

Thursday, 5th April, 1944

COUNCIL OF STATE DEBATES

(OFFICIAL REPORT)

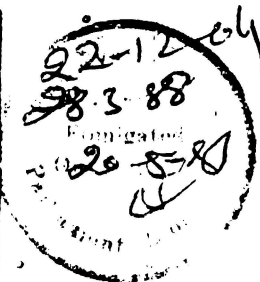
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(15th February to 6th April, 1944)

SIXTEENTH SESSION

OF THE

FOURTH COUNCIL OF STATE, 1944



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COUNCIL OF STATE

Wednesday, 5th April, 1944

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the Chairman (the Honourable Mr. M. N. Dalal) in the Chair.

CENTRAL COMMITTEE OF THE TUBERCULOSIS ASSOCIATION OF INDIA AND STANDING COMMITTEE FOR THE COMMERCE DEPARTMENT.

Mr. CHAIRMAN (The Honourable Mr. M. N. Dalal): I have to announce to you the result of the ballot held yesterday for election of one member to serve on the Central Committee of the Tuberculosis Association of India. For the Honourable Sir Satya Charan Mukherjee 24 votes were cast and for the Honourable Sir Suleman Cassum Haji Mitha, 10 votes were cast. I have therefore to declare the Honourable Sir Satya Charan Mukherjee duly elected. I have also to inform the Council that as a result of the election held yesterday, the following three members have been elected to serve on the Standing Committee to advise on subjects with which the Commerce Department is concerned:—

1. The Honourable Sir Shantidas Askuran.
2. The Honourable Mr. Abdool Razak Hajee Abdool Suttar.
3. The Honourable Rai Bahadur Lala Ramsaran Das.

BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meeting held on the 4th April, 1944, namely:—

- A Bill to extend the date up to which certain duties characterised as protective in the First Schedule to the Indian Tariff Act, 1934, shall have effect.
- A Bill further to amend the Factories Act, 1934.

INDIAN INCOME-TAX (AMENDMENT) BILL.

THE HONOURABLE SIR JOHN SHEEHY (Nominated Official): Mr. Chairman, Sir, I beg to move:—

"That Bill further to amend the Indian Income-tax Act, 1922, as passed by the Legislative Assembly, be taken into consideration."

Sir, the main clause in this Bill is clause 5, which contains a scheme for advance payment of tax on income which is not now subject to deduction of tax at source. The object of this scheme is anti-inflationary and the way in which it is proposed to carry out the scheme is by collecting in 1944-45 tax which would be assessed and collected in 1945-46. The scheme proceeds on a basis of giving an option to the assessee to pay either on his last assessment or, if he thinks that he is making less money than he was in the previous year, to make his own estimate and substitute it for his previous year's estimate. So much for the general outlines of the scheme.

Now, I think I ought to explain it in a little more detail by running through the main sub-sections of the proposed section 18A of the Income-tax Act.

The first sub-section provides that the Income Tax Officer shall issue a notice to the assessee to pay tax quarterly on the 15th June, the 15th September, the 15th December and the 15th March, at current rates on his last assessed income, that is on that part of his income which is not subject to deduction of tax at source. Now, two important changes in this sub-section were made before the Bill reached this House. The first was in the Select Committee where all taxpayers with a total income of less than Rs. 6,000 were excluded. That roughly takes two-thirds of the people to whom the original scheme applied out of the scheme. So now it will only apply to roughly 70,000 or 80,000 assessees.

[Sir John Sheehy.]

The other change is contained in what is now the first proviso to the clause and it deals with the assessee whose year of account ends after the 31st of December and the proviso now places them on much the same footing as assessee whose year ends before the 31st of December, namely, they will not be asked to pay their first instalment of tax under the scheme until about six months of their accounting period have elapsed. Their first instalment, which will be due in the case of other assessee on the 15th of June, will be due on the 15th of September.

Now, coming to sub-section (2), that gives to the assessee the option, if he thinks that the amount of tax which the Income Tax Officer is asking him to pay on the basis of his previous assessment is too much, to make his own estimate and he can then pay according to that estimate.

Sub-section (3) deals with the case of an assessee who has never been assessed before and he is bound under this provision to make his own estimate of what is due from him and pay accordingly.

Sub-section (4) deals with the case of income which is received periodically—commission—of course, you cannot expect an assessee to pay tax on commission which he has not received, and it allows him to postpone payment of the tax on commission until either he has received it or it has been adjusted in his account.

Sub-section (5) entitles the assessee to 2 per cent. interest on any sum that he pays under the scheme—any advance payment whether it is short of the correct amount or not. He is going to get 2 per cent. simple interest per annum.

Sub-sections (6), (7), (8), (9) and (10) provide what I may call the machinery for enforcing the provisions of the scheme. Sub-sections (6), (7) and (8) provide penal interest of 6 per cent. I should like to make it clear here that where an assessee pays tax under sub-section (1) according to the order of the Income Tax Officer he is liable to no penalty or penal interest; his liability is fully discharged. Whether he makes more money in the current year or not it does not matter as long as he pays the amount demanded by the Income Tax Officer on the basis of his last assessment. If he chooses to make an estimate, then under sub-section (6) he will have to pay a penal interest of 6 per cent. on the difference between his estimate and 80 per cent. of the tax determined on the basis of the regular assessment.

Sub-section (7) deals with the case where an assessee makes short payments in the first three instalments. He will have to pay penal interest on the difference between the correct amount of the instalment and what he actually pays. It is obviously necessary for us to have a provision of this kind because an assessee may defeat the whole scheme by paying 80 per cent. in the last instalment and nothing at all in the first three instalments. So we just want to encourage him by this provision to pay something in the first three instalments also.

Sub-section (9) imports the penal provisions of section 28 into the scheme. In other words, if an assessee makes a false estimate, or, if an assessee under sub-section (3) does not make an estimate at all, he is liable to be penalised at one and a half times the difference between the 80 per cent. of the tax and what he has paid.

Sub-section (10) provides that if an assessee does not pay the instalments that he is ordered to pay by the Income Tax Officer or, if he does not pay the instalments according to his own estimate, he shall, on the dates the instalments are due, be deemed to be an assessee in default in respect of these instalments. This provision is necessary because otherwise we would have no power whatever to recover the tax and an assessee could ignore the scheme. We have therefore got to have this provision.

Sub-section (11) provides that when the regular assessment comes to be made the assessee shall be given credit for the tax which he has paid under this scheme, just as he is now given credit for tax deducted at source in respect of interest on securities, dividends, and so on.

I have mentioned two amendments which were made in sub-section (1). There were also some other minor amendments. But except for the two amendments which I have dealt with, the scheme is substantially as it was when the Bill was first introduced.

Coming to the other provisions of the Bill, clause 2 amends section 7 of the Income-tax Act. The provision in question provides that a sum paid out of an unrecognised provident fund shall be taxed. When we inserted that provision in the Indian Income-tax (Amendment) Act, 1939, we were under the impression that sums would only be paid out of the provident fund at the termination of the employment. That is the normal practice: a man does not get his provident fund until he leaves his employment. But we have come across cases recently where sums were paid from certain provident funds during the course of employment, and there is a High Court ruling to the effect that these sums are not taxable. Of course, it is not right that these should escape taxation when sums paid at the termination of employment are taxable. Hence we have cut out the reference to the termination of the employment.

Clause 3 deals with the exemption which is given by section 14 of the Income-tax Act, to sums received by an assessee as a member of a Hindu undivided family. This exemption proceeds on the basis that the family is taxed in respect of the income and therefore to avoid double taxation a member of the family who receives part of that income should not be taxed again. Owing to recent judicial decisions however we have got a situation where in certain cases the sum is taxable neither in the hands of the family nor in the hands of the recipient. This amendment is designed to set that right. In it we provide that he is exempt from taxation only in respect of such sum as comes out of the income of the family, which will be taxed in the family's hands. But if it is not paid out of such income, the exemption will not apply, because it would not be taxed in the hands of the family. We can in such a case therefore tax the recipient.

Now, coming to clause 6. When we amended the Income-tax Act two years ago to exempt profits which accrued and arose in an Indian State, we did not exclude losses from being allowed at the same time. So now we have to put that right, by providing here that losses arising in an Indian State can only be set off or carried forward against profits arising in an Indian State. They cannot have it both ways, in other words set off their state losses against their British Indian profits and have their state profits exempt.

Clause 7 and clause 13 are really consequential on the amendment which we made two years ago in section 25 where we excluded certain assesses from relief which under section 25(3) and section 25(4) they were not equitably entitled to.

Clauses 8 and 12 are consequential on the "pay as you earn" scheme in clause 5. Clauses 9 and 10 give a right of appeal in two important cases. One of them is the case which the Honourable Mr. Parker was providing for in a Bill which he introduced in this House. We have embodied his proposal here. We give a right of appeal to an assessee who objects to having to deduct tax from payments to a non-resident, on the ground that the income is not liable to tax. The other right of appeal which we give here is in response to a claim which has been pressed on us, namely, to allow a right of appeal where a best-judgment assessment is made and the registration of a firm is cancelled or refused under section 23(4).

That brings me to the last clause, clause 14, which increases the allowance for management expenses which we give to life insurance companies who are assessed on the basis of gross incomings less management expenses. As the clause was originally introduced, we had two legs to this third clause: we had 8½ per cent. for short-term premiums and 15 per cent. for other renewal premiums. In the Select Committee we altered that to 12 per cent. for all premiums.

Sir, I move.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce):
Sir, I would like to welcome this Bill in general terms, because I think it is

[Mr. R. H. Parker.]

going to do some very useful work. But I would like to enter also a protest against the very short period of time which elapsed between the introduction and the sitting of the Select Committee. That gave a totally inadequate period of time for those in the provinces to consider what was a very important measure. It was a matter of some ten days, I think, between the one date and the other. I hope that on future occasions, in all complicated Bills at any rate, more time will be given. The Bill, however, I am glad to say, has been thoroughly dealt with in the other House. But it was dealt with at a later stage than is normal, and at a later stage than is desirable. It is, I think, in a Select Committee that a Bill of this kind should be thoroughly overhauled, and on this occasion that was not possible.

I am glad to see that most of the necessary amendments have been passed at later stages in the other House, and I welcome them all. I am also grateful to Government for clause 9 which deals with the point which I failed to deal with in the past myself despite a number of efforts to that end.

There is one point on which I should like a little information from the Honourable Sir John Sheehy. I apologise for not having examined it properly myself, but I did not know that the Bill was being taken up today; I thought it was going to come up on Saturday. On this question of termination of employment and payment out of the provident fund, I am not quite clear what happens now in those cases where it is provided in any provident fund rules that 90 per cent. of the provident fund can be paid when a man is about to retire. I do not know whether that is provided for in the Government rules, but it is certainly provided for in some other rules. A man, say, is going on a year's leave preparatory to retirement, and he is paid 90 per cent. pending retirement. I take it that that will not be subject to taxation?

THE HONOURABLE SIR JOHN SHEEHY: Sir, I will deal with the two points raised by the Honourable Mr. Parker. As regards shortness of time, I should like to point out that this was part of the Budget proposals, and it would have been impossible for us to publish this important proposal, namely, the "pay as you earn" scheme, before the introduction of the Budget. Actually this Bill was introduced at the same time as the Finance Bill. I am sorry we could not give them any more time.

THE HONOURABLE MR. R. H. PARKER: May I point out that in that case the Select Committee should have sat much later.

THE HONOURABLE SIR JOHN SHEEHY: That was due to the exigencies of business in the other House. We had to fix it that way.

As regards the other point—payment of 90 per cent. pending retirement—I have not come across cases, and on a technical matter like this I would not like to give a categorical reply without having all the facts before me. But I imagine that that would be payment at the termination of employment, and that it would be all right. But I would not like to be taken as giving an assurance on that point at all.

THE HONOURABLE THE CHAIRMAN: Motion made:—

"That the Bill further to amend the Indian Income-tax Act, 1922, as passed by the Legislative Assembly, be taken into consideration."

Question put and Motion adopted.

Clauses 2 to 14 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR JOHN SHEEHY: Sir, I move:—

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

MOTION RE UNITED NATIONS RELIEF AND REHABILITATION ADMINISTRATION AGREEMENT.

THE HONOURABLE MR. Y. N. SUKTHANKAR (Nominated Official): Sir, I move:—

"That this Council approves the United Nations Relief and Rehabilitation Administration Agreement signed at Washington on the 9th November, 1943."

Sir, he must be a bold man who faced suddenly with the prospect of addressing this House for the first time, could do so without any loss of equanimity, no matter how great his powers of eloquence or his experience of public speaking. I possess none of these advantages and have therefore, wished more than once during the last few minutes that it had not fallen to my lot to move this Resolution and that it was left in the competent hands of the Commerce Secretary. What gives me confidence, however, is the thought that the House usually extends its sympathy and kindness to a person who finds himself in the awful predicament that I do this morning.

Before, Sir, I go on to explain the functions and objects, the constitution and the financial resources of the UNRRAA, the House will perhaps bear with me if I give very briefly the background leading up to this Administration. The United Nations have been giving thought for some time to the necessary arrangements to provide for the relief of the war victims. The discussions took place some time in 1942 and the matters were finalised to a certain extent in November, 1942, at a meeting in Washington. Thereafter they were reduced to a preliminary draft which was communicated to the Government of India for their comments. On examining the draft the Government of India expressed their approval of the proposals but in doing so they pointed out that the help which India could give must be limited on account of her limited physical and financial resources and before any contributions could be made the approval of the Legislature should be obtained according to the normal constitutional procedure. They were furnished with a further draft some time in June, 1943, which was again examined by all the departments concerned. The most important change in the draft as compared with the previous one was that certain powers, which were vested in the Committee—a small body consisting of the representatives of the U. K., the U. S. A., China and the United States of Soviet Russia—were transferred to the Council, a much larger body. Thereupon the Government of India asked for the final text so that the approval of the Legislature could be obtained. They received this draft towards the end of October, 1943. But then they learnt that the Government of the United States of America had arranged for a meeting early in November to secure the signatures of the participating countries. The Government of India thereupon authorised their Agent-General to sign this Agreement on their behalf subject to the reservation that this Agreement will not come into operation in so far as India was concerned prior to the receipt of the approval of the Legislature. They also nominated the Agent-General to represent them on this body on ascertaining that members of Governments who had signed this Agreement subject to reservation were exactly on the same footing as the representatives of the other Governments.

I shall now come to the functions and objects of this Administration. I shall describe them as briefly as possible. The objects are, first of all, to provide relief to the war victims in any of the areas under the control of any of the United Nations by the provision of materials and services required for such relief; secondly, to pursue such measures for joint and individual action in order to co-ordinate purchase and use shipping for the purposes of the Administration; and lastly, to deal with any of the matters connected with these operations as recommended by any of the Governments. The constitution of the Administration is, briefly, that there is a Council which deals with the policy governing the action of the Administration shall meet ordinarily twice a year. Then there is a Central Committee which will deal with executive matters from day-to-day, the full executive power being vested in the Director-General. There is a Committee of Supplies, there is a Committee of Financial Control, there is a Committee of the Council for Europe and there is a Committee of the Council for Eastern countries on which India is represented. There are further five technical and regional committees dealing with matters like agriculture, displaced persons, health, industrial rehabilitation and welfare. Particular importance attaches to the decision of the Administration to provide relief to the displaced persons so that such persons will be assisted to go back to their places although they may not be nationals of the countries in which those places are situated.

Coming to the financial resources with which the Administration will be financing its activities, the formula laid down is that the Governments should pay

[Mr. Y. N. Sukthankar.]

1 per cent. of the national income as for the year ending 30th June, 1943. It is however, appreciated that this may conflict with special demands arising from the continuance of the war in some of the territories of the participating countries and therefore it is recognised that it may not be possible for countries to adopt this particular formula having regard to the special conditions in which they find themselves. At this stage I hope Honourable Members will note the attitude adopted by the Government of India towards the Administration and the action taken by them. First of all they have expressed their sympathy with the proposals; secondly, they have pointed out that any assistance which India could give must be on a limited scale; thirdly, they have made it clear that any assistance which India could give must be subject to the approval of the Legislature obtained in accordance with the normal constitutional procedure; and lastly, they have made no payment whatsoever so far as the necessary approval is not obtained.

At this stage the Honourable Members will perhaps like me to deal with the amendment which has been lately passed by the Congress and the Senate. This is to the effect that so far as funds and facilities permit the benefit, to be made available by the UNRRA could be extended to any area important to the military operations of the United Nations, which is stricken by famine or disease. As I explained in reply to a question, the matter cannot be dealt with further until the constitution of the UNRRA has been amended. It will perhaps be appropriate to draw the attention of the Honourable Members to the preamble of the UNRRA which at present confines its activities only to the population inhabiting the areas liberated from the domination of the Axis countries. We must in this connection take a realistic view of the situation, and while we appreciate the gesture of the Congress and the Senate and the sympathy of the U. S. A., we must remember that any assistance which the UNRRA could be given is limited by funds and facilities. Secondly India has large external balance with which to purchase her import requirements. Lastly the UNRRA has no shipping and if any imports of grains, etc., are to be brought to India they must be limited by the shipping and the freight which may be available and mere extension of the benefit to India does not by itself make it possible that large quantities could be shipped to India.

Sir, I do not wish to detain the House very long. I hope I have given sufficient reasons why we should participate in the UNRRA. The last four years have witnessed destruction and devastation on an unprecedented scale and the work of reconstruction must follow this devastation as surely as the night follows the day or the dawn the darkest hour. It seems to me that unless we are prepared to look on while death and destruction await large portions of humanity in these liberated areas, unless we are going to be false to our traditions and heritage, and in short we deny the great purpose of human development, we must establish and maintain this Administration. Someone has said that the treaties and covenants and promises are no good at all, for when the time comes there are people coming forward to treat them as scraps of paper. It is not enough to write words on a parchment; they should be graven on the heart. What surer method is there, I ask, to engrave words on the human hearts than to provide in the liberated areas aid and relief from suffering, food, clothing and shelter, to assist in prevention of pestilence, to arrange and prepare for the return of the exiles and prisoners to their homes, to provide for the resumption of urgently needed agriculture and industry and for the restoration of services badly needed.

Sir, I move. (*Applause.*)

THE HONOURABLE RAI BAHADUR SRI NARAIN MEHTHA (Bihar: Non-Muhammadan): Would the Honourable Member answer one question? What amount would represent 1 per cent. of India's national income?

THE HONOURABLE MR. Y. N. SUKTHANKAR: Various estimates have been given by various economists. As my Honourable friend knows, economists hardly ever agree among themselves. But the estimates provided from time to time vary from 3,500 crores to approximately 5,000 crores. About 1931-32 Mr. V. K. R. V. Rao, one of the eminent economists in India, had given the national income *per capita* as Rs. 67; recently he has raised it to Rs. 112 *per capita*.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA: But I feel sure that Government must themselves decide on some figure that will be the contribution to be made.

THE HONOURABLE MR. Y. N. SUKTHANKAR: That is so, but I do expect some guidance on the point from the Honourable Member himself.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern: Non-Muhammadan): Mr. President, the object which underlies the establishment of the United Nations Relief and Rehabilitation Administration is one which will, I am sure, meet with the approval of all members of this House. The object of this organisation will be to give relief of the devastated areas, the areas that have suffered on account of the war. If the amendment suggested by the United States Congress and Senate are accepted by the United Nations, India too may benefit from the activities of the UNRRA. But, Sir, while every one of us will desire that India should participate in an international organisation the purpose of which is to give relief to the devastated areas, there are certain questions which arise in connection with the part that India may be called upon to play in connection with this organisation which I hope my Honourable friend, Sukthankar, on whose speech I venture to congratulate him, will be able to answer.

The main questions before us are (1) that India should be represented on the Committees that may be established, particularly the committee relating to the Far East and the Committee relating to Supplies (2) that it should be represented by men in whom she has confidence and who she feels would worthily represent her in international conferences, and (3) that any contribution that she might be called upon to make should not be larger than she can bear with her present resources. Taking the last point first, while it is laid down in Resolution No. 14 passed in the First Session of the Council of the UNRRA that the contribution for participation in the work of the Administration shall be approximately equivalent to 1 per cent. of the national income of the country for the year ending June 30, 1943, as determined by the member Government, it is recognised that a smaller contribution might be paid by countries which are in a specially difficult position. It is stated in section 4 of the Resolution:—

"The Council recognises that there are cases in which the recommendation above may conflict with particular demands arising from the continuance of the war or may be excessively burdensome because of peculiar situations, and therefore recognises that the amount and character of the contribution recommended is subject to such conditions".

India obviously will be one of the exceptional cases which section 4 provides for. But we should nevertheless like to know what is the contribution which in the opinion of Government should be paid by us. A question was put to my Honourable friend Mr. Sukthankar on the point and he parried it by saying that there was no accurate estimate of national income available and that consequently no definite reply could be given. Well, if my Honourable friend will read the words of section 4, he will find that the national income is to be determined not by the economists, who may differ among themselves, but by the member Government. In the case of India, therefore, the national income must be determined by the Government of India. We have, therefore, a right to ask Government to let us know what is the national income of India in their opinion and what is the exact contribution which they wish to suggest to the Legislature? I am aware that whatever the views of the Government of India on

[Pandit Hirday Nath Kunzru.]

this point may be, they cannot give effect to them without the consent of the Legislature. I take it, Sir, that it is intended to secure the approval of the Legislative Assembly at least for any grant that may be made to the UNRRA. Well, if Government have made up their mind on this question there should be no difficulty in their informing us at the present stage what would be a proper contribution in their opinion.

There is another point, Sir, on which I should like to obtain information. It appears from the language of section 4 that any contribution that we may make will be given once for all. In other words, the contribution will not be repeated annually. I do not know whether this impression of mine is correct but I think that any action that the Legislature may take on the proposal of the Government regarding the amount of the contribution will depend on the answer to this question. I put this question, Sir, because while it is laid down in Article 5 of the Agreement for the United Nations Relief and Rehabilitation Administration, 1943, that the amount and character of the contributions of each member Government for the support of the Administration will be determined from time to time by its appropriate constitutional bodies, it has not been made clear whether this refers to the sum that would be required annually for the continuance of the Administration, that is for the money that would be required to maintain the organisation, or whether annual contributions would be required also for other purposes. If the annual contribution would be limited only to making payments towards the cost of any administrative organisation that may be set up, I am sure that there will be no objection on the part of the Legislature to such a step but should we be called upon to give a contribution, say, of Rs. 10 crores or Rs. 12 crores year after year the matter will be a more serious one and I have no doubt that the Legislature will think not once or twice but ten times before agreeing to any proposal that the Government of India might have to make on this subject.

Now, Sir, I shall deal with the question of India's representation on the Committee that will be set up under the United Nations Relief and Rehabilitation Administration Agreement. I should like in this connection to draw the attention of Government to the composition of the Committee on Supplies, which will be a Committee of the Council. It is stated in paragraph 4 of Article 3 of the Agreement that the Committee on Supplies of the Council shall consist of the members of the Council or their alternates representing those member Governments likely to be principal suppliers of materials for relief and rehabilitation, Resolution No. 21, which was passed in the first session of the Council, lays down the composition of the Committee. The Agreement lays down the general lines on which the Committee shall be constituted and the Resolution to which I have referred fixes its exact composition. The first paragraph of this Resolution runs as follows:—

"Resolved that the Committee on Supplies shall consist of members of the Council or their alternates representing Australia, Belgium, Brazil, Canada, China, the French Committee of National Liberation, the Netherlands, New Zealand, the Union of Soviet Socialist Republics, the United Kingdom and the United States of America".

India is conspicuous by its absence in this list. Why? I should like to know why India has been given no place on the Committee of Supplies. Is it not the intention of the UNRRA to draw supplies of any kind from India? India may not in the present state of things be able to supply rice and wheat but would she be totally unable to supply goods of any other kind that might be required for the relief or rehabilitation of devastated areas. I do not want, Sir, that the present scarcity of consumer goods should continue but there may be directions in which the resources of India may be made use of by the UNRRA. Besides, as time goes on I hope that our production will increase and although there may be a scarcity of certain kinds of goods now, in the course of two, three or four years we may be in a position to contribute materially to the pool which the UNRRA will be able to build up for the supply of goods to the liberated countries. Why has India then not been made a member of

the Committee of Supplies? If India is to be asked to contribute to the UNRRA, it is absolutely necessary that she should be represented on so important a committee. My Honourable friend Mr. Sukthankar dealt lucidly with many of the more important points connected with the UNRRA Agreement, but he did not refer to this particular matter which ought to receive the attention of Government. We have every reason to ask that India, which may be able to make a greater contribution than countries like Belgium and China, should be represented on the above-mentioned Committee. Belgium and China, which have suffered much more on account of the war than India, are represented on the Committee of Supplies. But India, which is in a better position, than those countries in respect of the supply of goods, is unrepresented. I hope that the Government will be able to assure us that they will do what lies in their power to remove this anomaly.

The third and the last point to which I shall refer deals with the manner in which the representatives of India are to be selected. We all know the character of the present Government. The Government, as it is at present constituted, does not represent public opinion. The Government is unrepresentative and, as our representatives have in the past on various international bodies been nominated by the Central Executive, it may be claimed that the same precedent should be followed in the present instance too. I am not prepared to accept this line of argument. The present Government is undoubtedly not responsible to the people. It will be in the interests not merely of this country but of the world if it gave way to a national Government. But even while the present unfortunate state of things lasts and it is supposed by the authorities that our only business is to carry out their dictates, it should be possible for Government, in a matter relating to the relief of the liberated countries where no political questions would be raised, to allow the Legislature to have a say in the selection of the men who will be India's representatives on the Council or on other similar bodies. We want, Sir, not merely that we should take part in any international organisation that may be set up for the relief of international suffering, but that India should be worthily represented on such organisations as might be brought into existence in this connection. We do not want that we should again be represented by Bholes and Sarmas and Misras. We want to take steps to guard effectively against so humiliating a contingency. We do not want that Government should be in a position to send representatives who may virtually be regarded as its propagandists.

These are the three main questions which I think require to be considered in connection with the proposition that has been placed before the House. It will depend on the replies that Government give to these questions what attitude the Legislature will adopt in regard to this proposition.

*THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (East Bengal: Non-Muhammadan): Sir, I want only to make a few observations on the last point raised by my Honourable friend Pandit Kunzru. The Government has rightly reserved the ultimate decision in the matter of the formation of the UNRRA organisation in the hands of the Legislature. It is therefore proper that the Legislature should select the representatives to sit on the committees of the UNRRA organisation, otherwise the position of the Legislature will be inconsistent with the members who go to represent its voice.

THE HONOURABLE SIR RAMUNNI MENON (Nominated Non-Official): Sir, there are certain considerations which should strongly persuade us to participate in this scheme. First of all is the consideration of humanity, which to my mind is an over-riding consideration, and which should be sufficient for all practical purposes. Secondly, the Relief and Rehabilitation Administration is a very good instance of international union in service, and as such we should welcome an opportunity to participate in it.

There are only two points to which I should like to refer. One is the point which has already been so fully set forth by the Honourable Pandit Kunzru, and it is this: Why has India no place on the Committee of Supplies? I fully

*Not corrected by the Honourable Member.

[Sir Ramunni Menon.]

appreciate the considerations that he advanced, and I endorse the point of view that India should be represented on that committee. The other point is this. I think India should have an adequate share of the personnel of the administrative services in the Administration. I do not think that we can claim an equal share if we are unwilling to commit ourselves to our due share of expenditure. But subject to our bearing an appropriate share of the burden of Relief, I think we are entitled to ask that we should have a share in the benefits and privileges of office.

With these remarks, Sir, I welcome the proposal, and I support it.

THE HONOURABLE SIR GOPALASWAMI AYYANGAR (Madras: Non-Muhammadan): Mr. Chairman, I wish to offer only a few remarks on the Resolution that is now under consideration. As to the desirability of India participating in the work of the United Nations Relief and Rehabilitation Administration there can be no two opinions. It is necessary from points of view pertaining not merely to considerations of humanity but considerations of our own interest that we should participate in the work of this Administration.

Sir, reference has been made to the amendment which the United States Legislature has asked the UNRRA to make in its constitution so as to permit the benefits of this organisation being extended to India. I am not sure, Sir whether the UNRRA is going to effect this amendment. I find, Sir, there is a constituent clause in this Agreement which is Article VIII which provides that "the provisions of this Agreement may be amended as follows:" Clauses (a) and (b) refer to amendments of particular descriptions which would not cover the amendment that has been recommended by the Congress of the United States. Clause (c) says:—

"Other amendments shall take effect on adoption by the Council by a two-thirds vote".

Whether "other amendments" would cover the case of altogether changing the purpose of the preamble is more than I can say. But assuming that that is done, it would not take us very far, so far as getting assistance from the UNRRA is concerned. I believe the Honourable Mr. Sukthankar referred to the difficulties in this connection.

Again, Sir, something has been said about the heaviness of the contribution that may be demanded of India for participating in the work of this Administration. There has been some argument as to what the national income of this country could be estimated at. I find a comment made by the *Economist* of London which said that it estimates the contribution of India at something like 35 million dollars, i.e., about Rs. 11 to Rs. 12 crores. That would mean that they had estimated the national income at about one hundred times this amount. As the Honourable Pandit Kunzru has pointed out, if it was a case of making this contribution once for all, it is worth our serious consideration. But if it is going to mean that we shall have to be making this contribution annually, it is a matter for very serious doubt on our part. As to whether the contribution of 1 per cent of the national income is to be a contribution once for all or a periodic contribution, I would refer the House to the provisions of Article V of the Agreement. It says:—

"The amount and character of the contributions of each member Government under this provision will be determined from time to time by its appropriate constitutional bodies".

It is certainly contemplated by this article that it need not be a contribution once for all. Whether the Government of India have received any assurance that it is going to be a contribution once for all, I hope the Honourable Mr. Sukthankar will enlighten us about when he replies to this debate. But I believe it has been said in discussions on this question that this contribution, based upon a percentage of the national income, will be a contribution once for all. It has been said, I think, somewhere. On what authority that is based, we should like to know. There is a provision in Article VI of the Agreement that—

"the Director General shall submit to the Council an annual budget, and from time to time such supplementary budgets as may be required, covering the necessary administrative expenses of the Administration".

This is only for the purpose of running the Administration. But it is also provided that whatever is paid as contribution towards the expenses of the Administration could be taken in deduction of the contribution that is proposed to be made under Article V. Whether that means that the total of the annual contributions under Article VI will be taken as a deduction from a lump sum contribution under Article V once for all is a point on which the house would require enlightenment.

Now, Sir, reference has been made to the constitution of the various Committees under this Agreement. There is one point I would like to draw the attention of the House to. On the main Council, which alone, I believe, is provided for under the Agreement, every member Government has a representative. The Committees are constituted, I believe, under Resolutions adopted by the Council at its first session. Now, there is a Central Committee on which India finds no place along with 39 other countries. There are only the four big powers that are represented on the Central Committee. We have a number of other Committees. India has representation only on the Committee of the Council for the Far East. It has no representation on the Committee of Supplies. I think in the course of the discussions on this subject it has been admitted that even for relief and rehabilitation India is going to be a very big supply base. If that is going to be so, it is difficult to understand why she has been left out of this Committee on Supplies. There is, however, one point which we might take note of. The omission does not go to the root of the constitution of this Administration. What I mean to say is that it is not part of the Agreement itself—to which we are asked to give our approval—that India will not be represented on any of these Committees. If she is not represented, that non-representation is due to a Resolution adopted by the Council at its first session. I think, Sir, that the Government of India should press the point at its next session that this omission should be made good. Also, even before the Council meets at its next session it is quite possible on proper approach for the Central Committee to put India on this Committee of Supplies, because under the constitution, the Central Committee can make additions to the personnel of particular Committees between two sessions of the Council.

Then there is one matter to which I should like to draw attention. In section III of Resolution No. 1 reference is made to the arrangements for determining the relationships of the Administration with existing inter-governmental authorities and agencies established to deal with supply, shipping and related questions. It is not clear, Sir, what exactly is meant by existing inter-governmental agencies for dealing with supply, shipping and related questions. We would like to know from the Honourable Mr. Sukthankar what exactly are the organisations indicated by this expression?

As regards the question how far India can go in the matter of contribution under Article V of the Agreement, I wish to say a word or two. It is no doubt contemplated that 1 per cent. is not an unalterable proportion, that other factors relating to a member country are intended to be taken into consideration before the percentage of its contribution is finally fixed. I would ask in this connection that the low economic condition of this country should be one of the most relevant factors to be taken into consideration. Apart from this, there is one aspect of this matter which would enable us to press for special consideration in this connection. I find, Sir, that section 4 of Resolution 14, to which my Honourable friend Pandit Kunzru has already made reference in another connection uses words which seem to imply that Russia and China will not be called upon to make any contribution.

"The Council recommends", so the Resolution runs, "that each member Government whose home territory has not been occupied by the enemy shall make a contribution".

I take it that this means that no contribution will be demanded either of China or of Russia. I do not say that because Japan has stepped into the north-easternmost corner of Assam we should exploit this clause for the purpose of being excused altogether from making any contribution. But that is a fact which has to be taken into consideration. It has to be remembered that India.

[Sir Gopaldaswami Ayyangar.]

is going to be a big military base for the onslaught on Japan, that her economy has been affected to her great disadvantage in many directions, that we have had a famine in Bengal and that our general economic standards are low. From these standpoints I think it is essential that the Government of India should press on this Administration the desirability of treating India with special favour in the matter of the amount of her contribution. Not that the UNRRA is going to be the final authority in determining our contribution. The Government have already said that the matter is to be placed before the Legislature for its approval. But I would only suggest that on their side they should negotiate with the UNRRA with a view to obtain its concurrence if not to our being altogether exempted from making this contribution or even to our making only a token contribution, at least to our making a contribution which will be commensurate with our own low economic position.

There are a number of other points which arise out of the Resolutions of the First Session of the Council on which a great deal could be said from the standpoint of India from both the financial and political angles. But I think on this occasion when the Government have come forward only for the obtaining of our approval to the signature which has been appended to the Agreement by our Agent General in the United States, it seems to me unnecessary that we should go into very great detail. I have nothing more to say.

MR. CHAIRMAN (The Honourable Mr. M. N. DALAL): At this stage I wish to inform the House that it has been agreed by Government and by leaders of parties that the debate on this Motion should remain adjourned till tomorrow, and only two speakers who are unable to be present today will be permitted to speak tomorrow, after which the Government member in charge of the Motion will be entitled to his right to reply. If there are any speakers who wish to speak today, they are entitled to do so.

THE HONOURABLE SIR RAMUNNI MENON: What is the idea, Sir?

MR. CHAIRMAN (The Honourable Mr. M. N. Dalal): We are adjourning the debate on this Motion until tomorrow and two speakers will be permitted to speak tomorrow after which the Government member will reply. This procedure has been agreed to yesterday by Government and leaders of the parties.

STATEMENT OF BUSINESS.

THE HONOURABLE SIR MAHOMED USMAN (Leader of the House): Sir, I suggest that with your permission the following two Bills which were laid on the table this morning be taken up tomorrow after the non-official business is over:—

A Bill to extend the date up to which certain duties characterised as protective in the First Schedule to the Indian Tariff Act, 1934, shall have effect.

A Bill further to amend the Factories Act, 1934.

I also suggest that debate on the UNRRA Resolution which commenced today be continued tomorrow after these two Bills are disposed of. Honourable Members are very anxious to finish the business of the House as early as possible. I think it is quite possible to do so if every Honourable Member makes it a point to see that tomorrow's business is finished tomorrow.

MR. CHAIRMAN (The Honourable Mr. M. N. Dalal): To facilitate the work of the Council, I will waive the time limit for laying the Bill on the table of the House.

The Council then adjourned till Eleven of the Clock on Thursday, the 6th April, 1944.