. The figures were given by the Honourable Mr. Dalal in his speech. I see no reason why a different policy should

be adopted in this country. What we say is this. Leave the question of the utilisation of the sterling resources to the future Government of India. This is not the type of Government which should deal with this intricate and difficult question. It is only a Government deriving authority from and responsible to the people of the country that can deal with this question effectively and efficiently.

Other methods have also been suggested by the Honourable Mover for the utilisation of these sterling resources. They include the purchase of British-owned assets in this country. For example, there has been a great deal of controversy in the past about the coastal trade of India. At the present moment it is a very risky venture for any country to purchase British shipping, because the rate of sinkings is very high. But even so, we say : Utilise these resources for liquidating—I do not say that in the sense of confiscating ; pay a fair price—utilise these resources for liquidating these British capitalist interests—for example, their interests in the Port Trusts, in the Improvement Trusts, in Municipal loans, and so on—so that the argument may not be employed in future that British financial interests need to be safeguarded in the interest of the British investor. That, we think, is the proper use which should be made of these sterling resources. If you are not prepared to make that use, then do not take any decision ; leave the decision to the Government of the future, a Government which is responsible to the people of the country and which derives authority from the people of the country.

Passing on to the question of inflation we find that there has been currency expansion since the war started. As the Honourable Mr. Dalal pointed out, since August, 1939 the currency has expanded by about 300 per cent. The note circulation is now in the neighbourhood of Rs. 600 crores. About the beginning of the war it was Rs. 179 crores. This process of expansion has been going on, and in the last month about Rs. 9 crores were added to the currency. The Honourable the Finance Member says that all this is not inflation. There may be a slight inflationary tendency, he does not deny, but he says this is not inflation. This is only a temporary inflationary tendency. This is the line he takes. I am quite prepared to recognise that this is not hyper-inflation, but we must remember that all inflation is ultimately temporary in its character, and during the period the inflation lasts, it can, as the experience of other countries shows, work havoc. As has been pointed out by the Honourable Mover, while wages have increased, they have not increased in proportion to the rise in prices. They have not increased in proportion to the currency in circulation. While production has increased by 20 per cent., the note circulation has increased by 300 per cent. That is to say, simultaneously with the increase in currency, there has been no corresponding increase in production, with the result that prices have gone up and it is not right to say that the agriculturist has benefited by this rise in price to any appreciable extent. You must not forget that extraordinary creature in this country, the middleman, and the agriculturist, situated as he is in this country, is often at the mercy of the middleman. He does not know the conditions of the market and he cannot withhold his stocks. He cannot sell when he wants to sell. He has got to pay his revenue, he has got to pay his rent, and he must dispose of his stock as early as possible. Therefore, I do not think that it can be shown that the agriculturist has substantially benefited by this rise in price. In any case, you must remember that the agriculturist is also a consumer, and as a consumer he has lost what he may have gained as a producer. Therefore, if you were to strike a balance sheet, you would probably find that the position of the agriculturist is no better than what it was when the war broke out. What are the remedies that Government must devise for checking or controlling this inflation ? Of course, the methods which suggest themselves are taxation and borrowing. But, so far as taxation is concerned, it must be remembered that the limit has practically been reached in this country. The country has got only a certain number of rich people. I mean the number of income-tax payers in this country does not exceed 10,000. We are working a system of capitalist economy. I do not say that I am a supporter of the system of capitalist economy. I merely recognise the fact that we are working a system of capitalist economy. As we are working that system, we cannot be forgetful of the effect that very high taxation may have on the industrial and economic life of this country. Therefore, if that method is ruled out for controlling currency inflation, the other alternative is to raise loans. Let the United States of America and Britain finance

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their war effort by raising loans in India. It strikes me that that is the proper solution of the question. But that is not being done, because there is no confidence between the people and the Government of this country. Ultimately, therefore, the question of currency inflation and the accumulation of the sterling reserves is bound up with the political issue, and so far as the political issue is concerned, Government is not prepared to settle it either on terms wanted by the Congress or the Hindu Mahasabha or the Muslim League or anybody in the country. It just wishes to maintain the *status quo*.

With these words, Sir, I give this Resolution my support. I have something more to say about the sterling reserves which I shall reserve for my speech on the Budget.

THE HONOURABLE THE CHAIRMAN (SIR DAVID DEVADOSS) : The rest of the discussion on the Resolution will be proceeded with on the next non-official day.

#### STATEMENT OF BUSINESS.

THE HONOURABLE SIR MAHOMED USMAN (Leader of the House) : Sir, I suggest that the House should meet on Thursday, the 11th March, when the following five Bills which have already been laid on the table of this House will be taken up for consideration :—

1. The Motor Vehicles (Amendment) Bill.
2. The Government Savings Banks (Amendment) Bill.
3. The Indian Railways (Amendment) Bill.
4. The Aligarh Muslim University (Amendment) Bill.
5. The Code of Civil Procedure (Amendment) Bill.

The Council then adjourned till Eleven of the Clock on Saturday, the 6th March, 1943.