Friday,
23rd May, 1902

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

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OF

THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

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Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., c. 67, and 55 & 56 Vict., c. 14).

The Council met at the Viceregal Lodge, Simla, on Friday, the 23rd May, 1902.

PRESENT:

His Excellency Baron Curzon, P.C., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.
His Honour Sir C. M. Rivaz, K.C.S.I., Lieutenant-Governor of the Punjab.
His Excellency General Sir Arthur Power Palmer, G.C.I.E., K.C.B., Commander-in-Chief in India.
The Hon'ble Mr. T. Raleigh.
The Hon'ble Major-General Sir E. R. Elles, K.C.B.
The Hon'ble Mr. A. T. Arundel, C.S.I.
The Hon'ble Mr. Denzil Ibbetson, C.S.I.
The Hon'ble Mr. J. F. Finlay, C.S.I.
The Hon'ble Sayyid Husain Bilgrami.

INDIAN TARIFF (AMENDMENT) BILL.

The Hon'ble MR. FINLAY moved for leave to introduce a Bill further to amend the Indian Tariff Act, 1894. He said :—"This Bill, though important, does not involve the acceptance by this Council of any new principle. It will merely supplement legislation which was accepted by the Council three years ago.

"In March, 1899, Act XIV of 1899 was passed, giving power to the Governor General in Council to impose import-duties, equivalent to the amount of the bounty, on any article in respect of which on its export from the country of production a bounty had been granted by the country. The intention was to impose duties sufficient to countervail all bounties received by sugar exported from the various countries. It was then believed that the only bounties were those, whether direct or indirect, granted by the Governments of the producing countries, and the wording of the Act was limited accordingly. It has now been found that there are other bounties not granted by the Governments, but merely rendered possible by the fiscal legislation of the State. It is to include bounties of this description that the present Bill is proposed.

[*Mr. Finlay.*] [23RD MAY,

"The policy of imposing countervailing duties, then an entirely new departure in India, was fully discussed in 1899: it was accepted by the Government and by this Council, and generally approved by public opinion. In the three years which have since elapsed, there has been no withdrawal from that attitude, and there has been no desire evinced by any section of the community that the policy then adopted should be reversed. I need not therefore take up the time of the Council by defending the policy. I have only to show the need to supplement the Act in order to give more complete effect to its intention. This I will now do as briefly as possible.

"The two countries which send bounty-fed sugar to India most largely are Germany and Austria-Hungary. I lay before the Council a table showing the imports from those countries in each year since 1896-97.

	1896-97.	1897-98.	1898-99.	1899-1900.	1900-01.	1901-02.
	Cwt.	Cwt.	Cwt.	Cwt.	Cwt.	Cwt.
Austria-Hungary	115,514	945,745	1,063,737	777,821	1,321,310	2,257,928
Germany	758,806	1,203,309	413,971	60,526	401,980	577,139
Total ...	874,320	2,149,054	1,477,708	838,347	1,723,290	2,835,067

"The table shows that the imports from the two countries had risen to over 2 million cwt. in 1897-98 and to nearly 1½ million in 1898-99. Those high imports led to the enactment of the Act of 1899.

"Before adverting to the imports since March, 1899, I may notice the course of prices after the imposition of the countervailing duties. It is through prices that bounties on the one hand and countervailing duties on the other affect the volume of trade in any article. In March, 1899, the Calcutta price of beet sugar was Rs. 7-1 a maund. After the passing of the Act of that date, it rose steadily month by month to Rs. 8-14 in October, 1899: in November it receded to Rs. 8-11-6, and in December of that year it fell by nearly a rupee to Rs. 7-12: it then resumed its upward course till it reached Rs. 9-4 in June, 1900; after that month it began to show a downward tendency; and since September, 1900, it has fallen steadily to the low point of Rs. 6-10 in March of the present year. The conclusions to be drawn from these fluctuations are the same as I shall now draw from the imports after March, 1900.

"In the first year of the imposition of the duties, 1899-1900, the imports fell off considerably, from 1,063,737 cwt. to 777,821 cwt. for Austria-Hungary and from 413,971 cwt. to 60,526 cwt. for Germany, and the total from 1,477,708 cwt. to 838,347 cwt.,—a decrease of over 43 per cent. There are therefore grounds for thinking that in the first year the countervailing duties produced some of the desired effect, though other causes may have contributed to the decrease, inasmuch as the imports of the non-bounty-fed Mauritius refined sugar declined in the same year, though in a smaller proportion—about 20 per cent.

"But the two following years tell a very different story. The imports from both countries have increased in both years: the total rose to 1,723,290 cwt. in 1900-01 and to the record amount of 2,835,067 cwt. in 1901-02. There is therefore now no doubt that the countervailing duties have failed to check the imports of bounty-fed sugar, and have failed to secure for sugar produced in India the proper share of the market which it would have if foreign sugars were not unfairly favoured by the receipt of bounties.

"These results somewhat puzzled the Government of India as they became apparent, and the reason of them has been only fully elucidated by the investigations of the recent Conference at Brussels. These investigations have established beyond doubt the fact which had been gradually forcing itself into recognition, namely, that in addition to the bounties granted by the Governments, sugar produced in Austria-Hungary and in Germany also enjoys other bounties created by the operation of the cartel system. These cartels are private trade combinations of the sugar producers and refiners. The effect of their operations is to raise the price of sugar in the country enormously and to give to the members of the combination a very large profit on the sugar produced and refined by them and sold internally. And the combinations do not succeed in restricting the production of the country to the amount required for internal consumption: probably they do not attempt to do so, as it is necessary for them to conciliate the agrarian beet-growing interest: there is a large surplus of production which is exported; and the large profits made on the sugar sold in the country enable the members of the cartels to export the surplus at very low prices, possibly even below the cost of production, and still to realise a balance of profit on the whole of their transactions. The result is that a bounty is created precisely similar in effect to that of the State bounties on the export of sugar.

"The operations of the cartels are rendered possible only by the high duties imposed on sugar imported into the countries where they exist. If the import and excise duties were equal, the competition of foreign sugar would render the success of the combinations impossible. But though the cartel bounty is dependent for its existence on the fiscal regulations of the States, it is not paid or bestowed by the States. It does not therefore fall within the scope of our Act of 1899, and fresh legislation is necessary to enable us to countervail this bounty, the existence of which I hope I have proved to the satisfaction of the Council.

"But it may be said, granted that this additional bounty exists, has not the Convention adopted by the Brussels Conference arranged for the practical abolition of that and all other bounties? why have further special legislation in India when the object of the Government of India has been attained by general agreement of the Powers interested? The answer to this is two-fold. In the first place, it is not quite certain that the Convention will be ratified by all the contracting Powers. In the second place and chiefly, the Convention, when ratified, is not to come into force until September, 1903. This delay was granted in order to enable the bounty-giving countries to prepare gradually for the introduction of the new system: it was fair to refrain from insisting on the sudden and immediate adoption of the very important changes reluctantly accepted by them. But the effect of that long delay, extending over two beet-sowing seasons, will be a largely increased production to take advantage of the State and cartel bounties during the remainder of their existence. Mr. Ozanne, the Indian Delegate at the Brussels Conference, estimated that in September of next year there will be a surplus of sugar in stock amounting to 2,300,000 tons: and stated his opinion, that, if our countervailing duties remain as at present, 'it seems certain that a clear danger of an inundation of the Indian market with foreign cartel bounty-fed sugar must be risked.'

"The most recent monthly returns show that this danger is a very real one, and that the increased importation has already begun, the members of the cartels having doubtless somewhat anticipated the conclusions of the Conference. In the four months from January to April of this year, the German and Austro-Hungarian sugar imports have amounted to 1,768,708 cwt. as compared with 954,223 cwt. in the same months of 1901. The comparison month by month is as follows:

	1901.	1902.
	Cwt.	Cwt.
January	185,938	568,386
February	220,196	349,109
March	235,777	390,695
April	262,312	460,518

"These figures lead to the probable and indeed almost certain conclusion that, if we take no action against the cartel bounties, very great injury, which may prove irreparable, will be done to the Indian sugar-industry in the interval of 15 or 16 months from the present time to September, 1903.

"We propose to limit the operation of the new Act to that interval. If the Convention is duly ratified and comes into force at the end of it, and if India joins, the whole of our special legislation against sugar bounties may have to be reviewed. In the contrary event, we can then consider whether the operation of the Act should be extended, with or without modification, in the light of the experience gained during more than a year of its working.

"I will conclude by calling attention to public opinion in India on the question. The Government of India early in January last authorised the Indian Delegate at the Brussels Conference to announce that they contemplated early action to countervail the cartel bounties, and they then entered into correspondence with the Secretary of State in order to determine the amount of the duties. But the decision was subject to consideration of the final conclusions of the Conference, which had to be awaited. In the meantime it has become clear that commercial opinion fully supports that action and agrees that it should not be postponed because of the terms of the Brussels Convention. We have been urged to take action in the direction of the Bill by the Bengal and Madras Chambers of Commerce and by companies and firms interested in sugar in all parts of India. One firm states that the competition of bounty-fed sugar has already forced it to close its crushing mills, and that it expects to have to close its refinery also. I may make the following quotations from the letters of the Chambers of Commerce. The Chairman of the Madras Chamber, in his letter of March 10, 1902, writes:

'The Chamber further begs to point out that, in any case, no relief can be expected to result from the Conference measures above-mentioned until eighteen months hence, and it submits that meanwhile the Indian industry should be protected from the ruinously and, as now shown by the Conference results, admittedly unfair competition to which it is being subjected. Unless such immediate steps are taken, the next eighteen months will almost certainly be utilized by the Continental sugar-producers to lay down in India such stocks as will effectually prevent any relief to Indian manufacturers for a considerably longer period. The position of the industry at present is such that a further long period of unremunerative prices may produce the ruin of the industry before the beneficial effect of the Brussels Convention can be felt.'

"The Secretary, Bengal Chamber of Commerce, in his letter of April 11, 1902, writes:—

'Special relief is sought during the coming eighteen months, that is, until September, 1903, when, if the finding of the Brussels Convention is confirmed by the Continental Governments, the official bounties will come to an end and the import-duties in Germany and Austria will be reduced, thereby, it is expected, largely nullifying the effects of the cartel system. During these eighteen months it is anticipated that the Continental refineries, in order to avoid holding stocks when the bounties, direct and indirect, are abolished or reduced, will flood India with sugar at prices far below cost of production either here or elsewhere; and, unless adequate steps are taken in the direction of countervailing the cartel, an important indigenous industry, already seriously embarrassed, may be brought to the brink of ruin.'"

The motion was put and agreed to.

The Hon'ble MR. FINLAY introduced the Bill. He said:—"I may explain that the Government have thought it right to follow closely the conclusions and proposals embodied in the Brussels Convention. As already mentioned, we have limited the operation of the Bill to the period which has to elapse before the Convention can come into force.

"In fixing the amount of the countervailing duties, we have also followed exactly the formula adopted in the Convention. Article III requires the contracting Powers to limit the surtax (that is to say, the difference between the rate of duty or taxation to which foreign sugars are subject and that imposed on the home product), to a maximum of 6 francs per 100 kilogrammes for refined sugar, and of 5·50 francs for other sugar. The parties to the Convention are bound by Article IV to impose, on sugar coming from any country which continues to allow bounties, import-duties not less than the amount of the bounties. And half of the excess of the surtax over the above-mentioned rates is declared to represent the bounty created by the surtax.

"This formula has the great merits of simplicity and of avoiding the necessity for periodical adjustments which would be required by the other methods suggested for calculating the cartel bounty. It has accordingly been adopted in sub-section (1) of the new section of the Tariff Act added by clause 2 of the Bill, which forms the substantive portion of the Bill. The other sub-sections contain subsidiary provisions required for the working of the new duties, and I need not describe them.

"Clause 3 of the Bill exempts from the new duties sugar shipped before to-day. This is intended to prevent cases of individual hardship which might arise from the imposition of new duties on sugar for the importation of which arrangements have been made before the importers had been given notice of the intention to impose them. That notice has been given by the introduction of the

Bill today, and any sugar hereafter shipped will be subject to the duties if the Council passes the Bill."

The Hon'ble MR. FINLAY moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in English in the Gazette of India and in the local official Gazettes.

The motion was put and agreed to.

The Council adjourned to Friday, the 6th June, 1902.

J. M. MACPHERSON,

Secretary to the Government of India,
Legislative Department.

SIMLA;
The 23rd May, 1902.

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