

Tuesday, 1st March, 1927

**THE
COUNCIL OF STATE DEBATES**

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**THIRD SESSION
OF THE
SECOND COUNCIL OF STATE, 1927**



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CONTENTS.

	Pages.
Tuesday, 8th February, 1927—	
Members Sworn	1
Messages from His Excellency the Governor General	2
Committee on Petitions	2
Questions and Answers	3-20
Bills passed by the Legislative Assembly laid on the Table	20
Message from the Legislative Assembly	20
Governor General's Assent to Bills	21
Agreement between the United Kingdom and Estonia <i>re</i> Tonnage Measurement of Merchant Ships	21
Report of the Committee appointed to inquire into the privileges and status of Members of the Council of State	21
Congratulations to the Honourable Sir John Bell	22
Provident Funds (Amendment) Bill—Introduced	22-23
Bengal Tenancy (Amendment) Bill—Introduced	23
Madras Salt (Amendment) Bill—Introduced	23
Statement of Business	23-24
Wednesday, 9th February, 1927—	
Member Sworn	25
Questions and Answers	25-26
Resolution <i>re</i> Prohibition of alcoholic liquors in Local Administrations under the direct control of the Gov- ernment of India—Adopted as amended	26-49
Resolution <i>re</i> Formation of a Central Road Development Fund—Adopted as amended	49-59
Resolution <i>re</i> Abstention of Official Members from Voting on Non-Official Bills and Resolutions—Negatived	59-73
Resolution <i>re</i> Separation of the Post and Telegraph Depart- ments—Negatived	73-77
Resolution <i>re</i> Reduction of Railway Fares for Third Class Passengers—Negatived	77-80
Friday, 11th February, 1927—	
Member Sworn	81
Indian Lighthouse Bill—Introduced	81
Bengal Tenancy (Amendment) Bill—Passed	81-82
Provident Funds (Amendment) Bill—Passed	82-83
Indian Limitation (Amendment) Bill—Passed	84-87
Indian Registration (Amendment) Bill—Passed	87
Madras Salt (Amendment) Bill—Passed	88-89

	Pages.
Monday, 14th February, 1927—	
Questions and Answers	91-97
Resolution <i>re</i> Appointment of High Court Vakils as permanent Chief Justices of High Courts—Withdrawn by leave of the Council	97-102
Resolution <i>re</i> Transfer of the Poona District Headquarters from Poona to Secunderabad—Negatived	102-106
Resolution <i>re</i> Reduction of Postal Rates—Discussion Adjourned	105-111
Resolution <i>re</i> Amendment of the Indian Income-tax Act—Adopted as amended	112-124
Resolution <i>re</i> Provision of Intermediate Class Accommodation on the South Indian Railway—Negatived	124-130
Tuesday, 15th February, 1927—	
Questions and Answers	131-135
Motion <i>re</i> Election of a Panel for the Standing Committee on Emigration—Adopted	135
Motion <i>re</i> Election of a Panel for the Standing Committee to advise on subjects in the Department of Industries and Labour—Adopted	135
Motion <i>re</i> Election of a Panel for the Central Advisory Council for Railways—Adopted	135-136
Hindu Family Transactions Bill—Motion to refer to Select Committee adopted	136
Indian Lighthouse Bill—Motion to refer to Joint Committee adopted	136-141
Indian Forest Bill—Passed as amended	141-148
Wednesday, 16th February, 1927—	
Questions and Answers	149-155
Bill passed by the Legislative Assembly laid on the table	156
Resolution <i>re</i> Constitution of a Separate Self-Governing Andhra Province—Negatived	156-174
Resolution <i>re</i> Railway Bridge over the Netravathi River—Withdrawn by leave of the Council	175-179
Resolution <i>re</i> Interest on Deposits in Postal Savings Banks and Government Securities belonging to Mussalmans—Adopted	179-184
Friday, 18th February, 1927—	
Member Sworn	185
Message from His Excellency the Governor General	185
The Railway Budget for 1927-28	185-202
Election of the panel from which nominations to the Standing Committee on Emigration are to be made	202-203
Election of the panel from which nominations to the Standing Committee for the Department of Industries and Labour are to be made	203
Nominations for the panel for the Central Advisory Committee for Railways	203

	Pages.
Monday, 21st February, 1927—	
Member Sworn	205
Postponement of Questions	205
Statement <i>re</i> Settlement reached at the Conference recently held in South Africa	205-210
General Discussion of the Railway Budget	211-245
Tuesday, 22nd February, 1927—	
Member Sworn	247
Questions and Answers	247-251
Bill passed by the Legislative Assembly laid on the table	251-252
Resolution <i>re</i> Amendment of the Court-fees Act—Negativ- ed	252-259
Motion <i>re</i> Appreciation of the results achieved by the Gov- ernment of India Delegation to South Africa	259
Resolution <i>re</i> Removal of restrictions imposed on Medical Practitioners in regard to the dispensing of Opium— Withdrawn by leave of the Council	260-264
Societies Registration (Amendment) Bill—Passed as amended	264-265
Election of a Panel for the Central Advisory Council for Railways	266
Election of a Panel for the Standing Committee for the Department of Commerce—Adopted	266
Wednesday, 23rd February, 1927—	
Member Sworn	267
Result of the Election to the Panel for the Central Advisory Council for Railways	267
Motion <i>re</i> Appreciation of the results achieved by the Govern- ment of India Delegation to South Africa—Adopted	267-292
Thursday, 24th February, 1927—	
Resolution <i>re</i> Reduction of Agricultural Indebtedness— Adopted	292-313
Election to the Panel for the Standing Committee attached to the Commerce Department	313
Statement of Business	313
Monday, 28th February, 1927—	
Member Sworn	315
Questions and Answers	315-316
The Budget for 1927-28	316-328
Tuesday, 1st March, 1927—	
Questions and Answers	329-330
Statement laid on the Table	330
Repealing and Amending Bill—Introduced	330
Sea Customs (Amendment) Bill—Introduced	331
Steel Industry (Protection) Bill—Passed	331-391

Thursday, 3rd March, 1927—

Resolution <i>re</i> Opening of new Railway Stations between Madras and Arkonam—Negatived	...	...	...	383-400
Resolution <i>re</i> Management and upkeep of Fish-curing Yards in the Madras Presidency—Adopted	...	...	...	401-406

Saturday, 5th March, 1927—

Member Sworn	...	...	...	407
Questions and Answers	...	...	...	407-416
General Discussion of the Budget—Part II	...	...	...	416-474

Monday, 7th March, 1927—

Member Sworn	...	...	...	476
Questions and Answers	...	...	...	476-480
Statement laid on the Table	...	...	...	480
Resolution <i>re</i> Construction of a new Railway line between Mangalore and the nearest point in British Indian Territory to Marmagoa—Withdrawn by leave of the Council	...	...	...	480-484
Resolution <i>re</i> Compulsory Military Training of University Students—Adopted as amended	...	...	...	484-503
Resolution <i>re</i> Treatment of Tuberculosis—Adopted	...	...	...	503-508

Wednesday, 9th March, 1927—

Member Sworn	...	...	...	509
Questions and Answers	...	...	...	509-514
Resolution <i>re</i> Control of the Craze for Medicinal Drugs—Adopted as amended	...	...	...	515-525
Resolution <i>re</i> Amendment of the Indian Forest Act, 1878—Adopted as amended	...	...	...	525-531
Resolution <i>re</i> Leaders of Indian Delegations to the League of Nations—Adopted	...	...	...	531-544

Thursday, 10th March, 1927—

Question and Answer	...	...	...	545
Repealing and Amending Bill—Passed	...	...	...	545-546
Sea Customs (Amendment) Bill—Passed	...	...	...	546
Indian Limitation (Amendment) Bill—Passed as amended	...	...	...	546-548
Resolution <i>re</i> Daily Allowance of Members of the Council of State—Adopted as amended	...	...	...	548-558

Wednesday, 16th March, 1927—

Questions and Answers	...	...	...	559-565
Statement laid on the Table	...	...	...	565
Resolution <i>re</i> Abolition of Communal Electorates as a condition precedent to further political progress in India—Withdrawn by leave of the Council	...	...	...	565-592
Resolution <i>re</i> Delivery of Speeches in Hindi or Urdu by Members of the Indian Legislature—Negatived	...	...	...	593-606
Resolution <i>re</i> Election of Departmental Advisory Committees—Negatived	...	...	...	606-610

Monday, 21st March, 1927—

Member Sworn	...	...	...	...	611
Questions and Answers	...	...	...	...	611-629
Resolution <i>re</i> Censorship and Control over Cinematographs and other Public Resorts of Amusement—Adopted	...	...	...	...	630-642
Resolution <i>re</i> President of the Council of State—Negatived	...	...	...	...	642-658
Resolution <i>re</i> Assignment of a Suitable Place in the Warrant of Precedence to Members of the Council of State, of the Legislative Assembly and of Provincial Legislative Councils—Adopted as amended	...	...	...	...	658-670

Wednesday, 23rd March, 1927—

Bill Passed by the Legislative Assembly laid on the Table	...	...	...	671-672
Motion for the election of a Panel for the Standing Advisory Committee to be attached to the Department of Education, Health and Lands—Adopted	...	...	...	672

Thursday, 24th March, 1927—

Questions	749-879	...	...	...	...
Currency Bill—Motion for Consideration adjourned	...	...	...	...	874-702, 704-741
Bill Passed by the Legislative Assembly laid on the Table	...	...	...	...	702
Date for the Consideration of the Indian Finance Bill, 1927	...	...	...	...	702-704
Nominations to the Panel for the Standing Advisory Committee in the Department of Education, Health and Lands	...	...	...	...	741
Message from the Legislative Assembly	...	...	...	...	741-742

Friday, 25th March, 1927—

Date for the Consideration of the Indian Finance Bill, 1927	...	...	...	...	743
Currency Bill—Passed	...	...	...	...	743-775
Gold Standard and Reserve Bank of India Bill—Motion for reference to a Joint Committee—Adopted	...	...	...	...	775-776
Imperial Bank of India (Amendment) Bill—Motion for reference to a Joint Committee—Adopted	...	...	...	...	776

Saturday, 26th March, 1927—

Questions and Answers	...	...	...	...	777-784
Message from the Legislative Assembly	...	...	...	...	784
Indian Finance Bill—Passed as amended	...	...	...	...	784-829

Tuesday, 29th March, 1927—

Bill Passed by the Legislative Assembly laid on the Table	...	...	...	...	831
Messages from the Legislative Assembly	...	...	...	...	831
Gold Standard and Reserve Bank of India Bill—Motion for Nomination of Members to serve on the Joint Committee—Adopted	...	...	...	...	832
Imperial Bank of India (Amendment) Bill—Motion for Nomination of Members to serve on the Joint Committee—Adopted	...	...	...	...	832
Indian Lighthouse Bill—Motion for Nomination of Members to serve on the Joint Committee—Adopted	...	...	...	...	832
Election to the Panel for the Standing Advisory Committee of the Department of Education, Health and Lands	...	...	...	...	833

COUNCIL OF STATE.

Tuesday, 1st March, 1927.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

QUESTIONS AND ANSWERS.

REMOVAL OF "MORE" RAILWAY STATION ON THE EAST INDIAN RAILWAY TO THE VILLAGE OF KANDHAICHAK.

113. THE HONOURABLE SHAH MUHAMMAD ZUBAIR: (a) Has the attention of the Government been drawn to the petition, addressed to the Divisional Superintendent of Railways, Dinapore, under the signature of the inhabitants of village Kandhaichak in the sub-division of Barh, District Patna, in the province of Bihar and Orissa, urging the necessity of removing the present East Indian Railway station "More" to the said village Kandhaichak, or, in the alternative, of providing a flag station at Kandhaichak?

(b) Do Government propose to take any action in the matter? If not, why not?

THE HONOURABLE MR. G. L. CORBETT: (a) Government understand that such a petition has been received from the inhabitants of village Kandhaipur, which is only one mile and one furlong from "More" station. This station is nearly midway between the stations on either side of it and has been in use for many years and the site is considered suitable.

(b) Government do not propose to take any action in the matter.

AMOUNT OF EXCESS FARES REALISED BY TRAVELLING TICKET INSPECTORS ON STATE RAILWAYS.

114. THE HONOURABLE SHAH MUHAMMAD ZUBAIR: (a) Will Government be pleased to state if there is any truth in the report that Travelling Ticket Inspectors on State Railways are required to realise a fixed amount every month as excess fares and fines from passengers?

(b) Is it a fact that the minimum amount, so fixed, is equal to the monthly pay drawn by the Travelling Ticket Inspector concerned?

(c) Is it a fact that any difference between the pay and the money so realised by a particular Travelling Ticket Inspector is made up from the pay of that officer and is treated as a fine?

(d) If the answers to (a), (b) and (c) are in the affirmative, do Government propose to put a stop to this procedure?

THE HONOURABLE MR. G. L. CORBETT: The Government have no reason to believe that there is any truth in the report, but are making inquiries.

NOMINATION OF THE ACCOUNTANT OF THE JAMALPUR STATE RAILWAY
WORKSHOP AS A MEMBER OF THE BIHAR AND ORISSA
LEGISLATIVE COUNCIL

115. THE HONOURABLE SHAH MUHAMMAD ZUBAIR: (a) Will the Government be pleased to state if the Accountant of the Jamalpur State Railway Workshop is a Government servant?

(b) Is it a fact that he has been nominated to the Bihar and Orissa Legislative Council as a representative of labour interest?

(c) If the answers to (a) and (b) are in the affirmative, will Government be pleased to state whether the said Accountant of the Jamalpur State Railway Workshop is an official or non-official Member of the Bihar and Orissa Legislative Council?

THE HONOURABLE MR. H. G. HAIG: (a) Yes.

(b) and (c) These matters are, under the Electoral Rules, within the competence of the Governor of Bihar and Orissa.

STATEMENT LAID ON THE TABLE.

THE HONOURABLE MR. G. L. CORBETT (Commerce Secretary): Sir, I lay on the table a list of further commercial treaties* which affect India.

REPEALING AND AMENDING BILL.

THE HONOURABLE MR. S. R. DAS (Law Member): Sir, I move for leave to introduce a Bill to amend certain enactments and to repeal certain other enactments.

I need not go into details in a measure like this at this stage. It is the usual amending and repealing Bill bringing some of the Acts up to date. I would only draw the attention of the House to the amendment in the Transfer of Property Act. By Act XXVII of 1926 attestation in the Transfer of Property Act was put on the same footing as attestation by a will, that is to say, the attesting witnesses need not be present at the time the document is executed. The Allahabad High Court recently held that that definition only applied to transactions after the Act came into force and had not retrospective effect, and the object of this amendment is to make that definition retrospective. Most of the other or at least a large number of the other amendments are designed with a view to place the Royal Air Force on the same footing as the Land Forces.

The motion was adopted.

THE HONOURABLE MR. S. R. DAS: I introduce the Bill, Sir.

*Not printed.

SEA CUSTOMS (AMENDMENT) BILL.

THE HONOURABLE MR. A. F. L. BRAYNE (Finance Secretary): Sir, I move for leave to introduce a Bill further to amend the Sea Customs Act, 1878, for a certain purpose.

The Sea Customs Act allows a partial rebate of duty in case of goods deteriorated or damaged prior to their entry where the duty leviable is *ad valorem*, but it does not allow a rebate of duty where the duty is levied on quantity and not on value. Since the Act was framed the number of specific duties has increased and a number of them have been substituted for *ad valorem* duties with the result that certain articles, such as sugar and paper, no longer get this concession. The object of the Bill is to give power to Government to sanction a rebate of specific duty. Sir, I move for leave.

The motion was adopted.

THE HONOURABLE MR. A. F. L. BRAYNE: Sir, I introduce the Bill.

STEEL INDUSTRY (PROTECTION) BILL.

THE HONOURABLE SIR GEORGE RAINY (Commerce Department: Nominated Official): Sir, I rise to move that the Bill for the continuance of the protection of the steel industry in British India, as passed by the Legislative Assembly, be taken into consideration.

It is with some diffidence, Mr. President, that I appear before this Council to address them on the subject of steel. After having unburdened my soul on that subject in no less than three voluminous reports, Honourable Members of this Council will be justified in supposing that I could have nothing fresh to say to which it was worth their while to listen. If any misgiving of that kind should linger in the breast of any Honourable Member, I can only assure him of my whole-hearted sympathy. If, as I have been told, a perusal of a Tariff Board Report involves a certain mental strain, I would ask the Council to consider what it must mean to write one. But fortunately, Mr. President, my task to-day does not make it necessary that I should trouble the Council with any speculations of my own on the subject of steel. What I have to do to-day is to explain, if I can, proposals which did not originate with me, though they have my whole-hearted support. These proposals were drawn up by Mr. Ginwala and his colleagues on the Tariff Board and they have been accepted by the Government of India and are embodied in the Bill.

When the Tariff Board commenced their original inquiry into the steel industry in July 1928, the problem which chiefly exercised the minds of Members then, and for some months afterwards, was the question whether the steel industry deserved to be protected, that is to say, whether it fulfilled the conditions which, in the opinion of the Fiscal Commission, should be satisfied before protection is given. That question was clearly fundamental, for unless an affirmative answer could be given, the case was at an end, and it would have been unnecessary to pursue the investigation further. As every Member of this House knows, the Tariff Board in their first inquiry returned an emphatic affirmative to that question, and said that the steel industry unquestionably satisfied all the conditions and that it ought to be protected. The verdict of the Tariff Board was accepted

[Sir George Rainy.]

by the Government of India and by the Legislature, and the principle of protecting the steel industry finds a place in the Preamble to the Act of 1924, and will again find a place in the Act of 1927, if the Bill is passed into law. Therefore, the Tariff Board on this occasion had in some respects rather a lighter task. They had not to consider the fundamental question whether the industry deserved protection, and the primary problem to which they had to address themselves was whether the industry needed protection. If they found that it did, they had to go on to three subsidiary problems, namely, for what period the measures they recommended should operate, the amount of protection required and the form in which it should be given, or to put it more briefly, how long, how much and what method. These are the three branches of the subject, and I think it will meet the convenience of the Council if I discuss the various points that arise in that order.

Now, on the primary issue the verdict of the Tariff Board was this, that protection is still needed. But I would draw the attention of the Council to one important fact, that there are already three classes of steel made at Jamshedpur for which no protection is needed. These are fish-plates, tin bar and steel sleepers. There are also two very important classes of steel which now require only a very small amount of protection. These are heavy and medium rails and galvanised sheets on which the duty proposed is about 12½ per cent. *ad valorem*. For the other classes of steel made at Jamshedpur the revised duty would give quite inadequate protection and a substantial addition to it is therefore necessary. Then there is another important fact that I should like to make clear to the House, that for every class of steel made at Jamshedpur, with the single exception of black sheet, the protection required in 1927 is less than the protection given in 1924. This can be seen most easily by looking at Table XXII on page 55 of the Report. The Board in that Table state what the protective duties on certain kinds of steel ought to be, if they were fixed as in 1924 on a weighted average of British and Continental prices. Now, if the duties fixed in 1924 are compared with the duties in the Table to which I have referred, the comparison is as follows: The duty on structural sections comes down from Rs. 30 a ton to Rs. 25 a ton; on bars from Rs. 40 a ton to Rs. 35 a ton, and on plates from Rs. 80 a ton to Rs. 26 a ton. In addition the duty on galvanised sheets comes down from Rs. 45 a ton to Rs. 30 a ton, while the heavy and medium rails which during the last three years have been receiving bounties at a rate gradually decreasing from Rs. 32 to Rs. 20 a ton, in addition to a duty of Rs. 14 a ton, will now be protected only by a duty of Rs. 13 a ton and will receive no bounties. I say these are important facts, and I do so because there were reasons which rather suggested that the industry might require not less protection in 1927 but more protection. Since 1924, there has been a very heavy decrease in the world prices of all kinds of steel, especially of Continental steel. Also, the Indian manufacturer during the next seven years will have to sell a much higher proportion of his output in competition with Continental steel than he has been doing during the last three years. Both these facts are reasons which might have led us to expect that the protection required this year would be high. Now, it is natural to inquire what is the reason why the industry is now able to meet the competition of imported steel with less protection than it has been receiving during the last three years? The explanation is to be found

in two facts. Heavy as the drop has been in the prices of imported steel, the cost of production has come down even more substantially, while the output of finished steel at Jamshedpur promises to be half as large again as the output which was believed to be the full capacity of the works in 1924. In March, 1924, the Tariff Board estimated that the output of steel at Jamshedpur would be 250,000 tons in 1924-25, 835,000 tons in 1925-26, and 390,000 tons in 1926-27, and as the output went up, they anticipated that the cost of manufacture would steadily fall, but they were unable to estimate the rapidity of the process. In their opinion there were too many doubtful factors involved to justify any prediction on the subject, and they limited themselves to the statement that a transition period of several years was inevitable during which the works costs would gradually fall from about Rs. 130 a ton to some figure in the neighbourhood of Rs. 100 a ton. The Board's estimate of the output has turned out to be very near the mark, and I can only suppose that the Tata Iron and Steel Company, with a docility which I cannot sufficiently commend, applied themselves to the task of verifying the Board's prediction. In 1924-25, the Company produced almost exactly 250,000 tons of finished steel. In the following year, they fell a little short, the output being about 15,000 tons less than the Board's forecast, while, in the current year, it is expected that they will produce about 380,000 tons of finished steel, which is close to, but not quite as large as, the Board's figure. The fall in the cost of production, on the other hand, has gone on much faster than the Board expected. In August 1926, when the protective scheme had been in operation for less than 2½ years, the average cost of all finished steel was down to Rs. 98 a ton, and I reveal no secret when I say that since August last, costs have again diminished substantially. What it comes to is this, therefore, that the process which the Board believed would occupy several years has already been completed, and the diminution in cost is still going on. I think, Sir, the Council will admit my claim that these results are remarkable, and that the Government of India and the Legislature have reason to be satisfied with the success which has hitherto attended their policy of protection for steel. The policy of discriminating protection looks forward to a day when the protected industry will be able to throw off its swaddling clothes and meet world competition without extraneous aid. The rapidity with which costs have fallen at Jamshedpur has brought that day much nearer than a good many of us thought it was in 1924, and I frankly admit that my own expectations have been much more than satisfied.

• So much for the past. But what of the future? Honourable Members will have seen from the Board's Report that the Tata Iron and Steel Company are about to embark on a programme of extension and development, financed from their depreciation fund, which should gradually raise their output of steel from about 400,000 tons to about 600,000 tons, and should also bring about a heavy reduction in the works cost. Now, the representative of the Company who gave evidence before the Tariff Board expressed his belief that the cost would be reduced to such an extent by April 1934 that it was quite possible that the Company would be able to dispense with any protection beyond what was given by the ordinary revenue duties. The Board did not commit themselves to any definite opinion on this point, but the Company's belief evidently had a good deal to do in influencing the Board's decision that the proper period for which the protective measures should operate was seven years. That brings me to the question

[Sir George Rainy.]

of the period. Now, it is not always an easy thing to decide, when protection is given, for how long the particular rate of duty recommended should remain without revision. One obvious danger is that, if you make the period too short, there will be this result that the protection given will have to be high and the burden on the consumer heavy. The reason for that is that protection is usually given to infant industries which at the outset have a high cost of production. As they gain experience the cost gradually falls, and as time goes on the need for protection diminishes. But if you take a very short period, then the result is that you have a high scale of protection. In addition to that, there is another objection to a very short period, namely, that you fail to attract fresh capital to the industry. That I regard as an exceedingly important point. I do not think there is any doubt that the period for which the Steel Industry (Protection) Act of 1924 was to operate, namely, three years, was shorter than it should have been in the interests of the industry. The reason why the period had to be so short was, that the conditions were entirely uncertain and it was impossible to predict either the course of prices or the rate at which the cost of production would fall. The Government of India and the Legislature agreed with the Tariff Board that on that occasion it was impossible to legislate for a longer period, but I think that general opinion would have favoured a longer period had it been at all possible. On the other hand, you do not avoid all difficulties if you make the period very long. Here you have an industry with a falling cost of production. If you fix for a long period of years uniform protective duties, they must be fair and reasonable on the average of the whole period. The danger in that case is that the protection will be inadequate at the beginning and excessive at the end, or if you insist on giving adequate protection even at the beginning, the result is that it becomes grossly excessive at the end. Therefore you have got to take that point into consideration, and try to arrive at some mean figure which is neither too short nor too long, but which, on the whole, is the best in the circumstances. Now, I think that the Board would in any case have recommended as long a period as seven years, and possibly they might have made it a little longer. But when the representatives of the industry had volunteered a statement that it was quite possible that after seven years protection would not be needed at all, I think it at once became obvious that it was inadvisable that the protective measures should remain in force after that period.

Now, when the Board came to the question of the amount of protection that was required for each class of steel, they adopted the same method as they followed in their previous reports. In the first place, they determined what was a fair selling price for the Indian manufacturer, and they then attempted to forecast the prices at which imported steel was likely to enter India. The difference between these two prices is the measure of protection required. Whatever the future may have in store for us, the prices of imported steel can at any rate be estimated more confidently to-day than they could be in 1924. I do not suggest that we have any assurance that prices will remain close to the level at which they stood in the early months of 1926, or that the changes may not be considerable, but some of the factors tending to instability have been eliminated during the last three years, and it is not likely that prices will be subject to such violent fluctuations as they have been, or that the changes will almost invariably be in a

downward direction. We may rather expect that prices will move upwards as well as downwards, and that the average price for a period of years will not be very different from the figures taken by the Board. On the other side, in determining the cost of production as an element in the fair selling price, the Board had to face the difficulty that there was a very wide gulf between the costs in August 1926 and the probable cost in 1933-34. Clearly the average cost during the period must be somewhere between these two limits, and the Board have actually taken as the average cost the arithmetic mean. It is in this way they have determined the measure of protection for each class of steel.

I have no doubt that every Member of this Council will agree that the steel industry should receive the protection which it needs, however opinions may differ as to the form in which it should be given. But I believe there is a genuine doubt in some minds whether the protection given will be adequate during the first year or two of the septennium. Now I admit frankly that, if duties are fixed at uniform figures for a period of years during which costs are likely to fall, there is the danger that protection in the first years may be rather too little and in the latter years rather too much, although on the average the amount received is fair and reasonable. That is a difficulty inherent in the facts which it is impossible for us to remove, but there are one or two circumstances which justify the belief that, even in the first year of the scheme, the protection given will not be so small as is sometimes thought. In the first place, the Board took as the average cost the arithmetic mean between the cost in August 1926 and the estimated cost in 1933-34. Now, it is quite certain that the average cost in 1927-28—the first year of the scheme—will be substantially lower than the cost in August 1926. The Tata Iron and Steel Company have already made substantial progress down the ladder of falling costs before the scheme comes into operation at all. In the second place, in fixing the cost of production, the Board took the cost of coal to the Company at Rs. 8 a ton delivered at Jamshedpur, although the actual price at the time they were writing was no more than Rs. 7 a ton. They did this because they believed the average price during the seven years would in fact be higher. As Members of this Council are aware, the Tata Iron and Steel Company purchases a very large proportion of the coal used from certain collieries under long-term contracts by which the price paid is the same as, or greater by 8 annas than, the price paid by the Railway Board for coal of similar quality purchased for the State Railways. Since the Board reported, the contracts for the State Railway coal for 1927-28 have been placed at prices less by 10 annas to 12 annas a ton than the prices paid in 1926-27. Nearly 4 tons of coal are at present required at Jamshedpur to make a ton of steel, so that for each ton of steel it makes, the Company stands to gain from the lower price to the extent of Rs. 2-8-0. On an output of 400,000 tons the total economy thus effected amounts to nearly 10 lakhs of rupees.

I have said that the measure of protection is the difference between the fair selling price for the Indian manufacturer and the estimated price at which imported steel enters India. There is no difficulty on this basis in determining the protection required by two imported classes of rolled steel, namely, heavy and medium rails and galvanised sheet. These classes of steel are almost invariably imported from the United Kingdom, and the only price which need be taken into account is the British price. But as

[Sir George Rainy.]

regards four other classes of rolled steel, namely, structural sections, bars, plates and black sheet, which are imported both from Great Britain and from the Continent of Europe, the prices of the steel imported from Great Britain are substantially higher than the prices of steel imported from the Continent. The difference between the British and Continental prices of bars and sections, as found by the Board, is Rs. 18 a ton, plates Rs. 23 a ton and black sheet Rs. 31 a ton. These are large differences, and they not only create an obvious difficulty but also suggest certain questions. Clearly before the Board could determine the amount of protection needed, they had to find out whether the Indian steel maker was likely to get the British price, or the Continental price or some price intermediate between the two. They had also to find out who were the principal purchasers of British steel, and who were the people who buy Continental steel. And finally they had to ascertain, if possible, what the reason is why some purchasers are ready to pay the much higher price of British steel.

Mr. President, the Tariff Board have examined all these questions and have given the answers. The Tata Iron and Steel Company sells part of its output to purchasers who are prepared to pay the equivalent of the British price and part to those who will only pay the Continental price. The first class of buyers includes the railways, the authorities responsible for the execution of important public works and the engineering firms who fabricate the steel they buy to supply the needs of large industrial concerns. The second class consists principally of the merchants who cater for the needs of the small consumer, agricultural and industrial, throughout the length and breadth of India. Substantially that is the position. British steel is purchased mainly for purposes where a high factor of safety is necessary, as for example, railway bridges, railway rolling-stock and important buildings. Continental steel is purchased for purposes in which the quality of the steel is not of such high importance. What it comes to is this that the British and Continental steel are not often in direct competition, but each meets a demand which the other cannot meet. Here comes a very important point and it is this. The Indian manufacturer of steel cannot sell his output unless he meets in part both demands. The steel he makes is as good as the British steel, but he cannot get the British price for all that he makes. Part of it he must sell to people who are content with Continental steel and will pay him nothing extra because his steel is better. This is a fact for which allowance has got to be made in any scheme of protection.

I have not yet given the full answer to the question why some purchasers will pay a big extra in order to get British steel. The reason is this. All steel made in the United Kingdom is made to what are known as the British standard specifications which have been laid down by the British Engineering Standards Association in consultation with representatives of users and manufacturers. Their object is twofold—first, to ensure the safety of life and property by rendering it possible for the buyer to know exactly what he is getting, and secondly, to facilitate economy of production by standardisation of weights and dimensions. They prescribe in detail the chemical composition of steel, the tests it must satisfy and the weight and dimensions of a given section. Now, all British manufacturers work to these specifications, and they do so quite as much in their own interests as in the interests of the consumer. But the bulk of the Continental steel which is imported

into India does not conform to these or to any other specifications, and it is for this reason that a number of purchasers in India are prepared to pay a higher price for British steel, the point being that, if they buy British steel, they know exactly what they are getting while, if they buy Continental steel, they very often do not. It is true that Continental steel is sometimes sold in India with a certificate that it is up to the British standard, but experience has proved that these certificates are not trustworthy; that is the definite finding of the Tariff Board, which is confirmed by the expert evidence of the Indian Stores Department; and I might refer here to the evidence given before the Board by Mr. Anandji Haridas, one of the leading iron merchants of Calcutta. "Nobody," he said, "would buy joists for building purposes without consulting his engineer, and the engineer would say that he wants a certain strength per foot which he cannot get out of Continental joists." Now I do not say that steel as good as British steel is not made on the Continent; that would clearly be absurd. What I do say is, that very little of such steel comes to India from the Continent. Large consumers, such as the Railway Board or the Stores Department in London who have their own consulting engineers, can obtain genuine British standard steel from the Continent because they can make proper arrangements to supervise manufacture and test the steel both during and after manufacture. But the Board point out that the general user of steel has no organisation by which, when Continental steel is certified to be of British standard, the value of the certificate can be checked. If, therefore, he wishes to use British standard steel, he must use steel either of British or Indian manufacture.

The position with which the Board had to deal was therefore this. A higher quality of steel, which I may call standard steel, is coming to India from Great Britain at a certain price, and a lower quality of steel, which I may call non-standard steel, is coming to India from Belgium and other Continental countries at a much lower price. Which price is to be used to determine the amount of protection required? The Indian manufacturer makes steel of standard quality, but he has to sell part of his output in competition with Continental steel, that is, to purchasers who will not pay anything extra for the superior quality, and will not buy Indian steel at all unless it is as cheap as Continental steel. It clearly will not do to take account only of the British price and ignore the Continental price, for the protection given would be quite inadequate. Let me take concrete figures. The estimated price of British bars is Rs. 108 a ton, and the fair selling price of Indian bars is Rs. 129 a ton, the difference being Rs. 21. But if the duty were fixed at Rs. 21 a ton, Continental bars would be sold at Rs. 111 a ton, and the Indian manufacturer would get a price which was too low by Rs. 18 a ton for all bars sold to the merchants who cater for the bazaar. On the other hand, if the duty is made equal to the difference between the fair selling price and the Continental price the protection given becomes altogether excessive and an unnecessarily heavy burden is placed upon the consumer. The duty on imported bars would be Rs. 99 a ton, and the buyer who wanted the British quality would have to pay the Tata Iron and Steel Company Rs. 147 a ton which would be Rs. 18 too much. Clearly, both these solutions are inadmissible.

If neither the British nor the Continental price can be used to determine the measure of protection, it is natural to ask why cannot we adopt the same plan as in 1924 and take as our basis a price intermediate between

[Sir George Rainy.]

the two? The Board have given the answer to that question and explained why the system is unsatisfactory. If it is adopted, the price of standard steel, which must be used in all works where a high factor of safety is necessary, will be unnecessarily high, and the cost of rolling-stock, railway bridges and other important works will go up. It would also necessitate a higher duty on fabricated steel and thereby increase industrial costs throughout India. These are serious objections. But apart from them, there is this, that it is impossible to fix the amount of the duty under this system unless we can first ascertain what proportion of his output the Indian manufacturer will sell to purchasers who will pay the British price and what proportion to those who will only pay the Continental price. On that basis we can determine what duty will on the average give him adequate protection and no more. But if anything happens to affect the views of the buyers, then the whole scheme breaks down. This was proved by the experience of 1924 when the price of Continental steel fell precipitously, and the difference between British and Continental prices became very wide. The immediate result was that purchasers who had hitherto been buying British steel, or Indian steel at British prices, decided that the extra payment demanded for the superior quality was too high and refused to pay more than the Continental price. It is quite true, and the Board admit it, that such violent fluctuations as occurred in 1924 are not probable during the next few years; but even if the difference between British and Continental prices remains at about its present figure, the difference is so substantial that there will be a tendency always at work for purchasers to transfer their custom from British to Continental steel. In so far as they do so, the protection given becomes inadequate. Finally, if new steel works were established in India, the scheme would break down altogether, and the protection given would at once become inadequate. British steel has already been so nearly driven out of the market that the new firm would have to sell almost the whole of its output in competition with Continental steel, and a duty based on any system of weighted averages would be too low. For these reasons, the Tariff Board were unable to recommend the imposition of uniform duties based on a mean between British and Continental prices.

Up to this point I have been dealing solely with the amount of the protection required and have tacitly assumed that it must be given by the imposition of uniform duties. I have tried to show how the Board were compelled to reject in turn, firstly, the British price, then the Continental price, and, finally, any intermediate price as the measure of the protection needed, and that means that a system of uniform duties will not do. From this point onwards, we have to consider not only the amount of the protection, but the form in which it is given. If uniform duties will not work at all, or will work badly, then some other system must be tried. In addition to the scheme finally recommended, the Board examined three other methods of giving protection. Of one of them—the imposition of a basic duty on British steel and anti-dumping duties on steel imported from particular countries—I need say little, for the existence of the trade agreements to which India is party makes that solution impracticable. Of the other two, something must be said.

The first of these is the scheme which proposes to combine protective duties and bounties. Under this scheme the protective duty would be equal to the difference between the fair selling price and the British price,

and the additional protection required against Continental steel will be given by means of bounties. There are several objections to this scheme, but I will reserve most of my comments until we come to the amendments to be moved by the Honourable Mr. Ramadas Pantulu. It will however suffice to mention briefly the fundamental difficulty that, in proportion as the protective scheme achieves its object, the payment of the bounties becomes financially impossible. Every year the domestic production of steel increases and the bounty payments rise, while simultaneously the imports decline and the extra revenue from the protective duties disappears. Eventually a point is reached when there is no extra revenue but only a heavy liability for bounties. But I may be told that the scheme of protection adopted in 1924 did combine duties with bounties. That is true, but only to a limited extent, but there are essential differences. In that scheme rails were protected entirely by bounties, and other classes of steel entirely by protective duties. That fact introduced an automatic safeguard into the scheme, for the more Indian steel that was made into rails, the less could be made into bars and plates and sections, and consequently the imports of these classes of steel would go up. Therefore, in any year when the bounties were high, the extra revenue would be high too. More important still, the 1924 scheme was to operate for three years only, and it was certain that within that time no new firm could actually manufacture steel. Even so the Board found it impossible to recommend any general scheme for the combination of duties and bounties. On this occasion, the difficulties are much greater. The scheme is to continue in force for 7 years, and we cannot exclude the possibility, or even the probability, that new steel works will have been completed and begun to produce before the end of that time. As soon as that happened, the extra revenue would vanish altogether and the bounty payments would simultaneously increase and become a burden on the general tax-payer. I may say that on more than one occasion I have tried to work out a scheme for balancing duties against bounties, but invariably it went to shipwreck on concealed financial reefs.

Now, if uniform duties and a combination of duties and bounties are alike impracticable, the next question is, whether it is not possible to differentiate between the expensive standard steel and the cheap non-standard steel. As I explained some little time back, each class supplies a different demand. The standard steel possesses qualities which the purchaser of non-standard steel attaches little or no value, but it is precisely these qualities which make it indispensable to other purchasers. What it comes to is this—that standard steel and non-standard steel are essentially different articles and if that is so, there is no particular reason why they should be subject to the same rate of duty. Therefore, the question naturally arises why not differentiate according to the quality of the steel and impose a lower duty on standard and higher duty on non-standard steel? The answer to this question is that it would unquestionably be the best plan, if only it were practicable, but unfortunately the administrative difficulties are too great. The British standard specifications require not only that the steel shall be of a certain chemical composition, but also that it shall be of certain dimensions for a given weight, should possess certain tensile strength and should be accurately rolled. It would be necessary to test every consignment of steel imported into India which was claimed to be of British standard. That would mean the appointment of a metallurgical expert and the installation of testing machinery in every customs

[Sir George Rainy.]

office. Not only would the expense be great, but the inconvenience to business would, I fear, be found intolerable owing to the delay in obtaining delivery until the steel had been tested. The Board were right, I think, in rejecting this alternative.

The Council is entitled to ask, Sir, why I have dwelt at such length on the various schemes which the Tariff Board rejected. I have done so for a definite reason. It is necessary to make it clear to the Council that the Board's proposal is not a hasty improvisation, nor is it the product of prejudice or of any preconceived theory. On the contrary, the Board did not finally decide on the measures it would recommend, until it had closely examined all the facts and carefully weighed every alternative method that suggested itself. The scheme embodied in the Bill has been framed by men who at the commencement of their inquiry had no preconceived view that in differential duties the solution of the problem was to be found. One of them, Mr. Ginwala, was, like myself, a signatory of the Report on the increase in the duties on steel in 1924 when the Board considered, but found themselves unable to recommend, the imposition of differential duties against Continental steel. For that very reason, the recommendation now made should carry much greater weight. It has been made because the members of the Board who had the fullest opportunities of studying the whole subject were convinced that it was the method of giving protection which was best alike for the Indian steel industry and for the consumer.

If I may digress for a moment, Mr. President, I should like to say one word more about the recommendation in the Report on the increase in the duties on steel in 1924. I should not have troubled the Council with any further observations on that subject, but I think I may be reasonably asked, "Why is it, if you did not approve of differential duties on the Continental steel in 1924, you approve of them now?" It is a fair question, and I will try to answer it. I do not suppose that Honourable Members of this Council will recall as vividly as I do the precise circumstances in which the Tariff Board made their inquiry in the autumn of 1925. At that time, owing to the fall in the prices of Continental steel, the position of the Indian steel industry was very nearly desperate. It was not quite fully realised at that time, but there has been no secret about it for some time now. The Tariff Board received instructions from the Government of India to report what increases were required in the duties for steel, and they were told that the question was of the utmost urgency and that the report must come in at the very earliest possible date. Now, quite obviously, when the inquiry had to be carried on under these conditions, there was no time to examine all the various points that one would have wished to examine. What the Board had to do was to consider, as well as it could in the time available, the various aspects of the case. And there was no time, for instance, to call for the Collector of Customs and ask him to explain to us exactly what the difficulties would be if we put additional duties on steel imported from countries other than the United Kingdom. And there was another still more formidable objection. What we were doing was to recommend to the Government of India in what manner they should exercise the power delegated to their Legislature of increasing the duties on steel. Now, those who have listened to the debates in another place know that the moment the question of differential duties is raised you cannot avoid trenching on the delicate issues of Imperial Preference.

Was it possible for the Board in 1924 to recommend to the Government of India that it should act without consulting the Legislature and impose differential duties on steel which was not of British manufacture? Was it possible? The obvious danger was that, by raising discussion on that question when there was no time for any discussion, the whole object of the Board's inquiry would be sacrificed. That is to say, the Indian Steel Industry would fail to receive the additional protection which it so urgently needed. In the event, what the Government of India did was to announce their intention of proposing to the Legislature the payment of bounties with retrospective effect from the 1st October 1924. That served the purpose of saving the industry, but it was quite impossible for the Tariff Board to forecast what the Government of India might do.

I must apologise to the Council, Mr. President, for troubling you with a personal matter, but I thought it was reasonable that I should explain what the reasons were which affected my judgment in 1924.

Now, what the Board say in effect is this. The best scheme would be one which differentiated between standard steel and non-standard steel. But unfortunately the difficulties are too great and they cannot recommend that scheme. But what they say is this. You will get practically the same result if you differentiate between steel of British manufacture and steel which is not of British manufacture. Therefore what is proposed is this. The four classes of rolled steel which are imported both from Great Britain and from the Continent, that is to say, structural sections, bars, plates and black sheets, will be subject first of all to a basic duty which is applicable to all imports of whatever origin. In addition, if the steel of these classes has been manufactured in any country other than the United Kingdom, it will be subject also to an additional duty. Then, as regards the details of the scheme, one fundamental point is that the basic duty is not to be reduced until seven years have elapsed. The reason for that proposal is to give the necessary stability to the scheme. However the duties may be varied, the duty on these classes of imported steel from whatever country it comes can never be less than the basic duty. It is obvious that it will be impossible to attract fresh capital to the industry unless there is some assurance of that kind. But, although the basic duty cannot be reduced, it will be possible, owing to an amendment made in the Legislative Assembly, to raise the duty, that is to say, if the price of British steel falls, the Government of India will be able to raise the basic duty, so as to give adequate protection to the industry. The additional duty, it is proposed, the Government of India should have power to vary either upwards or downwards. Now, the reason for that is this. The Board thought that on the whole British prices would be fairly stable for the next seven years at about the level at which they stood in the early months of 1926, but they have no confidence that the prices of Continental steel will not vary very considerably, either upwards or downwards. Therefore, they propose that the Government of India should have power not only to raise the additional duty when the prices of Continental steel fall, but also to reduce the duty if the prices rise substantially, because if there were a very big increase in the prices of Continental steel, the result might be that the steel industry in India would receive obviously excessive protection. Now, the advantage claimed for the scheme of differential duties,—that is to say, for the scheme which imposes a basic duty on imported steel and an additional duty on steel which is not of British manufacture—the advantage claimed for that scheme is

[Sir George Rainy.]

in the first place that you get practically the same result as if the differentiation were according to the quality of the steel. Whether you differentiate by quality or differentiate by the country of manufacture, practically the whole of the imports from the United Kingdom will be subject only to the basic duty, and the great bulk of the imports from Continental countries to both to the basic and the additional duties. The only difference is that, if we were to differentiate by quality, the comparatively small quantity of imports from the Continent which are up to the British standard would escape the additional duty, whereas under the Bill they would be subject to it. The adoption of the scheme will mean that the consumers of standard steel, whether they buy from Jamshedpur or import from Great Britain, will get their steel at a lower price. That is a matter of quite first class importance to industrial development in India, to all users of fabricated steel and to the railways. Everything that can be done to cheapen the cost of standard steel does something to assist industries and to reduce the cost of transportation. Also, the scheme meets the needs of the Indian manufacturer. Whether he sells to buyers who are prepared to pay higher prices for standard steel, or to those who are paying nothing extra for better quality, he still obtains his fair selling price or a price very close to it. Now, no scheme of protection, or indeed of practical administration in any sphere, that can be put together in this world is ever perfect, and it is not claimed by anybody that the scheme of differential duties embodied in the Bill is entirely perfect. I have stated the difficulties which led to the rejection of the alternative method of protection, and it is fair that I should examine also those entailed by the Board's scheme. It would take too long to discuss all the dangers which suggested themselves to fertile minds in another place. But there are three which must be mentioned. One is that a scheme which differentiates according to the country of manufacture must lead to administrative difficulties, owing to the necessity of obtaining certificates of origin and similar documents. The Tariff Board, who considered this point in consultation with the Collector of Customs, report that, though there are difficulties, they are not so great as the Tariff Board supposed in 1924. Since then I have had some opportunity of looking into the matter in consultation with the Central Board of Revenue, and I am bound to say that the difficulties do not appear to be so serious as I once thought them to be. I think I can assure the Council that no insuperable difficulties will be met with, and that it will be possible to prevent the importation, as steel of British manufacture, of steel which is made in other countries without imposing any undue burden either on the Customs administration or in the course of business.

A second difficulty is this. It may be argued that although the Board's scheme of differential duties lightens the burden on the consumer of standard steel, it has this disadvantage that it imposes a heavier burden on the consumer of non-standard steel, that is, the smaller users, whether in agriculture or in industry. That point was considered by the Board and they found reason to believe that the additional burden imposed on the consumers of non-standard steel was not likely to be nearly so great as it might at first sight be supposed. The reason is this. They obtained from iron merchants both in Calcutta and Bombay records of the prices of certain kinds of steel for a long series of months, and the Board was struck by the fact that the prices in Bombay of certain classes of steel were

apparently higher than the prices at Calcutta. To give concrete figures, I find that during the first three months of 1926 the average price of bars in Bombay was Rs. 11 higher than in Calcutta, the average price of angles was Rs. 20 higher and the average price of plates was Rs. 19 higher. The steel in question was all steel imported from the Continent. Indeed the ordinary dealers in Calcutta and Bombay no longer stock British steel at all except in the case of beams. Surely it is a very significant thing that the prices of Continental steel should be higher in Bombay than they are in Calcutta, and the question how that is possible is one which has an important bearing on the question of protection. Another reason apparently is this. In Calcutta the Tata Iron and Steel Company have to sell a large proportion of their steel in competition with Continental steel. They are in a position to compete effectively, and if the importers of Continental steel try to raise their prices, they find great difficulty in doing so, so long as the Tatas are ready sellers. Now, in Bombay and also in Madras, Karachi and Rangoon, owing to the distance of these places from Jamshedpur, the Tata Iron and Steel Company is not in the same position to compete. I understand it has either begun, or is about to begin, to sell steel in some of these places—in Madras and Bombay at any rate. But if it does, it will not be in the same position to cut prices, because it has to cut the price which it receives "free on works", in order to get there at all and it cannot again cut the price. Therefore, the importer of Continental steel is not subject to the same competition in these other ports as he is in Calcutta, and in the areas economically dependent on Calcutta. Therefore, it is possible for the importers by mutual arrangement to raise the prices of Continental steel in these ports to a higher level. The only limit to the price of Continental steel in Bombay and the other ports I have mentioned in the last resort is what it would cost to import British steel. The importers cannot raise the price higher than that because, if they did, British steel would begin to be imported to meet the demand. Now, owing to the big difference in prices between the British and Continental steel the importers have a wide margin within which to operate, and they will have that margin so long as the duty on British and Continental steel is uniform. If, on the other hand, the scheme in the Bill is adopted, and the difference in price is substantially reduced, then there will be a practical and effective check on the price which the importer of Continental steel can charge. It comes to this, therefore, that although it may seem at first sight that the scheme of differential duties will make non-standard steel a good deal more expensive to the small user, there is reason to believe that that will not be so, the point being that, at present, the benefit which the uniform duties ought to give the small consumer does not reach him, but is intercepted by the middleman on the way. For that reason I do not think it can fairly be said that the burden on the consumers of non-standard steel will be too heavy.

The third difficulty is, I suppose, the one which has attracted most public attention. Honourable Members may ask whether, if they pass this Bill, they will not be considered to have given their adhesion to the principle of Imperial Preference. Now, as I understand it, the principle of Imperial Preference is this. Various parts of the British Empire, in view of the fact that they are all members of one Commonwealth and that each part has an interest in the welfare and prosperity of the other parts, are prepared to grant mutual concessions by which they admit

[Sir George Rainy.]

Empire produce into their countries at a lower rate of duty than is imposed on goods from foreign countries. The lower rate of duty definitely means that the Dominion which gives it does so in order to benefit the country or Dominion which receives the concession. Now, if that be the principle of Imperial Preference, it finds no place in this Bill. The Board, in putting forward the scheme of differential duties and the Government in accepting it, have been actuated solely by their conviction that in this way the interests of India could best be served and without taking into account any benefit which it might confer upon the British steel manufacturer. In the second place, power has been taken in the Bill which makes it possible for the Government of India, without reference to the Legislature, to diminish, or finally to abolish, the preference which British steel receives as soon as the interests of India appear to require it. This can be done either by raising the basic duty or by reducing the additional duty. If the scheme of differential duties did in fact embody the principle of Imperial Preference, it is quite certain that no power of this kind would be conferred on the Executive Government. Finally, there is an aspect of the case to which I should like to draw the special attention of the Council. It is this. If the steel industry in India is to grow, it must do so primarily at the expense of the British exporter and not of the Continental exporter. The reason is very simple. The Indian steel manufacturer will certainly sell all the steel he can in competition with British steel because he gets a better price. If he has to sell in competition with Continental steel he has got to accept a much lower price than the quality of the article he produces ought normally to command. Therefore, he naturally will sell every ton of steel he can to people who want the British standard quality. But it may be said that under the Bill we are proposing to do away with this difference. In fact, Mr. President, that is not so. The basic duty is not equal to the difference between the fair selling price of Indian steel and the price of British steel, but is greater. And the basic and the additional duty taken together are not equal to the difference between the fair selling price and the Continental price but are smaller; and the result is that the duties have been so adjusted that the price of British steel will be Rs. 7 a ton higher than the price of Continental steel. Now, if the object in view had been Imperial Preference, could a feature of this kind possibly have formed part of the scheme? I do not think it could.

Mr. President, I have trespassed too long on the indulgence of this House and I must apologise for doing so. I should like in concluding to say that I claim for the scheme embodied in the Bill that of all the methods that have been considered, it is the one which is best adapted to meet the needs alike of the producer of Indian steel and of the consumer. It is the method which most closely complies with the condition that the scheme of protection must be carried out with due regard to the well-being of the community. Mr. President, I move that the Bill to provide for the continuance of the protection of the steel industry in British India, as passed by the Legislative Assembly, be taken into consideration.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill to provide for the continuance of the protection of the steel industry in British India, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

THE HONOURABLE THE PRESIDENT: Before the House passes to the detailed consideration of the clauses of the Bill, I would invite the attention of Honourable Members to the separate paper of amendments which is before them. They will see that the first amendment stands in the name of the Honourable Mr. Ramadas Pantulu, being an amendment of clause 2, and if Honourable Members have compared the terms of clause 2 of the Bill with the terms of the amendment of the Honourable Mr. Ramadas Pantulu they will see that what he actually proposes to do is to omit three words, namely, the words "of British manufacture" in the proposed new sub-section (4), and to omit the proposed sub-sections (5) and (6) altogether. I have suggested to him that he should move—and he has agreed to move—his amendment therefore in that form. It is simpler to understand and simpler to put: three words will be omitted in sub-clause (4) and sub-clauses (5) and (6) will disappear altogether. Of the three amendments standing in the name of the Honourable Mr. Ramadas Pantulu, it is quite obvious that Nos. 1 and 3 stand together; that is to say, No. 3 is consequential on No. 1, and the fate of No. 1 will decide the fate of No. 3. It is not quite so obvious perhaps that amendment No. 2 is linked up with the others; but I have ascertained from the Honourable Mover of the amendment that the three amendments are part of one scheme, and that if the first amendment, when he moves it, is defeated, he will not move his second and third amendments; but I shall have to permit him of course in those circumstances to explain the bearing of the second amendment on his first amendment. In that way, should the first amendment be carried, there will be no need for a full debate on the second amendment.

The other two amendments, standing in the name of the Honourable Sir Sankaran Nair and the Honourable Mr. Desika Chari are, so far as I can see, in substance identical; and as the Honourable Sir Sankaran Nair's amendment was received in time and that of the Honourable Mr. Desika Chari was not, I have to suggest to the latter Honourable Member that, if no objection is taken to the moving of his amendment and if he desires to move it, he must do so by moving it as an amendment to the Honourable Sir Sankaran Nair's amendment.

The question is:

"That clause 2 do stand part of the Bill."

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, I beg to move the first of the three amendments which stand in my name in the manner suggested by you. It runs as follows:

"That in the proposed sub-section (4) the words "of British manufacture" be omitted and that the proposed sub-sections (5) and (6) be omitted."

Sir, as you were kind enough to explain the position, my three amendments hang together and form part of a single scheme. The combined effect of the three amendments is to replace the official scheme of differential duties recommended by the Tariff Board and embodied in the Bill as passed by the Legislative Assembly by another scheme known as the scheme of duties *cum* bounties. I need not explain to this House the features of the official scheme because they were explained in the very lucid speech with which the Honourable Mover has made his motion for consideration of this Bill. I cannot attempt to put it more clearly than he did. Its essence is, as

[Mr. V. Ramadas Pantulu.]

we have already been told, to impose what are called basic duties on British as well as non-British steel and in addition to impose certain duties on non-British imports to give adequate protection to the Indian industry. My scheme differs from it very materially. My task has also been rendered very easy by the Honourable Mover explaining to the House the six schemes adumbrated by the Tariff Board and in singling out three for detailed examination. The other three schemes, if I may say so, were practically still-born. The schemes which came in for serious consideration are the schemes of differential duties, the scheme known as the weighted averages, and the scheme of combined duties and bounties. The scheme of weighted averages was also examined and rejected by the Honourable Mover, and it is obviously unnecessary for me to traverse that ground because I also agree with him that it does not suit me, whatever may be the reasons. As I am not advocating it I shall not say anything about that scheme.

So the only thing left for me to do is, first of all, to criticise the official scheme and show where it is objectionable, and in the second place to show how my scheme is to be preferred to the official scheme. That will be the basis upon which I shall proceed to make my remarks. The official scheme, Sir, is open in my opinion to very grave objections, both of a political and of an economic character. The political objection is one which was anticipated by my Honourable friend and dealt with at some length. It is, as my Honourable colleagues here know, based upon the assertion that the Bill involves, directly or indirectly, the vicious principle of Imperial Preference. We are now favoured with a definition of Imperial Preference and we are told that there is obviously no Imperial Preference in it. I am not disposed to hang my argument upon words. Probably the Honourable Mover was correct when he said that there was no element of "Imperial" Preference in it because we all know to-day that the Dominions are chalking out their own path and recently South Africa and Australia have shown that they are more interested in developing their own steel industry than patronising the industry of the United Kingdom. Therefore, in the strict sense or rather the broad sense, there is no element of Imperial Preference. But if I am told that there is no element of *British* preference, I must emphatically deny that allegation. The whole scheme of this Bill is based upon the recommendations of the Tariff Board to favour what I may call British preference, for want of a more suitable expression. The Tariff Board itself does not seem to be quite unconscious of what it is doing. Apparently, it had a bit of guilty conscience, and therefore it began in a somewhat apologetic tone. At page 58 of their Report they say:

"It may be urged that a system of differential duties in the form suggested involves the adoption of Imperial Preference in relation to steel. In the sense that our proposals necessarily imply a definite decision on the question of policy, such a statement of the case is incorrect."

It is, however, a guarded statement, and I tried to understand exactly what the implications of these words are, I mean the words "in the sense that our proposals necessarily imply a definite decision on the question of policy". It is quite true that the Tariff Board has not been called upon, nor is it attempting to pronounce, any definite decision upon the question of Imperial policy. The question really is whether the proposals do or not contain an element of British preference. Therefore I do not understand the relevancy of the statement that "our proposals necessarily imply a

definite decision on the question of policy. Such a statement of the case is incorrect". And further on, they say:

"But in any event we felt that we are not concerned with the political aspect of the case."

That is the manner in which they brush aside the political argument. But it cannot be doubted that a very considerable change in the attitude of the Tariff Board's mind has come about between 1924 and 1926, because we find a very significant sentence in their Report of 1924, which was tried to be explained away by the Honourable Sir George Rainy. When they were examining proposals for levying differential duties on British and non-British steel the Tariff Board in 1924 said:

"Except on the basis of Imperial Preference no scheme by which the duties on British steel would be differentiated from those of Continental steel can be worked, and it does not appear to us expedient that the tariff on steel should be modified on that basis until the general question has been decided."

Therefore, Sir, they definitely recognised that any proposals for a differential treatment of steel necessarily involves a policy of Imperial Preference, and that until the general question of Imperial Preference is itself settled, they ought not to embark upon proposals which deal with differential treatment between British and non-British steel. But now that caution has been cast away to the winds, and they have very plainly embarked upon proposals which involve British preference. It is no use telling us that the proposals do not involve an element of preference. Notwithstanding the futile attempt made by some Honourable Members in the other House, notably by Mr. Jinnah, it cannot now be doubted that any person who looks into the Bill and reads it through will find an element of preference there. I have read some extracts from the British Press which are cabled to us here and also some statements in the Anglo-Indian Press, all of which go to show that the Assembly is now understood as being definitely committed to a policy of Imperial Preference, and Imperialists are rejoicing over the fact that it is a good augury for the future of British trade. Therefore, it is, I think, trying to show the obvious to be the reverse if we are asked to believe that there is no element of preference. It is clear in every line of the Bill. When the price of British steel is Rs. 104 and that of Continental steel is Rs. 86 and the basic duty that you propose to impose is Rs. 19 and you impose an additional duty of Rs. 11 on the Continental steel, the facts amount to no more or no less than this, where British steel is charged at Rs. 19 the Continental steel is charged Rs. 30 duty. If that is not preference, I do not understand what preference is. The same thing may be said with regard to the other varieties. It is true that what is sought to be done is to kill two birds in one shot. Protection to Indian industry is sought to be given; I do not deny it. But at the same time a very generous measure of preference to British industry is also coupled with it. That is what has been done by this measure. I shall not further try to labour the point about preference, because enough has been said in another place which most Honourable Members might have read, and I would not like to waste the time of the House by repeating the arguments which have been adduced in another place. On the assumption that the Continental standard steel can be purchased at Rs. 7 more than the non-standard steel, then the price of Continental standard steel is Rs. 93 as against Rs. 104 of the British steel. Just as the standard steel is manufactured on the Continent, the non-standard inferior varieties of steel are

[Mr. V. Ramadas Pantulu.]

manufactured in Great Britain, and those rejections which are sold in this country also enjoy a certain amount of protection. Therefore, Sir, whether you have it on the basis of standard steel produced on the Continent or on the rejections of the United Kingdom imported into this country, in either case the preference is glaringly patent in the Bill.

Then, Sir, the economic objections, to my mind, seem to be as serious as the political objection. The first and the foremost objection to this scheme is that it unnecessarily imposes a burden on the consumer. I have got, Sir, certain figures from which I can clearly substantiate that at least to the extent of 40 lakhs the consumer will be unnecessarily taxed every year by the system of differential duties. The figures can be worked out very easily by any one who looks into the Tariff Board's Report itself without any extraneous aid. If we take this import of Continental structural sections, bars, black sheets and plates as given in the Tariff Board's Report and multiply the number of tons by Rs. 11 in the case of structural sections and bars, Rs. 24 in the case of black sheets, and Rs. 16 in the case of plates, we arrive at figures which clearly give the extra amount that the consumer is obliged to pay under this scheme. I have worked out those figures; taking structurals at 96,000 tons, bars at 111,000 and black sheets at 36,000 and plates at 28,000, and multiplying, as I have already said by Rs. 11 in the first and second cases, 24 in the third, that is black sheets, and 16 in the fourth, plates, we get roughly Rs. 36 lakhs as the additional price which the consumers pay. If the payment of this duty is necessary for protecting this industry, there would be something to be said for it. It has been also conceded in a way by the Honourable Mover that the Tatas do not compete with Continental steel at some of the ports in India, notably those situated at a distance of more than 400 miles from Jamshedpur. In Madras, for instance, the Tatas do not compete with Continental steel, nor in Bombay nor in Karachi nor in Burma. In all these places the consumers are asked to pay this additional duty on their purchases, without benefit to Tatas and to that extent they do certainly lose, that is an unnecessary burden is imposed upon them. Various answers were attempted but the one which was attempted to-day in this House is that there is no guarantee that the difference between the price of British steel and Continental steel is likely to benefit the smaller user or the consumer and that the persons who import the Continental steel in those distant ports where the Tatas do not compete, may pocket the entire profit themselves without giving any adequate benefit to the consumer. And, therefore, the argument is that the imposition of lower duties on Continental imports while it might hit the British manufacturer, will not result in a corresponding benefit to the consumer. With regard to that question, the matter has to be viewed merely as a question of fact, and the only testimony that is worth canvassing on a question like this is the testimony of the small user and the consumer. No amount of theoretical disquisition on a matter like this is of any importance. I find that the small user, as he is called, or the consumer, has come out already with his protest, and he asserts that the assumption underlying the recommendations of the Tariff Board that the benefits are not going to him are entirely unfounded. He has emphatically said so. I find that a responsible body of consumers have passed a resolution which was quoted in another place and that resolution is worth citing here because it is the considered opinion of a body of small users of

Continental steel. I shall just read that resolution. It is a resolution of a public meeting held in the city of Delhi itself:

"This meeting of trades people, small industrialists and consumers of steel products at large, unanimously resolves that the decision of the Select Committee on the Steel Protection Act approving of the scheme of differential duties on the manufacture of United Kingdom steel and from other Continental countries and thus far stimulating and encouraging imports of steel of British manufacture is disastrous to the cause of trade, small industry, and poor consumers of India. Inasmuch as these classes are deprived totally of the benefits of cheap Continental goods, and their soft quality enjoyed for over half a century, this meeting therefore strongly advocates the continuance of the present system of uniform duties on all steel irrespective of the country of origin, the loss to the Indian steel being made good by the payment of bounties from the receipts of protective duties."

I will also refer to a statement made by a very well known firm in Bombay, Mr. Godrej's firm, in which they said:

"Continental steel sheets have always perfectly satisfied all the requirements of our industry. Proposed additional duty on non-British sheets would be a needless and intolerable burden and would lead to our closing several lines ourselves. Other industries all over the country will also disappear. Tatas unable to supply sheets."

After this testimony from the people interested in the import of Continental steel, it is useless to argue on *a priori* grounds that the benefits of the difference between lower duty on British steel and higher duty on Continental steel does not reach the consumer. The consumer says that the benefits do reach him and prays for the retention of the uniform duty scale. Still we tell him that the benefits do not reach him. It is a case of save us from our friends. We seem to know the interests of the consumer better than he does. That is how the matter stands.

Then, Sir, there is another danger, also an economic danger, of a very real character. There is no guarantee that the British manufacturer, encouraged by the fact that a market is assured to him for the next seven years, will not deteriorate the quality of his steel and send to India inferior quality for higher prices. The danger is not at all an imaginary one. Even the Tariff Board seem to have felt the weight of that danger and they have in a way tried to answer it in a most unconvincing manner. This is what they say:

"The present prices of Imperial British steel on which our proposals are based already reflect to a very large extent the economies rendered possible by the use of semi-finished continental material. No investigation, therefore, appears to be required into such questions as whether sheets or bars rolled in England from continental sheet bar or billets should be treated as of British origin. Further the gap between British and Continental prices has now narrowed considerably. There is thus *less* inducement for exporters to reship Continental steel from British ports thereby incurring additional charges on account of freight, etc."

Therefore, the unfinished or semi-finished Continental material is being largely used in England and the temptation to deteriorate the quality and import inferior steel into India is a very real and serious one. I was somewhat interested in reading a passage in the debate in another place where it was pointed out that Sir Charles Innes himself recognised the reality of this danger and admitted in a sense that the danger was not merely imaginary. We have in that report a verbatim statement of what he seems to have said on another occasion, and I shall merely refer to that passage as correctly representing the words used by the Honourable Sir Charles Innes. He is said to have stated:

"The danger exists and must be accepted as incidental to the Tariff Board's scheme, but the danger is not serious, for the quantity of such rejections imported into India is likely to be small. British manufacturers get a lower price for rejections and try to keep down the percentage of them as far as possible. Also any attempt to flood the market with rejections would injure the reputation of their steel."

[Mr. V. Ramasdas Pantulu.]

And he proceeds :

"The British manufacturer already has an outlet for rejection in the United Kingdom and in the other *preferential markets*."

Mark the words "He has an outlet for them in other preferential markets." That shows that where there is a preferential market it affords an opening for rejections and if India is to be one of the preferential markets, it will afford an outlet for the rejections.

Then there is the danger of inferior Continental steel finding its way to India through Britain. As the cost of production in England becomes greater and as the Continental steel becomes cheaper the temptation for this illicit import increases *pari passu*, and what will happen? The British middleman derives all the benefit. He cheats the Continental producer as well as the Indian consumer of his legitimate gain and he sells inferior Continental articles through the medium of the British ports. These are dangers which cannot be lightly denied. I find that to a certain extent the Tariff Board and the Honourable the Commerce Member have recognised the reality of that position.

If we have shown that the differential duties scheme gives preference to English-made articles, if we have shown that it unnecessarily taxes the consumer, if we have shown that the extra taxation paid by the consumer in the name of protective duties, will be put into the pockets of the Government without any justification for it, and if we have also shown that there is a real danger of inferior steel being dumped into this country through British medium at higher rates, then we have made out a complete case against the differential system.

But there are some merits claimed for it and I shall also very briefly examine those merits. It is said that the difference is based not on the country of origin but on the difference in the quality. With regard to this difference in quality we are given various versions. To-day the Honourable Mover has admitted very frankly that it is absurd to say that on the Continent steel of British standard specification is also not manufactured. He admits that it is manufactured, but he says that very little of that steel is being imported into India. May I know what the materials for such a statement are? Have the Government set up a metallurgical expert at the various custom houses? Have they tested the quality of the standard steel imported from the Continent? Is he in a position to satisfy this House that the standard steel imported from the Continent is not of British Standard specification? These are merely speculative answers.

Then, assuming that large quantities of non-standard Continental steel is imported into India, may I ask in all humility, is it the function of the Tariff Board to prescribe to the consumer what kind of steel he is to consume? It depends upon his needs. Is the Board giving a therapeutic economic treatment to the consumer? Inferior articles are imported at lower prices as cheaper articles command a market and they are used for various purposes by the consumer. It is left to the consumer to use what kind of article he wants. Everybody is not building a Howrah Bridge; everybody is not constructing a railway. Inferior steel enters into various pieces of business in this country, and if a consumer can get inferior steel for purposes which do not require steel of the standard specification or any particular strength, why should he not do it? I am afraid the Tariff Board

has assumed the rôle of a political doctor and did something which was entirely beyond its functions and its powers. It might say to-morrow that you ought to put very high prohibitive duties on something which comes to India because its consumption is deleterious to public health. It is none of its business. Therefore, I think that the recommendations based upon considerations of preventing import of non-standard qualities are irrelevant, *ultra vires* and of no use from the economic standpoint.

Then the argument is that it is also based upon difference in prices. While the price of British steel is more or less stable it is contended by the Tariff Board that we cannot say with any certainty that Continental steel prices will be stable for any length of time. That is what they say. But here again I have searched in the Report in vain for any evidence on that point. I do not find any material evidence to support the statement. On the other hand I find a very significant statement which appears in paragraph 81 of the Report and that sentence runs thus:

"There are two features which are common to both, viz., the European steel prices are now at about the pre-war level while the costs of living are considerably higher and that a large proportion of the steel exported is sold without profit or even at a loss."

Steel prices are now at the pre-war level and the cost of living has considerably increased. May I ask whether on these data any man who knows the A, B, C of Commerce can say that the prices will go down? If the prices are at their pre-war level and the cost of production has increased, then it must be clear that we have reached the rock-bottom level. I do not think an argument that it might still further go down can hold water in the face of these two statements. If these two facts are true, then I submit that the argument that the Continental steel might suddenly drop in its price is one without any legs to stand upon. Then the other argument is based upon what is known as one based on "margin of safety." It is apprehended that if Continental rails are imported into this country or Continental structures are imported into this country, all the buildings built of them might come down over our heads and all the Railway bridges might break down. May I ask whether accidents in Belgium or Germany or France are shown to be more numerous than they are in England or in India? I believe that the Continental countries value their life and limb as precisely as British people do and people in India do. What is the basis for saying that if steel which is not certified to be of British standard quality is used there is greater risk to life or limb by the use of Continental standard steel instead of British steel? I think it is merely a figment of the imagination of members of the Tariff Board.

I have already dealt with the argument that the consumer is not benefited by a lower scale of duties. Therefore I shall not deal with it any more. Therefore what are the merits of the scheme and what are its demerits? As for the merits I am afraid I cannot find any. As for its demerits I have examined them in detail. I am thankful to the Honourable Mover for saying that no scheme is perfect. I quite agree that no scheme is perfect. The Tariff Board itself does not seem to stick to one particular scheme for any length of period.

At one time the Tariff Board was passionately in love with weighted averages; at another time it was in love with bounties; and now it is in love with differential duties; and each time it found arguments quite convincing to its own mind about its own scheme and each time it found the Government ready to sponsor its scheme. The reasoning faculty of

[Mr. V. Ramadas Pantulu.]

the Board and its political colour as well as its economic theories seem to be rapidly changing; there was a change in the personnel and I do not know how far that accounts for it; but whatever may be the causes, the sudden transformations of its economic and political theories and of its powers of reasoning are patent to those who have read the first, second and third reports; and I claim to have read these reports with some amount of care. Therefore it is no use trying to bolster it up by the argument that this Tariff Board is an expert body which sat for eight months and that a few amateurs sitting round a table can hardly be expected to judge upon the labours of experts who have studied the question for eight months. If length of time and their expert character are the only tests, I am afraid the internal evidence afforded by the reports sent by that body stands against their authoritative character and the convincing nature of their conclusions.

Then, Sir, coming to the scheme which I have proposed in my amendments, namely, the scheme of duties combined with bounties, it has certain merits. I am ready to admit that it is not also free from faults, just as the official scheme is not. The scheme briefly put is this; the present proposal of imposing a basic duty which is calculated on the difference roughly—though not exactly as the Honourable Mover has pointed out—between the fair selling price and the higher foreign price is to be retained, and the additional protection is to be given—not by the imposition of additional duties—but by paying an amount equivalent to the additional duties in the form of bounties to the Tatas. That is the scheme. In it there is one obvious advantage that is patent to us, namely, that it does not seek to penalise the Continental steel and thereby impose a burden, which is objected to in accordance with the other scheme, upon the consumer. What I am asking is that you should not impose additional duties upon the Continental imported steel, but that you should give the amount of those duties as bounties to the Tatas. Here we have a proposal which will obviate the necessity of imposing an unnecessary taxation upon the consumer; that is its chief merit. Then, it might be asked where are we to pay these bounties from and what will be the extent of these bounties? It is not difficult to calculate the amount of these bounties and also to find the source from which it has got to be paid. The amount of bounties we have got to pay can be easily calculated by a process which is very simple. If we take the structurals, bars, plates and black sheets which are the only bounty-fed articles and adopt the figures given in the Tariff Board's Report and multiply the number of tons by the amount of additional duty, we get the figure required for this purpose. I have taken these figures from the Tariff Board's Report and I have put them in round figures, leaving out fractions.—

Structural sections: 70,000 tons at Rs. 11 will yield Rs. 7,70,000;

Bars: 90,000 tons at Rs. 11 will yield Rs. 9,90,000;

Plates: 80,000 tons at Rs. 16 will give us Rs. 4,80,000;

Black Sheets: 18,000 tons at Rs. 24 will give us Rs. 8,12,000.

The total comes to Rs. 25,52,000.

Roughly speaking the bounty that I am proposing to be paid to Tatas is about 25½ lakhs; and this bounty has to be paid from the protective duties which are derived under the scheme of these uniform duties. In saying so let me not be misunderstood as entrenching upon any portion of the revenue duties. I am only asking for the bounties being paid from the excess that you derive over and above the ordinary revenue duty. Calcu-

lated again, according to the figures given in the Tariff Board's Report, and deducting the *ad valorem* revenue duty from the protective duty that is sought to be imposed under the scheme propounded by me, we get roughly speaking Rs. 65½ lakhs of excess of protective duty which will be the source available for the payment of bounties. I shall give the figures in a minute. With regard to rails, it is 34,000 tons: at Rs. 2½ which is the excess of the protective over the revenue duty, we get Rs. 85,000. On galvanised sheets which are 2,83,000 tons, again at Rs. 6 we get Rs. 16,98,000. Similarly, structurals,—1,40,000 tons at Rs. 10 it comes to Rs. 14 lakhs: bars 125,000 tons at Rs. 16 give us Rs. 20 lakhs; and plates—45,000 tons at Rs. 10 give us Rs. 4½ lakhs; and sheets 46,000 tons at Rs. 20 give Rs. 9,20,000. The total is roughly Rs. 65½ lakhs. This is the scheme; but I know that this is subjected to very severe criticism both by the Honourable the Commerce Member and also by the Honourable Mover. It is said that in committing ourselves to this bounty scheme we are embarking upon a scheme in which the financial commitment will be undefined, that we are committing ourselves to an undefined liability with regard to bounties, because the output of steel is increasing gradually. Secondly, that with the increased production of steel in this country the imports will correspondingly decrease and therefore the source of these protective duties may dry up. It is argued, therefore, that while on the one hand the output having increased our liabilities by way of bounties will increase, on the other as our imports correspondingly decrease, the source from which we can pay bounties will gradually dry up. I cannot help saying that this argument is either a fallacy or is merely an attempt to mystify things by hoodwinking the Council. I will state my reason for saying so. With regard to the expansion of output of steel in this country, that must be from two sources; first of all it must be from the Tatas and secondly it must be from new firms which may be started hereafter. With regard to Tatas, it is impossible to sustain the argument for a minute. The whole scheme of the Tariff Board is based upon the assumption that the average output during the next seven years of Tatas would not exceed a certain quantity—it will be 5 lakhs of tons after some time and 6 lakhs in 1933; it is further based on the further assumption that the allocation of the proportions of the various varieties under the scheme will also remain practi-

1 P.M. cally the same without any wide margin of disturbance. The whole scheme of the Tariff Board will fail if there is any wide disturbance either in the average output or in the allocation of the proportion of the various kinds of steel, because all the recommendations hang together, and if there is any violent change in the output of Tatas, the whole scheme will go. Therefore, it is inconceivable that the Tatas could manufacture the bounty-fee articles in any large proportion, that is, in any proportion much larger than that contemplated by the Tariff Board. I shall substantiate my statement by reading one passage from the Tariff Board's Report which is, I think, a sufficient answer to any such contingency being contemplated with any real sense of danger. In paragraph 166 what the Tariff Board say is this—

"The figures of works costs and the distribution of the overhead charges and profit, which to a large extent govern the amount of protection required, presuppose an approximate allocation of the output between the various classes of finished steel. This allocation is determined on a consideration of economy in working arrangements and of the market for the various classes of finished products. It is obvious, therefore, that a change in any one duty so considerable as to necessitate a material redistribution of output, might have the effect of seriously disturbing the calculation on which other duties are based."

[Mr. V. Ramadas Pantulu.]

In plain non-technical language, it means that it will be impossible for Tatas to manufacture on an economical scale larger quantities of this bounty-fed article except to the extent contemplated by the Tariff Board. Therefore, the assumption that the large expansion in the output of these articles will commit us to any indefinite liability with regard to bounties is, to say the least, a very unfounded allegation. Even assuming that the proportions will vary, the total output will not vary, because they say they cannot go beyond 6 lakhs at the end of the period; even then they will have to import at least 7 lakhs. According to present computation our needs are about 12 lakhs of tons a year, and with the promised railway expansion and other works, we shall have demand for a much larger quantity of steel. My calculations have to undergo only a slight variation with reference to the change in the proportion of the articles that will have to be imported, and the import itself will not disappear. It is impossible for a contingency of that kind to arise.

Then with regard to new firms coming into existence and putting up a large quantity of steel in the market, I think it is also a contingency which need not seriously disturb us. As Tatas themselves are struggling, I can hardly imagine that before the 7 years elapse anybody will sink a large capital sufficient to produce enough steel so as to have a disturbing effect on our calculations. They will require much more protection than is given to Tatas, and I do not think that, in view of the precarious protection that Tatas themselves are enjoying anybody will care to come into the field soon and put into the market large quantities of steel. Therefore, Sir, the objection taken on this ground is more imaginary than real.

Then the Tariff Board very curiously seems to doubt whether the system of bounties will really give that amount of protection to Tatas as the industry requires. That is a very curious statement. It is only two years since they have recommended that bounties are the best, and what have we got as a result of the recommendations of the Tariff Board which were accepted by the Government? We now find that in 1923-24 Tatas produced only 163 lakhs of tons, and now they produce 380 lakhs of tons, and that the cost has gone down from Rs. 126 to Rs. 98 per ton. It is expected that 1933 they will produce 600 lakhs of tons and that the cost will go down to Rs. 78 a ton. Well, if we are justified by previous experience in finding that the bounty has produced a very good effect, what is the reason for now apprehending that the system will not produce the same results which are so patent? Another important result is to be found in the fact that the Tariff Board says that the allowance for depreciation and overhead charges was Rs. 57 a ton in 1923, but we have come down to Rs. 39 now. This feature is even more satisfactory than the output and the reduction in the cost of production. With such splendid results which the bounties have produced during the last two years, is there any reason for the Tariff Board's apprehension that the system of bounties will not continue to produce the same satisfactory results as it had produced during the last two years?

Then, Sir, finally, the system that I am advocating does away with that very vicious thing, namely, Imperial or British preference. The uniform duty on steel from all sources, whether of British or non-British origin, coupled with bounties, therefore, has got these four advantages. *Firstly*, it does away with the principle of preference to which India seriously objects; *secondly*, it lightens the burden of the tax-payer by removing the unnecessary burden which he has to bear by penalising Continental

steel; and *thirdly*, it prevents the Government from pocketing a very inequitable source of revenue, namely, excessive protective duties which do not help the Tata industry but only afford a measure of generous preference to the British industry:—a very large amount of money goes into the Government's pockets as protective duties which it is not right that they should take when it is unnecessary for the purposes of protection. And *Fourthly*, it is not less beneficial to Tatas as they get the same amount of protection. Therefore, Sir, my scheme, while giving the same protection, does away with many of the objectionable features contained in the official scheme.

As I have already said, Sir, it is unnecessary for me to touch upon the other schemes propounded, and I have said enough to show that the official scheme is beset with grave dangers. The scheme of bounties and duties is open to less serious objections and has at least four main advantages which I have enumerated. It is not necessary for me to deal more exhaustively with the relative merits of the two schemes because they were discussed at great length in the other place and most of the Members of this House are expected to be familiar with many of the arguments. I have put before the House such arguments as I have considered to be strictly relevant and material. There are other amendments by Sir Sankaran Nair and the Honourable Mr. Chari which are to be discussed as they are also opposed to the official scheme, so I do not propose to detain the House any longer. I move formally my first amendment, and at the same time I may remind the House that all my amendments go together. With these words I commend my amendment to the House.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in sub-clause (1) of clause 2 in the proposed sub-section (4) the words "of British manufacture" be omitted, and that the proposed sub-sections (5) and (6) be omitted."

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces: Nominated Non-Official): Sir, the opposition to this Bill is mainly based on the fact that the scheme embodied in this Bill is open to political and economic objections. My friend apparently is under the impression that in countenancing and supporting a scheme of differential duties Government is endeavouring by the back-door to bring in a scheme of Imperial Preference. I am afraid there is no remedy for either suspicion or prejudice, and when people see in the actions of Government every time a sinister motive or some dishonest object it is very difficult to convince them. My friend knows perfectly well the history of the fiscal policy of the Government of India and as accepted by the Secretary of State for India, and yet on this occasion my friend has attacked the Bill on the ground that the Government is surreptitiously including in this Bill "the vicious" principle of Imperial Preference and that in other words the real object of this Bill is to put the British manufacturer in a position of advantage as against his compeers on the Continent and in other parts of the world. Now, Sir, on this point, very few words are necessary to convince my Honourable friend and the Members of this Council that the Bill does not in the least savour of anything like Imperial Preference or preferential treatment. First, I shall draw the attention of this Council to the policy laid down in this connection. I want to make it perfectly clear to Honourable Members that the policy of Imperial Preference could not be introduced by the Government of India in the manner suggested by my Honourable friend, that if the Government of India desires to introduce the policy of Imperial Preference it can only do so with

[Sir Maneckji Dadabhoi.]

the express will and the consent of the Indian Legislature. I shall first quote the recommendation made by the Joint Select Committee on the Government of India Bill in their Report on clause 38. And what is stated in definite terms is this:

"Whatever be the right fiscal policy for India for the needs of her consumers as well as for her manufacturers, it is quite clear that she should have the same opportunity to consider her interests as Great Britain, Australia, New Zealand, Canada and South Africa. In the opinion of the Committee, therefore, the Secretary of State should, as far as possible, avoid interference on this subject when the Government of India and its Legislature are in agreement and they think that his intervention, when it does take place, should be limited to safeguarding the international obligations of the Empire or any fiscal arrangement within the Empire to which His Majesty's Government is a party."

This principle was ratified by the Secretary of State for India in his despatch of the 30th June 1921 and it was there distinctly laid down and for all purposes a practical assurance was given that no fiscal policy which the Indian Legislature does not approve and which has not the concurrent support of the Government of India will be adopted in India. Then, again, the Fiscal Commission, of which I had the honour of being a member, distinctly laid down in paragraph 262 of their Report that no change in the fiscal policy was to be introduced in the country without the free will and consent of the Indian Legislature. It is a small paragraph and I will read that to the Honourable Members. We stated in that paragraph:—

"We recognise that the question of Imperial Preference is one which can only be determined in accordance with Indian opinion and that the Indian view can be best ascertained by reference to the Council of State and the Legislative Assembly without whose free consent no such policy can be adopted. We feel confident that the Indian Legislature will consider the obligations of India in this matter as a component part of the Empire."

This recommendation of the Fiscal Commission, as the Council is aware, was given effect to by separate Resolutions both in the Assembly and in the Council of State and the policy indicated in the majority report of the Fiscal Commission was accepted by Government. It is impossible in these circumstances for any Government to introduce surreptitiously or by the back-door a policy of Imperial Preference or a policy of preferential treatment under the guise of Imperial Preference in any piece of legislation without the express sanction and the consent of the two Legislative bodies. I therefore ask Honourable Members of this Council to dissipate all their apprehensions in this regard. The matter is perfectly clear, is free from all doubt and we should look at this matter purely from the angle of expediency and from a business point of view.

Now, Sir, it is stated that a policy of differential treatment, a policy of differential duties is not only opposed to the interests of the country, but such differential treatment also savours of Imperial Preference. Now, let me tell the Council at once that the policy of differential treatment is not at all a new policy even in this country. This policy of differential duties has been adopted in many European countries. This policy of differential duties existed in India in the fifties of the nineteenth century. This policy of differential treatment has been given force to, has been accepted by the Indian Legislature so recently as the year 1919. Those who remember the past and the modern history of the working of this Council will have no doubt about the question. I shall just draw their attention to paragraph 14 of the Fiscal Commission's Report where we distinctly stated in discussing the question of import duties, that generally speaking at one

time duties on raw produce were at the rate of $3\frac{1}{2}$ per cent. and on manufactured articles at $3\frac{1}{2}$ or 5 per cent. but until 1848 these duties were doubled in the case of goods imported in foreign ships. Honourable Members will notice that even in the case where goods were imported in ships of different nationalities differential duties were imposed. After this date the nationality of the ship was ignored, but differential duties continued to be levied up to 1859 in accordance with the nationality of the goods, the duty on foreign goods being double the duty on British goods. In that year the differential duties on British and foreign goods were abolished. This principle was again effectively put into operation, as I pointed out, in 1919 by the Indian Legislature. I will again quote from the Report:

"In 1919 a principle was introduced which was entirely new to the Indian Tariff. Hitherto all export duties had been levied merely for the sake of revenue, but the export duty on raw hides and skins imposed in that year was put forward frankly as a measure of protection for the Indian tanning industry. It also contained another novel principle by providing for a rebate of two-thirds of the duty on hides and skins exported to the Empire and there tanned."

It would be clear to Honourable Members that differential duties do not necessarily involve or imply the adoption of the policy of Imperial Preference. The principles underlying differential duties are widely divergent from those underlying Imperial Preference. Differential duties mean or denote only differences in the scale of duties, and difference in the method of imposing that duty. Imperial Preference means a preference given to any outside country—to the mother country. If you for the purpose of protecting an internal industry impose a differential duty that does not mean that you are giving preference to the other country. Preference is a question of free gift. Preference is based on Empire sentiment. Preference is altogether a different matter. Preference is a free gift based on Imperial sentimentality. It is given for the express purpose of helping the mother country or any other Dominions which form a component part of the Empire. A differential duty is entirely different in its characteristic. It can be differentiated from Imperial Preference. In order to amount to Imperial Preference the duty must be so low that duty paid British steel must be in a position to undersell duty paid foreign steel. Now, in this case, differential duties have been imposed for a specific cause. The whole argument of the Tariff Board has been that the quality of the steel manufactured in England is of a standard character. It is always made to comply with a certain specification prescribed by the Board of Trade. On the other hand, Continental steel is not of a fixed or stable quality. On account of the uncertainty of the exchanges—as you are all aware, the exchange in France falls and rises very rapidly; of course, Germany and Belgium have now stabilised their exchange, but in many European countries the exchange is not yet stabilised, on account of gross fluctuations in exchange Continental manufacturers do derive at times a greater advantage, and if the Tata steel industry is to be protected, it must be protected both against the Continental and against any other competing country. The fact that a lower duty is put on steel manufactured in the United Kingdom is solely due to the fact of the higher standard of the quality of their steel and of the definite conclusion arrived at by the Tariff Board that they are not likely to deteriorate their standard for the purpose of competing with other manufacturers. Therefore, where differential duties are imposed simply for the purpose of counteracting an evil and giving the Tata industry a steady, constant, and a real advantage and protection, it would be absolutely erroneous to argue that it amounts either

[Sir Maneckji Dadabhoi.]

to preference or that it is intended thereby to give an advantage to the manufacturer in England as against the Continent and that it causes any loss to this country. The differential treatment can be justified under many circumstances. On the question of quality it can be certainly justified. It can be fully justified if Continental countries dump their steel in India. We must have some sort of protection against dumping. We cannot go in for any anti-dumping legislation on account of our commercial treaties with many countries, but we can certainly without conflicting with the terms of those treaties or offending any rule of international law afford protection to our own national and basic industry by the imposition of differential duties.

THE HONOURABLE MR. V. RAMADAS PANTULU: Does the Honourable Member mean by the word "our" Indian or British?

THE HONOURABLE SIR MANECKJI DADABHOY: I am referring to India. I say the first concern of the Tariff Board, as my Honourable friend knows, was the protection of the Indian industry and the methods suggested by the Tariff Board are for the protection primarily of the Indian industry. We are not concerned at present with the position of European countries. I only referred to this argument as my Honourable friend has brought into his argument a foreign and entirely extraneous circumstance and is striving to discredit the most valuable scheme suggested by the Tariff Board by specious pleadings that it involves Imperial Preference or preferential treatment.

Then my friend next argued and wants us to brush aside the scheme recommended by the Tariff Board and embodied in this Bill for his scheme of basic duties *plus* bounties. Sir, I am perfectly aware that the system of bounties has certain distinct and manifold advantages. I myself supported the payment of bounties in 1924 when protection for the first time was accorded to the Tata Works. But we must also not lose sight of the fact that circumstances have considerably altered since. My friend makes a great point in this connection by stating that the Tariff Board which wrote the two previous reports came to a different conclusion and now in this report they depart from the policy then laid down. It is urged that they have thrown aside entirely their previous scheme and have now adopted a different method of treatment. I congratulate the Tariff Board on doing this instead of taking them to task for it. It shows that the Tariff Board has adapted itself to altered circumstances. It shows that the Tariff Board has taken into consideration what has transpired since their first recommendation. It distinctly shows that the Tariff Board has honestly and faithfully done its duty even in going against its previous recommendations and bringing forward a new scheme for the protection of the Tata Steel Works which is suitable under the present circumstances. Sir, to my mind the most serious objection to giving a bounty at this juncture is that it would involve the country in a heavy loss. It will involve the tax-payer in the payment of large sums of money. My friend has already pointed out the figures; he has stated that by 1933 the Tatas will be in a position to turn out altogether 600,000 tons; and I dare say probably five years later they may even produce one million tons a year. Think for a moment what these figures involve. If you have to pay a bounty of Rs. 11 per ton for such a huge quantity, what will be the

drain on the tax-payer? The drain will be enormous. I am aware that the Fiscal Commission has recommended a system of bounties for the support of infant industries. But the recommendation which they have made is not of an inflexible character; the recommendation which they have made is of a purely suggestive character provided all the circumstances are such that the giving of a bounty would be suitable and appropriate for any particular industry.

Another important point which should go against the argument of my Honourable friend is that the payment of bounties would not give to the Tatas an adequate and an effective protection. This matter has been made perfectly clear by the Tariff Board, I think, in paragraph 98—I cannot lay my hands on the paragraph at the moment—but they make it perfectly clear in their Report and they have argued at considerable length this question that if we adopt this system at the present juncture, it will not give an effective protection to the Tatas which they deserve and which indeed ought to be given. I submit that these reasons are conclusive. My friend has suggested a scheme; I can suggest several schemes for giving protection to Tatas; but I prefer to subordinate my personal opinion to the opinion of an expert body like the Tariff Board which sat for a period of eight months, recorded a voluminous amount of evidence, inspected various works, examined a large body of expert witnesses interested in the industry, and came to a definite conclusion that a particular scheme was more suitable and of an advantageous character. You are aware that the Tariff Board is practically an expert body. With its experience of three or four years, even with a small change in the personnel of the body, it was certainly in a much better position than any one of us—even than my friend Mr. Ramadas Pantulu—to suggest a scheme. I am not prepared to brush aside a well and carefully considered scheme of the Tariff Board—an expert technical body—for any scheme for which I might myself entertain some bias or predilection for. The Honourable Sir George Rainy has fully explained this morning the merits of the official scheme. He has shown that of the six schemes that were open to the Tariff Board and discussed by them, the Board came to an impartial conclusion that the scheme embodied in this Bill is the most prudent and one which could be confidently adopted now. I certainly think the Council will carefully consider all the arguments because I do not desire to go into the merits of the scheme embodied in the Bill because that scheme has been explained at considerable length by Sir George Rainy this morning with such masterly ability that any further discussion on that point seems to me to be absolutely unnecessary. I am therefore of opinion that the scheme embodied in this Bill is the proper one and I therefore oppose the amendment.

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 President in the Chair.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN (Punjab: Nominated Non-Official): Before voting I wish to clear my position and to say something on the lines I put before the House at Simla. I have been always for free trade because I consider that the consumer should not be made to suffer. I think the House will remember that

[Colonel Nawab Sir Umar Hayat Khan.]

Sir John Bell and myself were the only two left who were against protection when the rest of the House was on the opposite side. Generally I make up my mind after due consideration and do not change it afterwards, but I must admit that one ought to have an open mind when hearing the other side. It was argued that the country should be self-contained, especially in times of war. If things from abroad do not come in time and the requirements of the country are not met here, the country might suffer. I have changed my view and am for protection for such things which are beneficial for the defence of the country, because I always place defence in the forefront. It is for this reason that I am entirely for the protection of steel. As to the amendment I am not an expert, but generally speaking, I think the poorer classes and agriculturists use things which are made locally by the local blacksmiths and so on. So, I do not think that they will very much suffer. So I am not for the amendment.

THE HONOURABLE SIR CHARLES INNES (Commerce Member): I propose to follow the example of the Honourable Mover of this amendment who I see is not in his place, and with your permission, Sir, to treat all the three amendments together because it is quite obvious, as you indeed pointed out, they all hang together.

The object of the Honourable Mr. Ramadas Pantulu's amendment is to persuade the Council to discard the scheme embodied in the Government Bill and to substitute for that scheme another scheme of combining bounties with duties. He endeavoured to prove his case, in the first place, by criticising the Government scheme, and in the second place, by expatiating on the merits of his own scheme. Now, Sir, I propose to deal very shortly with his criticisms of the Government scheme and I do so for a very obvious reason. If an Honourable Member sets out to persuade this Honourable Council to discard a carefully thought scheme, a scheme, prepared after eight months' labour by a Tariff Board which devoted itself entirely and solely to this problem of the proper way of protecting the steel industry—if an Honourable Member wishes to discard that scheme and substitute a scheme of his own, I claim that he must be able to show that his scheme is, so to speak, a finished scheme and that it is not open to obvious objections. I shall deal with that aspect of the case later because I regard it as the most important aspect of the case. I propose to deal very shortly with his criticisms of the Government scheme. His main criticism of the Government scheme I might describe compendiously in the following words. He accuses me of trying to introduce surreptitiously the thin end of the wedge of Imperial Preference by the back-door. Now, my Honourable friend, Sir Maneckji Dadabhoy has dealt with that aspect of the case and I venture to say that he has dealt with it with an authority which nobody else in this House can command. For Sir Maneckji Dadabhoy was a member of the Indian Fiscal Commission which devoted a great deal of time and thought to this question of Imperial Preference, and Sir Maneckji Dadabhoy has made it quite clear to the Council that the Government and the Tariff Board are not asking this Council or the Indian Legislature to commit themselves to any general scheme of Imperial Preference. The point is this. In the particular case of steel the Tariff Board has found that the best way of protecting the industry is to discriminate between British and non-British steel. Sir George Rainy in

his very clear speech this morning explained the reasons why the Tariff Board made that proposal. I think he made it perfectly plain to the Council that the reason why the Tariff Board made that proposal was that it was quite satisfied that that proposal was, in all the circumstances of the case, the proposal most consistent with the well-being of the community in India. That was the sole object which the Tariff Board had and which the Government have in submitting this scheme for the approval of this Council. Their object is to do what is best for India. It is quite true that incidentally the scheme does a certain amount for the British manufacturer, but that is not the object of the scheme and it is that which differentiates this scheme from a scheme based wholly upon Imperial Preference. Now, Sir, what impressed me most in the Honourable Member's speech was that he thought that it was a perfectly sufficient criticism of the Government scheme to say that it involved the vicious principle of Imperial Preference. Why vicious? The Honourable Member gave us no answer to that question. I should have thought myself that India had derived sufficient advantages from its connection with Great Britain for this House and the Honourable Member in particular to take rather a bigger view of this question. What I should say to the Honourable Member is for the future to think big and not to fasten upon those old shibboleths and to believe that it is a sufficient criticism of a carefully thought scheme merely to say that it embodies the vicious principle of Imperial Preference. I should have thought that the Honourable Member would have taken into account the fact that you have a Tariff Board here saying that this scheme is in the interests of India, and that if he was satisfied that it was in the interests of India he would not have minded the fact that incidentally it might benefit the British manufacturer

THE HONOURABLE MR. V. RAMADAS PANTULU: Then you admit that it involves Imperial Preference?

THE HONOURABLE SIR CHARLES INNES: Then, Sir, the Honourable Member went on to give us a réchauffé of all the numerous objections which have been taken to this Bill during the last few days. He brought out the old old story that one of the inherent dangers of the scheme was that the British manufacturer would deteriorate his standards, and that the British manufacturer in future would stop making standard steel in order that he might capture the Indian market for non-standard steel. Sir, when the Honourable Member made that remark, it was perfectly obvious to me, and I imagine to the rest of the Council, that he was entirely ignorant of what is meant by making steel according to British standard specification, and that, Sir, after Sir George Rainy had very clearly explained the point. One of the reasons why steel is made in Great Britain to British standard specification is no doubt in order that the steel which is made may ensure the safety of life and property, but as Sir George Rainy said, one of the main objects of standardization of steel is to secure economy in manufacture, and it would not be economical for any manufacturer of steel to switch off from standard to non-standard steel, in fact it cannot be done. If you switch off from standard to non-standard steel, you have to alter your rolling programme, you have to alter your melting programme, and you lose what is one of the main advantages of standardization, namely, economy of manufacture. But the Honourable Member has not noticed that that very point was put to Mr. Peterson, the main

[Sir Charles-Innes.]

witness of the Tata Iron and Steel Company who gave evidence before the Tariff Board. The Tariff Board asked Mr. Peterson whether it would not be possible for the Tata Iron and Steel Company to make non-standard steel, and Mr. Peterson replied that it would not pay the Tata Iron and Steel Company, unless they switched off entirely from standard to non-standard steel.

Another point, Sir. For many years past the British manufacturer had the advantage of preference in other markets. He gets preference in Australia—and I have got actual figures here,—the preference he gets in Australia is very much greater than the discrimination or preference which is proposed by this Bill of ours, and yet, Sir, nobody has yet accused the British manufacturer of deteriorating his standards in order to send non-standard steel to Australia. I submit, Sir, that this bogey that the British manufacturer is going to debase his standard is entirely without foundation, and if he did, what would be the effect? He would send cheaper steel to India, and immediately under new clause 2 of our Bill, the basic duty would be raised against him.

Then again, Sir, take this so-called danger that India will be flooded with rejections. It is perfectly true that in England when steel is made a certain small proportion of that steel does not satisfy British standard specifications. It is that small proportion of steel which is known as rejections. Does the Honourable Member suggest that the British manufacturer will increase his percentage of rejections in order to enable him to send them to India? Surely, if you put it that way, the Council will see how absurd that suggestion is. It is perfectly true that you may have 3 or 4 per cent. of the steel made in Great Britain failing to satisfy the British standard specifications and as being classed as rejections, but as I pointed out in another place, the British manufacturer has a market for those rejections not only in England but in the Dominions, and it is exceedingly unlikely that any large quantity of these rejections will be sent to India. There may be a small amount coming into India—I have never denied that. But I have always taken the view, and that view has been upheld elsewhere, that the danger is so small that we need not take it seriously into account.

Now, Sir, let me come to what I may call the more important part of my speech; let me come to the alternative scheme proposed by Mr. Ramadas Pantulu. As Mr. Ramadas Pantulu explained this morning, the Government scheme proceeds upon the basis of a basic duty which will apply to all steel imported into India *plus* an additional duty on certain articles which will be paid by all steel imported into India other than the steel of British manufacture. Now, Sir, the Honourable Member has taken that additional duty and he has converted it into account. For instance, the duty on structural sections is Rs. 19 a ton, the additional duty paid by the non-British manufacturer is Rs. 11 a ton. The Honourable Member proposes that the duty of Rs. 19 a ton should in future be a uniform rate of duty and should be paid by all structural sections coming into India. He further suggests that instead of the additional duty of Rs. 11 a ton on Continental steel, the steel industry should be given a bounty of Rs. 11 a ton. He claims for that scheme that it will be cheaper for the consumer in India, that it will give sufficient protection to the steel industry and that, as I understand, it will be quite easy to work. He calculated the

cost as follows. It has been calculated by the Honourable Member that for over 5 years an annual average about 2 lakhs of tons of structural sections, bars, plates and black sheets which are the products on which bounties are to be paid will be made by the Tata Iron and Steel Company every year. At the rates of bounties proposed by the Honourable Member, the total amount payable in bounty on those 2 lakhs of tons will amount to 25½ lakhs of rupees. The Honourable Member has further calculated that the excess revenue we obtain from our protective duties is this year in the neighbourhood of 65 lakhs of rupees. I do not altogether accept his figures, but I will take them for the purpose of argument. Therefore, he says that the bounties payable on these 2 lakhs will come to 25½ lakhs of rupees, and you have got an excess revenue of 65 lakhs, and he asks us why not divert that 25½ lakhs from that excess revenue and give it as bounties? I think the Honourable Member will admit that I have explained his scheme quite clearly. I am quite prepared to admit that his scheme has superficial attractions, but I think it might occur to the Honourable Member that, if the matter were quite as easy as it has appeared to him, the Tariff Board and the Government would have accepted a scheme of that kind. But what do we find? We find that in 1923-24 when the Tariff Board first prepared its scheme of protection for the steel industry, it definitely set aside a scheme of that kind; the Tariff Board turned it down. We find again in 1926 the Tariff Board spent much time in considering how best to protect the steel industry. They definitely considered a scheme of that kind and they again turned it down, and I submit, Sir, it might have occurred to the Honourable Member that the Tariff Board had some good reason for not adopting a superficially attractive scheme of this kind. And, Sir, I propose to explain briefly what those reasons are to the House. But I must first, Sir, point out the extraordinarily slipshod manner in which the Honourable Member has framed his amendment. I understand, Sir, that the Honourable Member is a lawyer, and not being a lawyer myself and being an ordinary layman, I have always understood that the one thing that was necessary in a lawyer is extreme accuracy. I should like to invite the attention of the House to the proviso to the Honourable Member's amendments No. 2. In order to prevent too much money being available for payment of bounties, the Honourable Member intended to suggest that the amount of bounties payable to the steel industry in India should be limited to the excess revenue we derive from protective duties, that is from the excess revenue derived from protective duties over and above the amount of revenue we should have derived from ordinary duties. That is what the Honourable Member intended. But, Sir, I would invite the attention of the House to the actual wording of the proviso. It runs as follows:

"Provided, however, that the total amount of bounties payable under the section shall not exceed the amount recovered from the protective duties in any one year."

Now, Sir, what does the expression "protective duties" mean? It can only mean the duties chargeable under Part VII of the Schedule which is headed "Articles which are liable to protective duties at special rates". Now, Sir, the amount of revenue we derive from protective duties in Part VII of the Schedule is not 65 lakhs of rupees; it is somewhere in the neighbourhood of 2 or 2½ crores of rupees. The point is that this proviso was intended as a safeguard and as a limit. It was to be the limit beyond which we could not go in paying bounties to the steel industry. But, Sir, owing to the

[Sir Charles Innes.]

carelessness with which the Honourable Member has drafted his amendment—and I may add that the carelessness is the less excusable because I pointed out this difficulty in another place—this proviso is neither a safeguard nor a limit. There is nothing to prevent us—under the Honourable Member's scheme—as the Tata Iron and Steel Company becomes stronger and stronger, as it produces more and more steel, now going on paying it more and more in the way of bounties. That, Sir, I submit, is not a proposition to which this House should agree. But, Sir, leaving that point, let me first take the general objections, which have always impressed the Tariff Board and the Government, to a scheme which combines bounties with duties. I am quite prepared to admit that in the first scheme, the 1924 scheme, we did incorporate bounties into the scheme to a limited extent. Sir George Rainy explained to you the reasons why bounties were confined to rails. They were given in the case of rails because in 1921 the Tata Iron and Steel Company was tied up in long term contracts with the Railway Board for rails. And had we imposed higher import duties, it would have been no benefit whatsoever to the Tata Iron and Steel Company. It was for that reason that bounties were proposed for rails. Then again, when we assisted the industry in 1925 with bounties on ingot steel, that was a temporary expedient designed to meet the very severe crisis through which the firm was passing. We were enabled to do it for the single reason that we had only two years more of that protection on steel to go and we were quite certain that in these two years no other firm would come in. Now, Sir, we are now dealing with an entirely different proposition. We are dealing with a scheme of protection which is intended to last for seven years. That period of seven years has been selected for a particular reason, one reason being that at the end of the seven-year period we see reason to hope that no further measure of protection will be required, and the other reason being that we adopted a long period in order to induce new firms and new capital to engage in the industry. The Honourable Member is entirely sceptical as to whether any new firms will engage in the industry. But, Sir, he is sceptical because it suits his argument. We have here the definite authority of the Tariff Board on the subject. They say, here on page 81 :

“ The representatives of the Indian Iron and Steel Company and the United Steel Corporation of Asia, both of which firms have considered plans for erecting steel works in India ”

Thus, there are two firms which have considered plans for erecting steel works in India. But the Honourable Member will tell me—or he would have told me had he known his case better—that the Tariff Board in their first Report stated that no new firm could get steel works going in a period of less than five years. This is quite true, taking a firm which is starting from the very beginning. But this Council knows that the Indian Iron and Steel Company has already got its blast furnaces ready making pig-iron on a large scale, and I am informed on expert evidence that it will take the Indian Iron and Steel Company not more than three years to put up steel furnaces and rolling mills. Therefore, I submit that it is a very real—I will not call it danger—for we hope that there is every possibility that in the course of the seven years we shall have firms other than the Tata Iron and Steel Company making steel in India, and, Sir, when we commit ourselves now to bounties for a period of seven years, before those seven years are out, we may have to pay far more in the way of bounties than the

Honourable Member is prepared to admit. Then again, Sir, the Honourable Member has based the whole of his calculations upon the average production during the five year period by the Tata Iron and Steel Company of these four classes, structurals, bars, plates and black sheets. The Honourable Member referred me to one of the paragraphs in the Tariff Board's Report in which the Tariff Board stated that they saw no reason to suppose that the Tata Iron and Steel Company would allocate its total production among the different products differently from what the Tariff Board estimated. But, Sir, if on certain classes of articles such as rails and galvanised sheets, the Legislature gives the Iron and Steel Company a protective duty, very little greater than an ordinary revenue duty, and if for other classes of products it gives not only a protective duty but a very substantial bounty as well, does any one mean seriously to say to me that the Tata Iron and Steel Company will not concentrate as far as possible upon the four products on which they are getting bounties? Therefore, I say, Sir, that when the Honourable Member says that the bounty scheme will not cost more than 25 lakhs and after all that is merely an average, when he says that, Sir, I say that he is saying what we ordinary men in this Council cannot believe. That is our first and our general objection to the bounty scheme; we say that it is unsound finance for the Legislature to commit itself and its successors for so long a period as seven years to heavy bounties. On the one hand, we would be committing ourselves to an unknown liability and on the other hand, we should be faced with the prospect of a declining revenue from those protective duties. Then again, Sir, even assuming that the Honourable Member had worded his proviso, his amendment correctly, how are we going to decide what is the excess revenue derived from protective duties over and above what we should have derived from revenue duties? The Tariff Board, if the Honourable Member had studied the passage, has pointed out that this is a very difficult calculation. This Council has got to remember that had it not been for our scheme for protection, the Tata Iron and Steel Company would not be producing at the present moment nearly 400,000 tons of steel. This 400,000 tons of steel would have been imported into India and we should be getting revenue duties at an average of at least Rs. 10 a ton from those imports. Are we to take that factor into account or are we not? But, Sir, let me bring the Council down to the particular proposals made by the Honourable Member. He proposes—I should just like to invite the attention of the House that he proposes that a bounty of Rs. 11 per ton should be paid on bars. He merely calls it bars, and he calculates that Rs. 11 a ton would merely have to be paid on 90,000 tons which the Tariff Board estimates to be the average production of the Tata Iron and Steel Company of bars during the seven-year period. But the Honourable Member has entirely omitted to notice that the wording of his amendment that a bounty of Rs. 11 a ton should be paid would bring into his bounty scheme not only the bars mentioned on page 39 of the Tariff Board's Report but also tin bars. The Tata Iron and Steel Company makes a good deal of bar steel in a particular shape called tin bars. That tin bar is supplied under contract to the Tin-plate Company,—the contract price for the seven-year period being Rs. 83 per ton. The Tariff Board has definitely told us that no protective duty is necessary for tin bars and yet the Honourable Member quite omits to notice this and proposes that a bounty of Rs. 11 a ton should be paid on that bar steel because it is bar steel just as much as any merchant bar is. 50,000 tons of tin bar are made and another 5½ lakhs of rupees have to be added to the Honourable Member's calculation. Then again, Sir, the

[Sir Charles Innes.]

Honourable Member proposes that a bounty of Rs. 24 a ton should be paid on black sheets, and he says that that Rs. 24 a ton would have to be paid only on 13,000 tons. Sir, he is entirely mistaken. He has omitted to notice that in addition to making 13,000 tons of black sheet, the Tata Iron and Steel Company make 30,000 tons of galvanized sheet. The galvanized sheet is merely black sheet galvanized and if by not galvanizing the sheet, and in selling it as black sheet, the Tata Iron and Steel Company could get a bounty of Rs. 24 a ton. No doubt it would do so. In any case, after having manufactured black sheet, it will be entitled under the Honourable Member's amendment to claim a bounty of Rs. 24 a ton on that black sheet. There will be no sort of encouragement to galvanize these black sheets. That, Sir, adds another Rs. 7 lakhs to the cost of the Honourable Member's scheme.

Now, Sir, I have gone into these details because I want to show how utterly impossible it is for an Honourable Member, even though the Honourable Member may be a man of undoubted ability as my friend Mr. Ramadas Pantulu is, to sit down and in a few minutes to think out a perfect scheme of duties and bounties. I have pointed out to the House that the Tariff Board tried their hand at it twice, and twice they turned it down. The Honourable Member has now tried his hand and I have been able to show in a very few minutes that his scheme is open to every possible kind of objection which never occurred to him. Let me point out one other objection to the scheme. I say without hesitation that the bounty scheme proposed by the Honourable Member is entirely unworkable. For two years past we have been working on a scheme by which we paid bounties on rails and bounties on ingot steel. I am informed that in the Tata Iron and Steel Works at Jamshedpur the Auditor General has a staff now of audit clerks. These audit clerks count every ingot that is made by the Tata Iron and Steel Company, they weigh a percentage of them and they stamp them all. I understand that the number of clerks just for ingots alone is from 6 to 8. Under the Honourable Member's scheme you will have to have a horde of audit clerks in the Steel Company's works. Every bar—the bars run into thousands—every plate, every black sheet and every structural section will have to be counted, checked, weighed and stamps put on. The overhead cranes employed by the Tata Iron and Steel Company will be employed the whole time in moving about this steel for the purposes of the audit check. I have no hesitation in saying that from the administrative point of view the bounty scheme proposed by my Honourable friend is entirely unworkable. Let me refer again for a moment to bars. I pointed out that the Honourable Member had quite unwittingly dragged tin bars into his scheme. There is another objection to it. The Honourable Member is apparently not aware of the fact that steel bars are made elsewhere in India than at Jamshedpur. The Kumardubi Iron Works are making steel bars. It is perfectly true that they do not make them from steel made from pig iron in India. What they are doing is, they get scrap steel and scrap wrought iron and roll them into bars. Under the Honourable Member's amendment these bars will be entitled to the bounty. That was never intended. When we gave a bounty on ingot steel we expressly safeguarded ourselves by the Resolution that was accepted in another place from giving that bounty upon ingot steel other than ingot steel made from pig iron made in this country from Indian ores. Under the Honourable Member's scheme, as I have said, we shall

have to give bounties on bars made in the Kumardubi Iron Works and in other works for all I know on steel bars and wrought iron bars made from scrap steel and scrap wrought iron. I think I have said enough to show that the Honourable Member's scheme is going to be far more expensive than he dreams of, that it would lead to an unknown liability and that from the administrative point of view it would be quite unworkable. For these reasons, I oppose the amendment.

*THE HONOURABLE SRIJUT LOKENATH MUKHERJEE: (West Bengal: Non-Muhammadan): Sir, I rise to oppose the Bill as reported by the Select Committee and to support the amendment moved by my Honourable friend, Mr. Ramadas Pantulu, as it seeks to remove some of the most objectionable points in the Bill, and I do so under a clear conviction that in my action I have been actuated by the best interests of my country. Sir, after the eloquent speeches just now delivered by my Honourable friends, I think there is hardly any necessity for me to say anything more on this point. But as the matter is of such vital importance and concerns the interests of millions of my poor countrymen I cannot record my silent vote without making a few general observations.

Sir, the Bill now before us seeks to protect an industry which is considered of great national importance. It is the steel industry. The steel industry is truly recognised as the basic national industry and has been truly described as the basis of the implements of peace and the sinews of war. Sir, only three years ago this Legislature accepted a policy of granting discriminating protection to the industries of India and most fortunately the steel industry was first chosen for the application of that policy. On examining the results achieved so far from the adoption of the policy of the protection of the steel industry, we can really congratulate ourselves when we see that the output of steel in India has steadily and marvellously increased, the output in the year after the adoption of the policy being more than double.

The Bill before us in order to be acceptable must satisfy certain requirements. It must provide for the protection actually necessary and no more. The protection which it seeks to give should not be a source of heavy burden to the consumers. The protection should be such as to attract shareholders to invest more capital in this industry so that on the termination of the period of protection, the steel industry in India can compete in the Indian market without protection or, in a word, can stand on its own legs.

Sir, on a brief examination of the Bill as reported by the Select Committee it is found that the Bill seeks to impose differential duties. When the Bill was first introduced in the other House great objection was taken to the principle of Imperial Preference or better British preference. It has been said that it is not Imperial Preference but a principle only of economic advantage or disadvantage. But, Sir, we on this side of the House hold a contrary view. The Member in charge has himself admitted in the other House that the Bill is open to the objection of discriminating by countries of origin and in this case we are discriminating in

*Speech not corrected by the Honourable Member.

[Srijut Lokenath Mukherjee.]

favour of Great Britain. Once we accept the principle in one particular case we will not be able to object in future to the adoption of a similar policy in similar cases. Sir, this must eventually lead us to what is called Imperial Preference. Sir, it is the Tariff Board which raises the greatest suspicion in our minds when we find in their report an uncalled-for remark declaring that the scheme suggested by them was not Imperial Preference. Sir, by making this statement they all the more say that it is Imperial Preference. If it was not so there was no need or justification for them to make the suggestion and try to argue against the scheme being said to contain Imperial Preference. Sir, we also cannot understand why the Board has intermixed a controversial matter with such a vital question.

Sir, my first objection to the Bill as it stands now is that the protection which this Bill seeks to give to the industry is very meagre during the first four years. The effect of the protection will be simply to keep the industry above water and the result will be that Tatas will somehow survive during the next seven years. It will not attract people to invest their monies and consequently an increase of the output of steel in India is impossible. It was never the object of the Fiscal Commission, as was accepted by this Legislature, to give only a subsistence allowance; on the other hand, the object was to give such a protection as will allure people to invest more money in the industry so that new steel concerns may come into existence.

Sir, my next objection is that it seeks to give a good deal of protection to steel coming from Great Britain. Sir, this discrimination is suggested not for any benefit of the indigenous industry. I shall quote here a few lines from the speech of my Honourable friend, Mr. Jamnadas Mehta, delivered in the other House to show how British steel will benefit at the cost of Continental steel and that without the indigenous industry being a bit better off.

"From the figures stated by the Board British rails will get the benefit of a 7 per cent. reduction in duty; British galvanized sheets will get a 15 per cent. reduction in duty; fish-plates will get a 40 per cent. reduction; structural steel will get a reduction of 36 per cent.; bars will get 35 per cent.; plates will get 33 per cent. and only black sheets will be taxed 16 per cent. more than now; but against that the Continental sheets will be charged nearly 100 per cent. more. All these sacrifices will have to be undergone by the consumer, not for the benefit of the Tatas but for giving preference to import of British steel."

Lastly, Sir, the Bill seeks to impose an unnecessarily heavy burden on the consumers in the major part of India. Sir, to my mind this is the most objectionable feature in the Bill, especially when we see that the imposition of this heavy burden does not in any way benefit the Tatas. Sir, this recommendation of the Board is uncalled for, they were never asked nor had they the right to suggest the imposition of a burden which does not affect the industry beneficially in any way. Those parts of India which use Continental steel and where Tata steel cannot compete will have to pay under very modest calculations over Rs. 40 lakhs a year on Continental steel goods without Tatas being better off by a single rupee. This, Sir, as I have said, is the most objectionable feature in the Bill.

Sir, I have already taken much of your time. I shall only say in conclusion that we have absolutely no sympathy with the Bill which, whatever its advantages, whatever benefit it may bring to the Tatas or to the steel industry in general, seeks to give only precarious protection to the indigenous industry, imposes an unnecessarily heavy burden on the Indian consumer and involves in it the principle of preference to Britain as against other countries of the world. With these words, Sir, I oppose the Bill.

THE HONOURABLE RAI BAHADUR NALININATH SETT (West Bengal: Non-Muhammadan): Sir, I support the amendment moved by the Honourable Mr. Ramadas Pantulu. I am sure that the continuance of the protection to the steel industry in India is absolutely necessary at this stage in order that the industry may survive. I regret that the Bill, as passed by the Assembly, does not give any assurance to the people as to the future policy so that new capital may be induced to be laid in the industry as is definitely suggested in the Report. Then the point is as to how this protection should be given. It is not very clear why the Board decided that bounties should no longer form part of the scheme of protection. The Report, however, states that on a review of the progress of the steel industry during the past three years it is clear that the policy of protection adopted in 1924 has been a success. The question therefore is in which way should the protection be granted. I am in favour of bounties although it is not approved in the Report. The amendment as it stands limits the payment of bounty to the amount of the protective duties. There can therefore be no objection to bounty as proposed being paid from the financial point of view.

The Bill as passed by the other House proposes to differentiate between steel of British origin and of non-British origin. I do not desire to enter into the controversy as to whether this is really Imperial Preference or differentiation based upon the differences in the quality of the steel imported. The policy adopted in the Bill is certainly undesirable in the present circumstances. The preference is proposed mainly on the ground as stated that British steel is always manufactured on British standard specification whereas the Continental steel is not. It must, however, be remembered that Standard steel is also manufactured in the Continent and America. I can recall to my mind at least one concrete case on the point. Recently in the construction of a bridge in the town of Calcutta by the Calcutta Improvement Trust, where a large quantity of steel was used, the contractors were allowed by the highest experts on bridge construction to use Continental steel which conformed to the specification of the tender in place of the British steel tendered for. The result of this preference may be, as pointed out by the dissenting members in minority in the Select Committee, that the British manufacturer taking advantage of the assured protection given to him in the Indian market for a period of 7 years may lower the Standard of British steel imported into this country. The result can be brought about either by deliberately lowering the Standard or by a greater use of semi-finished continental steel. The Report makes the recommendation of the basic duty relative to the price of British steel chiefly on the ground that there is confidence in the stability of future prices of imported British steel although the Report admits that certain circumstances may react on the price of British steel which in the opinion of the Board will, however, be of a temporary nature and of limited extent. The Bill as passed by the other House makes a very important variation from the intentions of the

[Rai Bahadur Nalininath Sett.]

Report by the addition of clause 2 (4), viz., that the Governor General in Council shall have the power to increase the duty leviable on British steel as well under certain circumstances. This addition by the Select Committee clearly indicates their doubt as to the stability of the price of British steel during the period of protection as they must have apprehended a reduction of the price of British steel and one of the reasons for the reduction in price may be due to the lowering of the Standard of British steel specially to make the same readily saleable in the Indian market.

Sir, there is no indication in the Bill as passed by the other House giving effect to the recommendation in the Report that the legislation should provide that the basic duties are definitely fixed and that the same should not be liable to alteration. The Report goes further and recommends that it is a matter of great importance that so far as possible the public should be reassured as to the future of the Indian steel industry by the form of the legislative enactment. This has not been done. On the other hand power has been given to the Governor General in Council to increase the so-called basic duty. This provision has entirely changed the policy of the Report.

The Bill as passed by the Assembly will throw a great burden on the consumer. It will no doubt benefit the British people and the Government of India so far as revenue is concerned but it will not benefit the country.

For these reasons I support the amendment.

THE HONOURABLE MR. G. L. CORBETT (Commerce Secretary): Sir, I move that the question be now put.

THE HONOURABLE THE PRESIDENT: The original question was:

"That clause 2 do stand part of the Bill."

Since which an amendment has been moved:

"That in sub-clause (1) in the proposed sub-section (4) the words "of British manufacture" be omitted, and the proposed sub-sections (5) and (6) be omitted."

The question I have to put is that that amendment be made.

The Council divided.

AYES—11.

Desika Chari, The Honourable Mr. P. C.
Govind Das, The Honourable Seth.
Mahendra Prasad, The Honourable Mr.
Morarji, The Honourable Mr. R. D.
Mukherji, The Honourable Srijiut Lokenath.
Ram Saran Das, The Honourable Rai Bahadur Lala.

Ramadas Pantulu, The Honourable Mr. V.
Rama Rau, The Honourable Rao Sahib Dr. U.
Roy Choudhuri, The Honourable Kumar Sankar.
Sankaran Nair, The Honourable Sir Chettur.
Sett, The Honourable Rai Bahadur Nalininath.

NOES—33.

Abdul Karim, The Honourable Khan Bahadur Maulvi.
 Akbar Khan, The Honourable Major Nawab Mahomed.
 Annamalai Chettiyar, The Honourable Sir S. R. M.
 Bell, The Honourable Sir John.
 Bijay Chand Mahtab, The Honourable Maharajadhiraja Sir, of Burdwan.
 Brayne, The Honourable Mr. A. F. L.
 Charanjit Singh, The Honourable Sardar.
 Corbett, The Honourable Mr. G. L.
 Dadabhoy, The Honourable Sir Maneckji.
 Das, The Honourable Mr. S. R.
 Evans, The Honourable Mr. F. B.
 Forest, The Honourable Mr. H. T. S.
 From, The Honourable Sir Arthur.
 Gray, The Honourable Mr. W. A.
 Habibullah, The Honourable Khan Bahadur Sir Muhammad, Sahib Bahadur.
 Haig, The Honourable Mr. H. G.
 Manmohandas Ramji, The Honourable Mr.

McWatters, The Honourable Mr. A. C.
 Mehr Shah, The Honourable Nawab Sahibzada Saiyad Mohamad.
 Misra, The Honourable Pandit Shyam Bihari.
 Nawab Ali Khan, The Honourable Raja.
 Rainy, The Honourable Sir George.
 Ranga Rao, The Honourable Raja Sri Ravi Swetachalapati Ramakrishna Bahadur of Bobbili.
 Singh, The Honourable Raja Sir Harnam.
 Singh, The Honourable Raja Sir Rampal.
 Stow, The Honourable Mr. A. M.
 Suhrawardy, The Honourable Mr. M.
 Swan, The Honourable Mr. J. A. L.
 Symons, The Honourable Major-General T. H.
 Tek Chand, The Honourable Diwan.
 Thomas, The Honourable Mr. G. A.
 Umar Hayat Khan, The Honourable Colonel Nawab Sir.
 Wacha, The Honourable Sir Dinshaw Edulji.

The motion was negatived.

Clause 2 was added to the Bill.

THE HONOURABLE SIR SANKARAN NAIR: Sir, I beg to move the amendment that stands in my name:

"That the following new clause be inserted after clause 2, namely:

'3. Notwithstanding anything to the contrary in this Act no protective duty at special or differential rates for articles of British and articles not of British manufacture shall be imposed under this Act if it is shown to the satisfaction of the Government of India or any persons appointed for that purpose by the Government according to the rules that may be made by the Government that there is no difference in quality between such articles of British and non-British manufacture as are being imported.'

I would have willingly left the Tariff Board alone without making any reference to its high authority but simply relied upon the facts stated in its report, but I am compelled to refer to it on account of the support that was sought to be derived from it both in the Legislative Assembly and in this Council as if its report were a State document behind which we should be very, very careful not to go. This reminds me of what a friend of mine, an old friend who is now dead—Sir William Hunter, so long connected with the Government of India, wrote when he was dealing with the Age of Consent Act. He said that on all the great social reform questions, and questions that came before the Council the Government of India usually referred the matter for opinions to certain persons who were likely to report as they wanted. Providence is always on the side of the Executive Government. When that Executive Government or the Member in charge has made up his mind as to what is to be done on a particular matter, and he has the selection of those members, it so happens that that Commission or that Committee somehow or other sends up recommendations with which the Government of India are in a position entirely to agree from beginning to end. I do not say that that is the case with this Tariff Board's report—

[Sir Sankaran Nair.]

not for a moment, but this came to my mind, when the Honourable Members who spoke on behalf of Government always flung it in our face, that that report of the Tariff Board was submitted by men who were well known to Government but whom the country did not know so well. So far, therefore, as to that part. Then, as to what was said both by Members on behalf of Government and by certain others that they were actuated mainly, if not solely, in the interests of India and that the interests of the British manufacturer had very little weight with them,—of course, I entirely accept it. But it is only due to those who take a different view, that they should know why it is that there are Members who are not always prepared to accept what they say. It is just this, that during the last year there was a great coal strike in England—a strike which commenced only in May but which affected all the industries of England, and no industry more than the steel industry. It affected that more than anything else. If the House will permit me, I will only refer to certain facts about it. The pig iron that was produced in England last year, that is, 1926, was 2,400,000 tons as against 6,000,000 in 1925 and the steel that was produced in England in 1926 was 3,500,000 tons, less than half of what was produced in 1925.

THE HONOURABLE THE PRESIDENT: I hope the Honourable Member will soon explain the relevancy of his present remarks. For the moment it appears to me that he is opposing his own amendment.

THE HONOURABLE SIR SANKARAN NAIR: If you will give me two minutes more, the relevancy will be clear.

THE HONOURABLE THE PRESIDENT: I think the Honourable Member should come to the arguments and leave the facts. I think the House is well aware of these facts.

THE HONOURABLE SIR SANKARAN NAIR: I am coming to that, Sir. Then, the other fact which has been only cursorily referred to in the Tariff Board Report is the fact of the steel combine in Europe, Belgium, Germany and Luxemburg. That steel combine is bound to affect the steel industries of England very much. If Honourable Members will turn to page 44, paragraph 83 of the Tariff Board Report, they will see that a reference to this subject has been made there. There is also the other fact to be taken into account. The steel products from the Continent have been coming into India to the detriment of the steel products from England. England is now considering whether she ought to join the steel combine in Europe. The result of all that is this, that England is particularly anxious now to exclude the Continental steel from India. Only when that Continental steel is excluded from India, can England successfully fight the combine of these four countries in Europe. Therefore, Sir, Government must not take the Honourable Members to task if they are not very willing to accept the assurances of Members of Government that their first solicitude was India and not England. I leave the point at that. I hope I have made clear why it is that I have referred to the steel combine, and why it is that I have referred to the state of things in England. May be that it was not very easy for Members to understand my arguments, but if I was allowed a few more minutes to explain, they would have followed me better.

What I say is that in the present temper of India it is very necessary that the Government should not do anything to give room for such an impression, because there is no doubt of this fact, that we are discriminating

between England and the Continent in this respect, and the Honourable the Commerce Member on behalf of the Government said in the Assembly that this is a defect in the scheme and he would have willingly provided against it if he had seen his way to get rid of it.

Now, Sir, I come to my amendment itself which is intended to meet this difficulty. It has been explained to you that steel is of two kinds, that is, the standard steel, which is made according to British standard specifications, and the other steel which is inferior in quality is called the non-standard steel. The Honourable Member has fully explained what is meant by standard steel and for what purpose that specification is insisted on. We may also accept what he has said that the English steel which is generally imported into India is standard steel though it is denied by some that it is not standard steel. I will also accept the other statement that the Continental steel that comes into India generally is non-standard steel which also has been denied, but which I will accept. Therefore it is said that when different duties are imposed on English steel and Continental steel, it really means that the differentiation is between standard and non-standard steel, i.e., according to quality. I will take first the standard steel in order to explain the argument and in order to explain the amendment. Take the structural sections of standard steel. You will find that British structural sections cost Rs. 104 and the Continental steel structures cost Rs. 86, the difference here is Rs. 18. Now the duty which is proposed to be imposed upon British steel is Rs. 19, so that the price of British steel comes to Rs. 123. The duty that is proposed to be imposed upon Continental steel is Rs. 30, so that the price is Rs. 116. That is the duty from Rs. 18 is reduced to Rs. 7. My amendment is this. If it is shown to the satisfaction of Government that the steel imported from the Continent is standard steel of the same quality as the steel that comes from England, and that such steel can be made at a cost of Rs. 7 more, i.e., Rs. 93 for structural sections is not denied, then so far as that standard steel is concerned, the same duty should be imposed. I leave alone for the present the steel imported from the Continent which is not shown to be of the same standard as the British steel, but if the importer shows that the steel which he imports from the Continent is of the same quality and that it is quite as good as the British steel which is imported from England, then impose the same duty both on the British steel as well as on the steel which is imported from the Continent. If that amendment is accepted, it removes the blot on the scheme. Instead of saying that the duty on the English steel is Rs. 19 and the duty on the Continental steel is Rs. 30, you can say that the duty on the standard steel is Rs. 19 and on the non-standard steel is Rs. 30. Now the objection that was advanced by the Honourable Member who moved this motion this morning was that it will not be practicable. He repeated the objections that were advanced by the Tariff Board in their report. They say that you cannot have metallurgists at every station and at every port in India, you cannot have a man at every port to examine all these things, and moreover, even if that were possible, that would take some time and the commercial people would not stand all the delay that would be involved in this process. Now, Sir, there are two answers to that which I have indicated in my amendment itself. One answer is that this is not really an answer. The amendment itself gives power to the Government to make rules. They may say 'We will not have the articles examined, we will not allow you to give evidence here, but when you bring the article into India you must bring with you some evidence which we can look into and say whether it is made of standard

[Sir Sankaran Nair.]

steel or non-standard steel. If you cannot do that, then we shall not examine it, we are not going to waste our time to appoint officials at the various ports here and we are not going to waste our time in considering your evidence whether the article is of standard steel or non-standard steel. Now, cannot that be done? Let us consider that for a moment. The Government have with the Tatas themselves an officer, a metallurgist who is able to decide whether it is standard steel or non-standard steel. Supposing I am only indicating one of the ways in which it might be done—supposing the British Government or the Government of India have got their own officer paid by the German firms or other firms who want to import these things into India, an officer in whom they have confidence, and who is able to say whether the steel is of standard quality, whose opinion they might accept and with whose certificate that man comes here, would not that certificate be a sufficient authority for the Government or for their own officers, like the certificate of the metallurgist officer with the Tatas, that the steel is standard steel? Could not they do the same thing with any European firms who import these things here? Could not they do the same thing with them as they are now doing with the Tatas? I did not know that before, but the Honourable Member told us that English firms are doing that in Germany. They send their own experts into Germany to see whether the steel that is imported from Germany is standard steel or not and the English firms accept it. If the English firms find no difficulty like that and if in India itself the British Government find no difficulty like that at the Tatas, don't you think it possible; do not the Members of the House think it possible that some way might be devised whereby at the source itself an authority might sit and decide and be able to say to the satisfaction of Government themselves, this is standard steel: you can accept this as standard steel. I submit, therefore, that can be done. Well, if that can be done, then it removes not only this difficulty but it has so many other advantages in addition that I think it should be adopted.

The next argument which I would like to meet is the one arising from the difference in prices, the lower price for which the Continental steel can be sold in India, whether there would be sufficient protection to Tatas. Now, my answer to that is this. If the Government purchase all their articles of standard material from Tatas, as they are now purchasing both from Tatas and from the English manufacturers, at the price for which they now purchase them from England, I say Tatas will not want further assistance. Now mark this. Tata is now producing their steel not of standard and non-standard quality, but as the Honourable Member explained on behalf of Government, it is of the same quality, but a certain part of it is certified to be of standard quality and the rest is not certified to be of standard quality, because they cannot find a market for all their standard quality article. Therefore, they are obliged to meet competition, to sell the rest as non-standard steel. Very well. If the Government themselves purchase from Tatas all that they want, all that they are purchasing from the English manufacturers, at the price which they pay to the English manufacturers, then all the articles which are produced by Tatas there will find a market, they can sell it to this Government. That there is ample room for that is clear from the Tariff Board's Report and from what the Honourable Members of Government have been saying. The import tables in the Tariff Board's Report do not give the full imports there, because I see a footnote that they do not give the Government imports. But there is enough material now before us to show that Tatas

had not fairplay, as they call it, at the hands of the railway companies. I would invite the attention of the House to what is stated in the Tariff Board Report itself in this matter. You will find it on page 56, paragraphs 101 and 102. Standard steel is required now for all buildings, bridges and other works, in which any defect may endanger public safety. Now, all is under the control of the Government, that is under the control of the Railway Board and of the railway companies. It is in the power of the Government to insist upon all these things being purchased from Tata. Again rolling stock, railway bridges, and other constructional work—like everything that the railway requires ought to be and is under the control of the Government. Here I have to refer to one subject which is rather unpleasant. Now the Railway Board refers to Tatas' representation to them on pages 72 and 74 where it is said :

" We do not think however that the industry in this country has been treated fairly by the Railways concerned in connection with these orders. . . . They and their consulting engineers have, so far as we can see, done everything possible to divert their orders to England and to prevent our obtaining them. . . . It is impossible to avoid the conclusion that in many cases the designers have gone out of their way to design structures which cannot be made from steel made in India whoever designed the Jhelum Bridge must have been determined to give the Indian steel no chance."

4 P.M. The Tariff Board say that they are satisfied that there is no justification for such a charge. But they add a statement. They state :

" The expansion of the industry will be largely affected by its ability to dispose of an increasing output of structural material and within a few years this question will constitute a serious problem. It is therefore important that the railways should now undertake the revision of their designs for bridges, buildings and other works so as to facilitate the use of a larger proportion of Indian structural sections in the future."

That shows that their opinion is that the designs up to now have been of such a character that the Tatas could not avail themselves of them. Now, therefore, if these railways go on purchasing, as they ought to purchase from them, the results would be entirely different. Then on page 56 they mention who else have to purchase this standard steel. They are for irrigation and water supply schemes and municipal corporations, etc. The point is this. Those who really purchase and use standard steel which is got from England are either Government officials for Government purposes or other bodies which are directly under the control of Government. Let the Government then purchase these from the Tatas. The result of that will be that the Tatas will be able to find a market for their standard steel which they are not able now to do. Again the country also benefits from the scheme. The country benefits in this way. The steel industry is a basic industry and it is required for various other industries in this country. If, therefore, you can bring standard steel into this country without detriment to Tatas from the Continent at a cheaper rate it is really useful for the industrial development of the country, for starting new industries and other similar industries. You can bring in a lot of this standard steel at a lower cost from the Continent without detriment to this steel. Then again, another advantage is this. Both the Honourable Members who spoke on behalf of the Government said that it is the standard steel that sets the limit to the price of non-standard steel. Therefore if you can get standard steel from Germany at a lower cost, the result would be that the price of non-standard steel will also go down and the country will be able to benefit in that way also. So, in all these ways the suggestion which I have made would work in the interests of India.

[Sir Sankaran Nair.]

There is also one other matter. It would also prevent inferior goods from England coming over here. Well, Honourable Members have said that inferior goods will never be sent over here and that they will send only high class standard goods. It may be that they are sending only that now and it may be that they will send only that on account of Tata's production here. But if it is to their interest to send anything like that over here, they will send it. If this Bill is passed, we would be unable to interfere with it, whereas, if there are goods of the same standard coming over from Germany, goods of the same quality as the goods imported from England, it will be to the country's benefit on account of competition. Every trader, every commercial man, should be left free to do what he likes; no restrictions should be placed, as long as India's interests do not require it.

THE HONOURABLE SIR ARTHUR FROOM (Bombay Chamber of Commerce): What about protective duties?

THE HONOURABLE SIR SANKARAN NAIR: Even if I had to deal originally with it I would have voted against protection. The goods imported from the Continent even at that rate would be a check to any influx of inferior goods from England. If they do not import it, it does not do any harm. But if they do import, and the quality is shown to be the same as that imported from Germany, then the result of that would be that English goods cannot come here and displace the other goods. For these reasons, Sir, I put this amendment before you. I put it before you because I think it is to the interests of India that it should be done. I think that if it is not done, India would suffer. I think that what is being done now is a dangerous thing, that is, discriminating between England and any other country. We should be prepared to give England of course every facility if it can be done without any harm to ourselves. If we can discriminate between England and the Continent to the benefit of England we ought to do so provided only that we do not suffer thereby. In this case we would suffer if we allow this sort of discrimination. For these reasons, Sir, I put this amendment before the House.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That after clause 2, the following new clause be inserted, namely:

- '3. Notwithstanding anything to the contrary in this Act no protective duty at special or differential rates for articles of British and articles not of British manufacture shall be imposed under this Act if it is shown to the satisfaction of the Government of India or any persons appointed for that purpose by the Government according to the rules that may be made by the Government that there is no difference in quality between such articles of British and non-British manufacture as are being imported.'

THE HONOURABLE SIR CHARLES INNES: Sir, I must confess that I found the Honourable Member's speech as difficult to understand as I found it difficult to understand the actual amendment which he has proposed for the consideration of this House. The actual amendment says:

"Notwithstanding anything to the contrary in this Act, no protective duty at special or differential rates for articles of British and articles not of British manufacture shall be imposed under this Act if it is shown to the satisfaction of the Government of India or any persons appointed for that purpose by the Government according to the rules that may be made by the Government that there is no difference in quality between such articles of British and non-British manufacture as are being imported."

'That, as far as I can see, is a purely negative amendment; and as the amendment stands it certainly leaves us in considerable doubt as to what actual duty is to be imposed. As I understand it, what the Honourable Member wants to propose is that if it can be shown that Continental steel is of standard quality or up to British standard specification, then it should be allowed in at the British rate of duty and should not be liable to the additional duty. Well, Sir, if that is what the Honourable Member means, all I can say is that his amendment does not say it and that he is asking this House to place upon the Statute-book an amendment couched in the most vague and unsatisfactory terms. As I have said I found it very difficult to follow the Honourable Member's speech. He began, as I understood him, by saying that he was moving this amendment as a protest against our flinging the Tariff Board's Report in the face of this Council and saying that the report must be treated as sacrosanct. If the Honourable Member says that that is the attitude that I have adopted towards reports and recommendations by the Tariff Board, all I can say is that the Honourable Member is very much mistaken and that he cannot have followed the history of the protection of the steel industry during the last three years. I have always taken the same attitude towards reports and recommendations of the Tariff Board; I have never claimed that these reports or these recommendations should be treated as sacrosanct; indeed, on more than one occasion I myself have refused to act upon them. But I have always claimed that whether one agrees with them or whether one does not agree with them, one must treat with the very greatest respect any recommendations of the Indian Tariff Board. And I am sure that the whole House will be with me when I say that.

But, Sir, another point struck me about the Honourable Member's speech. He said that it was quite natural that some Members of this Council should feel that the first solicitude of the Government was for England and not for India. Well, Sir, I know no reason why the Honourable Member should make that statement; and if he makes that statement about the Government, is there any reason on earth why he should make it against the two Indian Members of the Tariff Board who made this recommendation? Is there any reason why Mr. Ginwala or Mr. Matthai should have more solicitude for England than they have for India? I think, Sir, that the Honourable Member should be careful of making charges and aspersions of that kind against two of his fellow-countrymen who have served this country very faithfully and well on the Indian Tariff Board.

Now, Sir, let me get back to what I take the Honourable Member's amendment to be. He has not said it in his amendment, but I understand his suggestion to be that if it can be proved—in what way it is not suggested—that Continental steel is up to British standard specifications, then that Continental steel should come in at the basic rate of duty and should not be liable to additional rate of duty. Well, Sir, the Honourable Member, I think, has not fully understood the difficulties of this case. When the Tariff Board proposed that we should differentiate between British and non-British steel or rather between steel of British manufacture and steel of non-British manufacture, they had in mind two difficulties. One was the difficulty that they did not want to do anything which would send up unnecessarily the price of standard steel. They told us—and what they have said has been accepted by every

[Sir Charles Innes.]

body which has considered the Report including the Select Committee on the Bill, and the Legislative Assembly and the Government—they told us that it was quite impossible for practical reasons to differentiate between standard steel and non-standard steel as suggested. The administrative difficulties of working a differentiation of that kind are quite insuperable. But, Sir, the Tariff Board had another reason in proposing this differentiation. What they said eventually was, as Sir George Rainy pointed out this morning, that since it is impossible to differentiate between standard steel and non-standard steel, differentiate between British and non-British steel, because to all intents and purposes you arrive at the same result. But, Sir, that was not the only reason which the Tariff Board had in view when they made this proposal. Another difficulty they were up against was the difficulty of prices. They found—and this is a finding on a question of fact which no one in this Council has got any right to challenge—they found that though British prices, prevailing in the first four months of 1926, may be taken as fairly representative of the level of prices likely to obtain during the whole period of protection, that could not be said of Continental prices. They absolutely declined to commit themselves to any forecast whatsoever as to the future course of Continental prices and they pointed out that one of the great difficulties confronting the steel industry in India was the fact that the prices of Continental steel were lower than they should be owing to the operation in some countries of a depreciated exchange; and therefore, by the device of differentiating between British and non-British steel they were able to kill two birds with one stone, so to speak; they were able to secure cheapness of price for standard steel which was their main object, and they were able to meet this further difficulty arising from the instability of prices of Continental steel the lower prices of which are very often due to depreciated exchanges. These were the two objects which the Tariff Board had in mind.

Now, let me revert to the Honourable Member's amendment. What he says is that where Continental steel can be proved to be of standard quality, let it in at the British rate. My first objection to that is that I do not see how it is to be worked. The Honourable Member himself admits that it is quite impossible to have in every one of our customs houses a metallurgical staff testing consignments of Continental steel and deciding whether or not they are up to British standard specification. He gets over that difficulty by saying "Make your own rules. Tell the people who import Continental steel that they must bring evidence before you to show that the Continental steel is up to British standard specification." Well, Sir, what evidence can they bring? Take the ports. They could bring a certificate; they could say "Well, this steel is certified to be of British standard specification." They do it now. Frequently consignments of Continental steel come in certified to be of standard quality; but what does the Tariff Board say? They say that the general buyer of steel in India has no organisation by which he can test the value of these certificates; and, Sir, when I saw that statement I went to the Indian Stores Department. I said "Is that statement correct? Is it a fact that there is no organisation in India by which you can test the value of certificates saying that Continental steel is of standard quality?" And the Indian Stores Department informed me that the statement was absolutely correct. They informed me that they had had to give up entirely buying in this country Continental steel certi-

fied to be of standard quality because they could put no reliance at all upon the certificates and because they had so many complaints from their customers. I noticed—and I dare say some Honourable Members of the Council have seen it too—only this morning in a Reuter telegram a statement to the effect* that £2,00,000 worth of steel supplied by the Continent, by Continental manufacturers, to the South African Railways had been rejected by railway experts in South Africa as being entirely worthless. Now, Sir, the Honourable Member says that we should tell the general buyer “You have got to satisfy us that this steel is of standard quality.” How can he do it? He gives us these certificates; and as I have shown, these certificates are useless. The only way of satisfying yourself whether the steel is of standard quality or not would be to have it tested; and the only place where we could test it would be the Metallurgical Test House at Alipore. The Honourable Member referred to our Metallurgical Inspector at Jamshedpur. What does he do? He tests every cadre of steel made by the Steel Company to see whether its chemical composition is all right. He tests rails to see whether they are of the right gauge, whether their strength is correct, whether their weight is correct, and so on, and anybody can get a certificate from that Metallurgical Inspector, but that only after the proper test is made. So that, if you pass this amendment, it would be open to any importer of Continental steel to produce a certificate or whatever it may be and claim the benefit which this amendment is intended to give, but does not give, and we shall be back in the position which everybody has accepted to be impracticable, namely, that we should have a metallurgical test in the Customs House.

Then, the Honourable Member suggested “You may get certificates from your own Inspectors on the Continent to see that the Continental steel is of the standard quality.” That brings me back to another difficulty, but it is not a difficulty which we can get over in the way the Honourable Member suggested. I refer to the difficulty of prices. After all, what is this Bill intended to do? What is the primary purpose of this Bill? It is to protect the steel industry in India. That is the only object, and discrimination between British and non-British manufacture is purely subsidiary, incidental to the main purpose which is to protect the steel industry. What is the difficulty at the present moment? It is this, that owing to depreciated exchanges and other causes Continental steel comes in at a price with which the Indian steel cannot compete. And that applies to standard steel as well as non-standard steel. And how does the Tariff Board try to meet it? They have so adjusted the duties that Continental standard steel which costs according to the evidence Rs. 7 more than Continental non-standard steel will come into this country precisely at the same price as the British steel. Take structural sections. The fair selling price in India is Rs. 120. The Continental non-standard steel is Rs. 116 a ton and Continental standard is Rs. 123. Tatas sells its structural sections in the proportion of 50 against standard and 50 against non-standard steel. It would get for half its production Rs. 116 and on the other half Rs. 123, and on an average Rs. 120 which the Tariff Board tells us is a fair selling price which it must get over its whole production in order to earn a proper return on its capital. And, Sir, what would happen if we adopted the Honourable Member’s suggestion? We should get more of this Continental steel coming in at Rs. 116 or less than Rs. 120 and we should upset the whole scheme of the protection.

[Sir Charles Innes.]

Sir, I do not think that I need say any more. This proposal of the Honourable Sir Sankaran Nair is going to do very little to the Continental standard steel. Not much of it comes into this country. What does come in comes in precisely at the same rates as the British steel. We are not putting it to any disadvantage, we are merely depriving it of an advantage which it gets owing to depreciated exchanges. When my Honourable friend tries to prejudice the question by suggesting that the Railway Board and the railway companies do not buy sufficient steel from the Tata Iron and Steel Company, I must joint issue with him. Those representations of the Tata Company were examined most carefully by the Tariff Board and were rejected. The Tariff Board said that there was no force in them. They did say that the designs of the bridges should be altered so as to enable the Tata Company to sell more bridge steel to the railways. From that statement the Honourable Sir Sankaran Nair suggests that we have deliberately designed our bridges so as to prevent Tatas from competing. If the Honourable Member knew the facts he would not have fallen into errors of this kind. What has happened is this. The Tata Company at present rolls a limited number of sections. It does not like rolling small quantities of a large number of different sections. It likes to confine itself to a small number of sections. The sections which it rolls at present do not always fit our bridges, and it is for that reason that I hope to have standard designs for our railway bridges, and when we have standard designs, I hope that the Indian industry will be able to roll the sections we require. But it would be wrong for us to try and supplement this scheme of protection, which is a carefully balanced, well thought out scheme of protection, by insisting upon the Government, the railway companies, the Railway Board and the public utility companies all over India, buying the steel they require from the Tata Company, irrespective of prices, and that is what the Honourable Member suggests.

Now, Sir, I have tried to show that this amendment is not going to do very much, that it is going to be extremely difficult to work and it is going to be harmful to the steel industry in India. I would ask the Council in dealing with this amendment to remember that our main object is to give the steel industry in India the protection it requires, and if the House accepts this amendment of Sir Sankaran Nair it will be committing a serious breach in that scheme. Sir, I oppose the amendment.

THE HONOURABLE SARDAR SHIVDEV SINGH OBEROI (Punjab : Sikh): Sir, I rise to give my support to this amendment. I have carefully heard the speech of the Honourable the Commerce Member saying that if this amendment is adopted it would be impracticable to work, but still I remain unconvinced about the impracticability of the scheme and I therefore rise to support this amendment. I will try to be very brief. The steel industry is a very important industry no doubt, and the interest which has been shown in both the Houses in the protection of this industry has been very great indeed. I would not like to conceal my feelings as to what would have been the fate of the only company in our country, and that is, the Tatas, had the Government not come to its help in 1924 by passing a measure of protection in that year. I think this should be acknowledged and every Honourable Member of this House will join with me in expressing our gratefulness for the measure of protection which was extended to

that industry in 1924. Furthermore, the principle of protection has been acknowledged even now and a measure has been introduced in this Council for further protection for a period of 7 years. I think our thanks are due to the members of the Tariff Board, to the Honourable Member for Commerce and to the Government.

Sir, the only objection, the only grave objection which has been taken to the measure which is put before the House is this, that differential rates of duty have been fixed for British steel and Continental steel or non-British steel. This is the only thing which is taxing very hard the Swarajists, the Moderates and others also, who feel that no differential treatment ought to have been given to the various kinds of steel imported into this country. The Honourable Mr. Ramadas Pantulu expressed the view that by this measure an attempt has been made to kill two birds with one stone. What I understood the meaning of that to be is this, that whilst providing a measure of protection for the Indian industry the framers of this Bill have given preference to or have protected or intended to protect the steel industry of England. I do not see any objection to it myself. I do not mind at all if out of the two birds one falls to the lot of India and the other to the lot of England. I find the interest of both countries, England and India, are knitted together. I find they sink or swim together. The reasons which have been given for putting a different rate of duty on British steel, as I gather from the speech of the Honourable the Commerce Member delivered in the Assembly, are given in this passage:

"The Tariff Board have absolutely declined to commit themselves to any forecast under this head. Then, Sir, they treat British steel and Continental as being different classes of steel. They tell us that to all intents and purposes British steel is equivalent to standard steel and Continental steel is equivalent to non-standard steel. That is to say, British Steel is almost invariably up to British standard specification; on the other hand, Continental steel is ordinarily sold in this country without any guarantee of quality at all. . . ."

and so on. This shows that the preferential treatment proposed in this measure is only on this ground that British steel is considered to be of a better quality than non-British steel. I admit this statement. I do not question it. I think, Sir, it will not be out of place if I mention a small incident about the opinion held by an English expert with regard to British steel and non-British steel. I was in England in 1920 and I happened to go to Sheffield to see the cutlery industry there. One of the engineers of that place happened to be my friend and he offered to show me the cutlery making industry, and he also had a talk with me on the question of steel. He remarked,—I very well remember it,—that the German steel is not very much inferior, but that it is equal to the Sheffield steel in quality. He also said that the method of tempering in Sheffield is so very different to the method of tempering in Germany, that the blades tempered in Sheffield keep their sharpness of edge and also their brilliancy much longer than the German steel blades. I very well remember this, and I can say, though I am not an expert on this point, that this is the opinion of a Sheffield engineer. He did not say that the steel made in Germany is very much inferior to the steel manufactured in Sheffield. This I have cited merely to show what an expert thinks about the steel made in Sheffield and that made in Germany. Well, Sir, I do not question the decision of the Tariff Board as regards the quality of either British steel or non-British steel. This preferential treatment, I understand, would have a detrimental effect on some of the small industries of India. Of course, I know that safes,

[Sardar Shivdev Singh Oberoi.]

travelling trunks and boxes and such things are made in very large quantities in some places in India. I know of two places, one in my own town of Sialkot and the other is Gujranwala. A very large number of iron safes and chests are manufactured there, and I think the men employed in that industry would number not hundreds but thousands, and I can say also that the trunk making industry in my own place employs thousands of men. I find that Continental steel is being used in many of these industries and the cost of manufacturing these articles would increase, and consequently the consumer will have to bear all this burden. I find, Sir, that these small industries will also suffer if any preferential treatment is given to British steel. The amendment proposed by my Honourable friend is, I think, so innocent that there should not be any objection on the part of Government to accept it. If they base their decisions about the differential duty only on the ground that the quality of British steel is superior to that of Continental steel, and if measures could be adopted to find out the quality of Continental steel, if the Continental manufacturers claim to produce steel of the same quality as that produced by British manufacturers, I do not think there will be any harm if Government accepts this amendment. After all, Sir, this will show that on the policy of free trade, other countries are kept on the same level as British people are kept, and this would go a long way to remove the suspicion which prevails in this country that every measure which Government brings forward is for its own gain or for the benefit of its own countrymen and not for the gain of India. In my humble opinion, Sir, I think I am for this principle that the popularity of Government should be promoted and that at every step it should be maintained, because it is by popularity that the existence of any Government can be ensured, and I would lend my support to any measure which will enhance the popularity of Government or remove from the minds of the people doubts as regards the measures which Government introduce. With these few words, Sir, I support the amendment which has been brought forward by the Honourable Sir Sankaran Nair.

THE HONOURABLE RAI BAHADUR LALA RAMSARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to support the amendment moved by my friend Sir Sankaran Nair. The reason why I lend my support to this amendment is that, as the proposed Bill is meant to give full protection to the Indian Steel industry, it will not be able to give that full protection unless this amendment is adopted, and the reason is this, because as at present proposed, in case the United Kingdom begins to manufacture non-standard steel and sends it out to India and dumps it on the Indian market, where will be the protection to the Indian industry? Government should safeguard it. At present, Sir, as far as my information goes, India consumes 12 to 18 lakhs of tons of steel, out of which one-third comes from the United Kingdom, that is to say, about 4 lakhs of tons come from the United Kingdom, and in case the British manufacturers decide, as the Tata Iron and Steel Company is now doing, to manufacture non-standard steel, how will the Government protect the Tata Steel Company? At present, the price of the British specification standard steel is Rs. 104 c.i.f. Indian ports, and the probable price at which the British firms can manufacture non-standard steel and deliver it at Indian ports will be somewhere in the neighbourhood of Rs. 94 or Rs. 95; so there will be a difference of Rs. 7 per ton which will mean that the British non-standard steel could be sold in India

at Rs. 114 as against Rs. 120 which the Tariff Board considers as the fair price for the Tata Iron and Steel Company, and because I want that full protection should be given to the steel industry, I support this amendment.

THE HONOURABLE SIR GEORGE RAINY: On a point of order, Sir. I submit that the observations which have fallen from the Honourable Member have no connection whatever with the amendment actually under consideration.

THE HONOURABLE THE PRESIDENT: It is a little difficult for the Chair to decide whether any observations on this amendment have any application to the amendment or not. Since I received notice of the amendment from the Honourable Member four days ago, I have been trying to read some meaning into it. I have listened to his speech for over half an hour to-day, and I must confess that I still find no meaning whatever in the terms of the amendment that he has drawn up.

THE HONOURABLE MR. P. C. DESIKA CHARI (Burma: General): Sir, I formally move the amendment which stands in my name. I move it as an amendment to the amendment proposed by my Honourable friend Sir Sankaran Nair. It reads thus:

"That the following new clause be inserted after clause 2, namely:

3. Notwithstanding anything to the contrary in this Act no lesser rates of protective duty on articles of British manufacture shall be imposed under this Act if it is shown to the satisfaction of the Government of India or any other person appointed for that purpose by the Government according to the rules that may be made by the Government of India that there is no difference in quality between such articles of British and non-British manufacture as are being imported."

I want this clause to be substituted for the amendment of my Honourable friend, Sir Sankaran Nair. I am in agreement with the principle underlying his amendment and I want my amendment for this purpose. It is necessary to have a statutory declaration in the Act itself that no British preference is meant by the scheme of discriminating protection. Sir, to one who reads the provisions of these sections and the actual effect it has upon standard steel from the continent as also the effect it has on the British manufactured standard steel and it is quite patent that a benefit is directly intended to be given to the British manufacturer. I do not mean to say that the benefit was intended to be given, but, as it is, we find that the benefit is given. We cannot shut our eyes to the fact. Now, no doubt the Government and the Honourable Members who spoke on behalf of the Government disclaim that they had any idea or intention of giving this preference to British manufacturers, but it is necessary to make it quite clear that no preference is meant because as a matter of fact, we find that there is preference in that there is an advantage to the British manufacturer at least incidentally. This has been accepted by the Honourable Members who spoke on behalf of the Government and in view of the fact that speaker after speaker in another place has formed the same opinion about the intentions of the Legislature in putting these differential duties, I think it is necessary that we should have some provision in the enactment itself to belie the statement that any British preference was meant by these preferential duties. Sir, that is the main object, I should think, of the

[Mr. P. C. Desika Chari.]

amendment of my friend, Sir Sankaran Nair. But there is the other advantage also, that we should not shut out competition by excluding altogether Continental steel by branding it as an inferior sort of steel. We want that the same uniform rate of duty should be imposed on standard steel, whether it comes from Great Britain or from the Continent. You exclude altogether the possibility of having Continental standard steel of the same quality as the British standard steel and which is cheaper and it is not desirable that we should exclude it. I want that the principle of competition should exist between the British standard steel and standard steel which may be produced in Continental countries and which may be imported. If you take away this principle of competition by assuring the British manufacturer of preferential treatment, if the British manufacturer is assured of his position by a lesser rate of duty, then all the benefits which we expect from this sort of preferential treatment on economic grounds will surely go to the British manufacturer and not to the Indian industry as is expected, because I think, unless we have got this principle of competition coming in, it is not possible to adjust prices. No doubt, I quite see that the proper rate of duty should be something which is a mean between the basic duty and the highest duty which is proposed. But we find the Act as a whole throws overboard the weighted average system which would have been more suitable to the conditions in India. But, in the absence of such a system, I want this provision to be made, so that taking this provision along with sub-clauses (2) and (3) which are there, we shall have those provisos, which will operate to establish a medium rate between the lowest basic duty and the highest rate of duty. It is the effective operation of these two clauses that I want by adding the clause which I now propose. In the one case this can be done by insisting that "no lesser rates of protective duty on articles of British manufacture shall be imposed" and in the other this can be done by inserting that articles not of British manufacture should not have imposed upon them a greater rate of duty than on articles of British manufacture. Then the difficulty would be that when applying the provisions of the proposed amendment there would be a temporary period, after it is proved that articles of Continental steel of certain kinds are of the same type as the standard steel. When that proof is afforded, there will be a further difficulty. You must have some rate of duty. The Act as it stands has got the higher rate as well as the basic rate. Then we must fall back upon the one rate till the inquiry which is contemplated by sub-clauses (2) and (3) is completed. Then there is the possibility of reducing the duty under the provisions of sub-clause (3) and before the inquiry can be completed there is a period for which we have to make a provision. After the proof is afforded that certain articles of Continental type are of the same standard as British manufactured articles, there is a period during which the inquiry has to be made under sub-clause (3). It is only during this short interval for a limited number of articles that this higher rate of duty would prevail. I prefer the higher rate of duty to having the basic duty during the interval because of these reasons. As it is, the protection given to the indigenous industry is very precarious. And if during this period you have got a lowest rate of duty rather than the highest rate of duty, there is the danger, if the inquiry is protracted, of the industry getting extinct. It is only during this short interval and for particular purposes which are not likely to hit hard the consumers of standard steel during this period, that I want

the operation of the proposed clause. I think if a provision like this is put in, there will be an early chance of having the duty on Continental steel reduced, and I think it is quite necessary that the duty which is now levied on Continental steel and which is likely to deprive us of the benefit of lesser cost of production or of the various causes which would lower the price of British steel should be reduced; we ought not to be deprived of these benefits and if we ought to have them, the proper course is to have a system whereby we can have the rates of Continental steel reduced. With a view to provide for the interval, it is necessary that we must have either the basic rate or the highest rate before we can arrive at the medium rate. I think the object of those people who proposed the weighted average system in a modified form can best be attained by introducing a clause like this and at the same time it will be made absolutely clear that the Legislature and the Government of India are not prepared to accept this principle of British preference. Whether it is by the back door or the front door if we have a preference and if that preference is found in a Statute with the concurrence of both the Government and the Legislature, then you introduce that principle. I am objecting to the way by which that preference comes. I think it is not desirable at this stage to introduce this principle of preference. You must take care to put it in black and white that this principle of preference has not been acceded to by the Legislature. It is on this ground more than on any other that I support the principle underlying this clause. The verbal changes which I propose in the amendment of Sir Sankaran Nair would make it less vague and they would meet the objection of the Honourable the Commerce Member when he said that the provision is very vague. With these words, I commend this amendment to the House.

THE HONOURABLE THE PRESIDENT: Further amendment moved:

"That for clause 3 proposed in the amendment of the Honourable Sir Sankaran Nair the following clause be substituted, namely:

'3. Notwithstanding anything to the contrary in this Act no lesser rates of protective duty on articles of British manufacture than on articles not of British manufacture shall be imposed under this Act if it is shown to the satisfaction of the Government of India or any other person appointed for that purpose by the Government according to the rules that may be made by the Government of India that there is no difference in quality between such articles of British and non-British manufacture as are being imported'."

THE HONOURABLE SIR GEORGE RAINY: Sir, I propose to speak very briefly on what has fallen from the last three speakers. The Honourable Sardar Shivdev Singh Oberoi supported the amendment moved by the Honourable Sir Sankaran Nair mainly on the ground, I understood, that the smaller industries could obtain standard Continental steel at a lower price and that it would be beneficial to them. I can understand that argument, but I have always believed that the argument that was put forward in another place on behalf of the smaller industries was not that they would buy Continental standard steel, but, on the contrary, that the non-standard steel was quite good enough for them. If I am correct in my belief as to what these arguments really were, then I think the Honourable Member's arguments fall to the ground. He then went on to say that the amendment was so innocent that he could not imagine there could be any difficulty in accepting it. Well, if what fell from the Honourable Sir Charles Innes failed to make clear to the Honourable Member the difficulties which Government felt, I am afraid that there is very little hope

[Sir George Rainy.]

that I should be able to do so with any greater success. I will only very briefly reiterate the points. In the first place, there is the administrative difficulty. You have to ascertain whether the steel is of standard quality and the only possible means of doing that is to have a metallurgical staff and a regular testing house in every port in India. There is no other way of doing it. The second difficulty is that owing to the low prices of steel in the Continent at present, if the standard steel from the Continent were admitted at the British rate of duty, it would mean for the present a serious breach in the protection scheme, and would lead to inadequate protection for the Tata Iron and Steel Company and the steel industry in India.

The Honourable Rai Bahadur Lala Ram Saran Das supported the amendment because he thought it necessary in order to give adequate protection to the steel industry in India. Well, you have, Sir, from the Chair, told us how difficult you found it to understand the amendment. But if it has the meaning which was ascribed to it by the Mover, then the only possible effect it can have would be to admit a certain quantity of steel into India at a lower rate of duty and in that case it would make the protection less adequate and not more adequate.

Now, Sir, I think we are entitled to something a little more definite than the amendment as it actually stands on the paper. I have looked at it two or three times. The best I can make of it is this. No protective duty at a special or differential rate is to be imposed. Take bars. There is a duty of Rs. 26 a ton on bars of British manufacture. That is special to British bars and is different from the duty on non-British bars. Therefore, presumably, it is a special differential rate. Then we have the duty of Rs. 37 a ton on bars which are not of British manufacture. That is special for non-British and different from the duty on British. Here is another special differential rate. What the amendment proposes to do is to say, "You shall not collect Rs. 26 a ton and you shall not collect Rs. 37 a ton." In that case, I submit, Mr. President, that we shall not be able to collect any duty at all. That seems to me of itself a sufficient reason for rejecting the amendment. That is the only meaning which I have been able to put on it after a considerable amount of examination.

I come now to the amendment to the amendment which has been moved by the Honourable Mr. P. C. D. Chari. The object he has in view is the exact converse of what is proposed by the Honourable Sir Sankaran Nair. The Honourable Sir Sankaran Nair wanted the standard steel imported from the Continent to come in at the British rate. What Mr. Chari proposes is that the non-standard British steel should come in at the Continental rate. It is the exact converse. But it has been characteristic of the somewhat paradoxical tone of this debate that the Honourable Mr. Chari, after having moved his clause as a substitute for Sir Sankaran Nair's, proceeded to say that he entirely agreed and supported Sir Sankaran Nair's amendment. I submit, Mr. President, that it is extremely difficult for any one on behalf of Government to reply to a debate of this kind. Here again, the fundamental objection is this. In order to give effect to what Mr. Chari wants you will have to test every consignment of steel imported from Great Britain with a view to finding out whether it is non-standard steel, because this at least would be certain that no steel would be imported into India with a formal certificate that it was non-standard

steel, especially when by so doing it would become liable to a higher rate of duty. Therefore, you have got to test every consignment. I think that of itself will show that the proposals made are entirely impracticable.

THE HONOURABLE MAHARAJADHIRAJA SIR BIJAY CHAND MAHTAB, OF BURDWAN (Bengal: Nominated Non-Official): I suggest, Sir, that the question be now put.

(The Honourable the President then rose to put the question.)

THE HONOURABLE SIR SANKARAN NAIR: I would like to reply, Sir.

THE HONOURABLE THE PRESIDENT: The Honourable Member has no reply.

The original question was:

"That clause 3 proposed in the amendment of the Honourable Sir Sankaran Nair be inserted in the Bill."

Since which an amendment has been moved:

"That the clause proposed in the amendment of the Honourable Mr. Chari be substituted for that proposed in the amendment of the Honourable Sir Sankaran Nair."

The question is that that amendment be made.

The motion was negatived.

THE HONOURABLE THE PRESIDENT: The question then is:

"That clause 3 proposed in the amendment of the Honourable Sir Sankaran Nair be inserted in the Bill."

THE HONOURABLE SIR SANKARAN NAIR: I want to speak on that, Sir. Have I got no right of reply?

THE HONOURABLE THE PRESIDENT: The Honourable Member has
5 P. M. no right of reply.

The Honourable the President then put the question and the Council divided:

AYES—12.

Desika Chari, The Honourable Mr.
P. C.
Govind Das, The Honourable Seth.
Mahendra Prasad, The Honourable
Mr.
Manmohandas Ramji, The Honourable
Mr.
Mu Govind Das, The Honourable Seth.
I Mahendra Prasad, The Honourable
Mr.
Oberoi, The Honourable Sardar
Shivdev Singh.

Ram Saran Das, The Honourable Rai
Bahadur Lala.
Ramadas Pantulu, The Honourable
Mr. V.
Rama Rau, The Honourable Rao
Sahib Dr. U.
Roy Choudhuri, The Honourable Mr.
Kumar Sankar.
Sankaran Nair, The Honourable Sir
Chettur.
Sett, The Honourable Rai Bahadur
Nalininath.

NOES—30.

Abdul Karim, The Honourable Khan Bahadur Maulvi.
 Akbar Khan, The Honourable Major Nawab Mahomed.
 Bell, The Honourable Sir John.
 Bijay Chand Mahtab, The Honourable Maharajadhiraja Sir, of Burdwan.
 Brayne, The Honourable Mr. A. F. L.
 Charanjit Singh, The Honourable Sardar.
 Corbett, The Honourable Mr. G. L.
 Dadabhoy, The Honourable Sir Maneckji.
 Das, The Honourable Mr. S. B.
 Evans, The Honourable Mr. F. B.
 Forest, The Honourable Mr. H. T. S.
 Froom, The Honourable Sir Arthur.
 Gray, The Honourable Mr. W. A.
 Habibullah, The Honourable Khan Bahadur Sir Muhammad, Sahib Bahadur.
 Haig, The Honourable Mr. H. G.
 McWatters, The Honourable Mr. A. C.

Mehr Shah, The Honourable Nawab Sahibzada Saiyad Mohamed.
 Misra, The Honourable Pandit Shyam Bihari.
 Nawab Ali Khan, The Honourable Raja.
 Rainy, The Honourable Sir George.
 Ranga Rao, The Honourable Raja Sri Ravu Swetachalapati Ramakrishna Bahadur, of Bobbili.
 Singh, The Honourable Raja Sir Harnam.
 Stow, The Honourable Mr. A. M.
 Suhrawardy, The Honourable Mr. M.
 Swan, The Honourable Mr. J. A. L.
 Tek Chand, The Honourable Diwan.
 Thomas, The Honourable Mr. G. A.
 Thompson, The Honourable Sir John Perronet.
 Umar Hayat Khan, The Honourable Colonel Nawab Sir.
 Wacha, The Honourable Sir Dinshaw Edulji.

The motion was negatived.

Clause 3 was added to the Bill.

Clause 4 was added to the Bill.

THE HONOURABLE THE PRESIDENT: If any Honourable Members want me to put particular items in the Schedule I shall do so; otherwise the question before the House is that the Schedule stand part of the Bill.

The motion was adopted.

The Schedule was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR GEORGE RAINY: Sir, I beg to move that the Bill to provide for the continuance of the protection of the steel industry in British India, as passed by the Legislative Assembly, be passed.

THE HONOURABLE SETH GOVIND DAS (Central Provinces: General): Sir, being a business man myself I do not want to give my silent vote on this most important commercial measure. But, Sir, at the same time, at this late hour I do not want to take up much of the time of the House by putting forward figures which have already been put before this House by many Honourable Members and also in the other place. I shall only make a few general remarks. At the very outset let me point out that I and my party—I mean the Congress Party—in this House are not in any way opposed to protection. From the very beginning we have been advocating protection from the platforms of the Indian National Congress. The policy of protection has been advocated for years past and that is why in 1924, when the subject was for the first time brought before the Legislative Assembly, the Swaraj Party, though it was pledged to oppose every measure brought forward by the Government, supported the Bill for protecting the steel industry. But now the position is quite different. The

Bill which has been brought to-day in this House does not merely ask for protection; it does something more and it asks for, Sir, differential treatment for steel of British origin. The Honourable the Mover of this Bill said in his first speech that in 1924 the Tariff Board could not bring up such a measure. He further said that there were many reasons for it. The Honourable the Commerce Member stated that this differential treatment means killing two birds with one stone. He said that it was going to give us cheap standard steel and also to protect the Indian industry. He also gave reasons for that. But I say that these are not the real reasons owing to which this differential duty has been introduced. The reason is quite different, and it is that the British steel industry is collapsing. This was conclusively proved in the other House. In order to throw further light I will only quote from Hansard. In 1924 one Mr. Lambert asked Mr. Webb, the President of the Board of Trade, as to "why the recent British tenders for the supply of 5 locomotives to the Indian State railways were higher in price than those of German and Italian firms". In a supplementary question he put the whole thing straight:

"May I tell my Right Honourable friend that the point is that the British manufactures are unable to compete in India and Egypt with foreign manufactures, and that being so, it is a definite question for the Board of Trade."

From this and from many other sources the fact that the British steel industry is collapsing is quite clear and the differential treatment which has been introduced is mainly due to that. We want protection, no doubt, but we do not want this kind of protection. It is said that we must have standard steel. Well, Sir, it is a very, very old argument. We must have everything of a very superior nature. Mr. Lloyd George in his very remarkable speech, which has now become a historic speech, said that India must have the steel frame of the Civil Service. Now, it is desired that every house in India should have standard steel. But, Sir, everybody does not want standard steel. The Honourable Mr. Ramadas Pantulu has pointed out that everybody does not require steel for building Howrah bridges or railway lines. India has enjoyed—I mean the consumer in India—the benefit of the cheap Continental steel for about 50 years and now he will have to pay a higher price on kinds of steel—bars, beams, plates, sheets, etc.—and, Sir, in the case of sheets even 100 per cent. higher. Then, where is the guarantee that the cheap Continental steel will not come into India under the British trade mark? The Honourable the Commerce Member tried to meet this point in his speech, but he was not at all convincing. In 1924 Great Britain imported steel from the Continent to the extent of 25 lakhs of tons. Now, where is the guarantee that this steel, which Great Britain is importing, will not find its way into India under the British trade mark? He could not give any such guarantee to us. In view of this I am tempted to wish for a dependency, just as Great Britain has in India, where I could have dumped cheap Continental steel under the Indian trade mark. But, unfortunately, we are not in that position. Our country is a dependency itself and so we can only dream of such things. But an equally important question is whether after such a great burden on the consumers, the present steel industry of India is being protected adequately? To-day, of the total quantity of steel imported into this country, 68 per cent. is of British origin, and when this is practically exempted from enhanced duty, do you think that the Indian steel industry will be adequately protected? My Honourable friend, Sir Maneckji Dadabhai remarked in the course of his speech that we should not poke

[Seth Govind Das.]

our nose into everything and that we should accept expert opinion when it is offered. I may be permitted to point out to him that the question is which is the expert opinion? The Tariff Board recommended one thing in 1924-25 and what they are recommending to-day is entirely different from that. May I ask Sir Maneckji Dadabhoy or the Honourable the Commerce Member, who also wants us to accept expert opinion without demur as to which opinion we should consider to be expert—the opinion which was expressed in 1925 or the opinion which is being expressed to-day?

THE HONOURABLE SIR MANECKJI DADABHOY: Both.

THE HONOURABLE SETH GOVIND DAS: And if next or some time after that, or after 7 years the Tariff Board comes out with a different scheme altogether, you will again accept it as expert.

THE HONOURABLE SIR MANECKJI DADABHOY: We will consider that then.

THE HONOURABLE SETH GOVIND DAS: You will consider it in the way you are doing to-day. The whole question, to me, is as clear as daylight and it is that we are being cleverly made to commit ourselves to a policy of Imperial Preference and that is one of the reasons why we are opposing the Bill. In the other place the Honourable the Commerce Member was able to win over Mr. Jinnah to his side and I say that on account of his supporters in that popular Chamber he was able to have the Bill passed. But Mr. Jinnah could not give a reply, let me point out to the Honourable the Commerce Member, to the question whether this Bill embodied Imperial Preference or not. He began by saying that it did not embody Imperial Preference and ended by saying, "Supposing it is Imperial Preference it is for the good of my country." Therefore, I will again repeat that this is Imperial Preference pure and simple. The Honourable the Mover of the Bill said that as soon as Indian conditions required, the preferential duties will be abolished. I do not know whether they will be abolished when Indian conditions required or when the conditions of Great Britain permitted its abolition. Therefore, I say personally and on behalf of my party that, though we ourselves are for protection of the steel industry, we are opposing this Bill only because it is a measure which is intended to help the British steel industry and not India.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN: Sir, those who are advocates of German steel to-day and are anxious that it should come to our country would not advocate its use in this country if that steel had passed through any part of their bodies or that of their friends or comrades during the War. At the time when we were supplying men and fighting in Flanders and when Germans were bombarding us, others who were traders were making money hand over fist. What do they know, Sir, about the troubles that we were faced with in the War? We are only thankful for the Imperial connection which unfortunately is being run down in the debate to-day by a certain class of people who do not like to be members of the British Empire. I ask such people to think for a moment that if the British Empire had not saved us, where would we all have been to-day? Would we be standing in this Chamber and talking like this? The whole country would have been overrun, and perhaps like some people in East Africa who were rendered inactive during the German

régime, our voices which we have been raising to-day would have been completely silenced. One of the reasons why I have been opposing all these amendments is that I do not like to put our money into the hands of our enemies. Why should we not give that money to our saviours and friends—the British, who will have a better navy and a better army to come and help us when we require it again?

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill to provide for the continuance of the protection of the steel industry in British India, as passed by the Legislative Assembly, be passed."

The motion was adopted.

The Council then adjourned till Eleven of the Clock on Thursday, the 3rd March, 1927.
