

Thursday, 30th March, 1939

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THE

# COUNCIL OF STATE DEBATES

## VOLUME I, 1939

*(23rd January to 18th April, 1939)*

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### FIFTH SESSION

OF THE

### FOURTH COUNCIL OF STATE, 1939

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# COUNCIL OF STATE.

Thursday, 30th March, 1939.

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

## MEMBER SWORN :

The Honourable Mr. Hugh Dow (Commerce Secretary).

## QUESTIONS AND ANSWERS.

### RATE WAR ON THE KONKAN COAST.

223. THE HONOURABLE RAI BAHADAR LALA RAM SARAN DAS : Will Government state :

(a) Whether they are aware of the uneconomic and relentless rate war between shipping companies operating on the Konkan Coast ?

(b) The steps taken by these shipping companies in response to Government's letter of February, 1938 urging the companies to end the rate war by coming to an amicable settlement ?

(c) Whether the companies concerned have agreed to an amicable settlement either through negotiations among themselves or through arbitration ?

(d) Whether in view of the delay of the companies concerned to come to an agreed settlement among themselves Government propose to use their good offices in bringing about a settlement by calling a conference of the companies concerned ? and

(e) Whether they propose to introduce legislation with a view to ensuring the operation of economic rates to prevail in coastal shipping and to prevent cut-throat rate war in future ?

THE HONOURABLE MR. H. DOW : (a) Government are aware of the existence of a rate war between shipping companies on the Konkan Coast.

(b) and (c). The companies appear to have negotiated among themselves but without success.

(d) Government have recently addressed the companies concerned inquiring whether they would be prepared to submit their case to the Honourable the Commerce Member for arbitration and to abide by his decision.

(e) No.

### WAR ON THE KONKAN COAST.

224. THE HONOURABLE MR. G. S. MOTILAL : (a) Will Government state whether there is any rate war between shipping companies operating on the Konkan Coast ? If so, since when and between whom ?

(b) Is there any effort made to help Indian companies in this rate war ? If so, what help is given by Government to the Indian companies ?

**THE HONOURABLE MR. H. DOW :** (a) According to representations received by Government a rate war between the Bombay Steam Navigation Co. on the one hand, and the Indian Co-operative Navigation and Trading Co. and the Ratnagar Steam Navigation Co. on the other, appears to be going on since December, 1936.

(b) All the steamship companies concerned in the rate war are Indian companies. The Government of India have recently addressed these companies inquiring whether they would be prepared to submit their case to the Honourable the Commerce Member for arbitration and to abide by his decision.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Have Government received any reply to their letter ?

**THE HONOURABLE MR. H. DOW :** I cannot definitely say whether they have. If so, it has been received very recently and I have not myself seen it.

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#### CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

**THE HONOURABLE THE PRESIDENT :** The Council will now proceed to elect six non-official Members from the Council who shall be required to serve on the Central Advisory Council for Railways. The election will be according to the principle of proportional representation by means of the single transferable vote and the ballot papers will now be placed in Members' hands and I ask the Honourable Members to vote in accordance with the instructions noted thereon. I have also to inform the House that the Honourable Rao Bahadur K. Govindachari, the Honourable Rai Bahadur Lala Ram Saran Das, the Honourable Sardar Bahadur Sobha Singh and the Honourable Mr. Hossain Imam have since withdrawn their candidature for election.

(Ballot papers were then distributed.)

**THE HONOURABLE THE PRESIDENT :** The result of the election will be declared later.

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#### RESOLUTION *RE* INDO-BRITISH TRADE AGREEMENT.

**THE HONOURABLE MR. H. DOW (Commerce Secretary) :** Sir, I move :

"That this Council approves the Trade Agreement signed on the 20th March, 1939, between His Majesty's Government in the United Kingdom and the Government of India."

Sir, the Resolution which I have just moved is one of very great importance. The document in which the Trade Agreement between His Majesty's Government and the Government of India is contained is one of some intricacy, and in the ordinary way I should have considered it my duty in my opening speech to explain it in detail to the best of my ability. But the matter has been very recently debated in another place, and it has been given very great prominence in the public press. I think it will save the time of the Council, and in no way prejudice Honourable Members in coming to a decision, if I

assume that the details of this Agreement are already sufficiently well known. My remarks, therefore, will be little more than a summary of the position as it is viewed by Government, and I will endeavour at the end of the debate to reply to particular points that may be raised.

Our trade relations with the United Kingdom have since 1932 been regulated on the principle of Imperial preference which was accepted by the Ottawa Agreement. Three years ago, the Government of India accepted a Resolution of the Assembly to give notice of termination of that Agreement and since that time the Government of India have been continuously engaged, with the help of non-official Advisers, in fashioning the Agreement which is now before us. If, in the course of my present speech, or at a later stage of the debate, I should have to express the dissent of Government from some of the recommendations which the non-official Advisers have put forward, I hope I shall not be construed as showing any lack of appreciation of the work which they have done. The Agreement is far more favourable to India than it would have been without their advice. We have not obtained all they asked for, and we have had to make some concessions which they wished to resist. But, I do not believe that India could have had a more able and astute negotiator than the Honourable Sir Zafrullah Khan (Applause), and it is the view of Government that on the basis of the advice tendered to him, he has obtained an extremely favourable Agreement which Government are justified in asking this Council to approve.

The basis of the current Agreement between India and the United Kingdom is the mutual grant of preferences by each country in respect of certain imports from the other. It is also the basis of the new Agreement, with one important exception to which I shall refer later, and each side has striven to maintain the existing preferences which it considered to be of value and to gain others. I will give you the broad results.

India has succeeded in maintaining practically all the preferences which she enjoyed under the old Agreement. If you will turn to the second Report before you from the non-official Advisers—the one dated October, 1937—you will find that they classified these preferences, affecting an export trade of some Rs. 33½ crores in 1935-36, as follows. There are 15 items totalling Rs. 27 crores regarding which they say that the preferences have been of insurance value. There are 13 items totalling about Rs. 6 crores in which they regard the preferences as of actual value to India. And, lastly, there are eight items, amounting to little more than half a crore altogether, in which they regarded the preference as of no special value. By insurance value the advisers meant this. They meant that India's competitors were mainly Empire countries which enjoyed the same preferences as India and that the United Kingdom was very largely supplied with these commodities by Empire countries. There has been some tendency to regard insurance value as practically equivalent to no value at all. But though these preferences may not help India to increase her trade at the cost of her Empire competitors, it would obviously be a very serious matter if India were to come under the same terms as foreign countries while her Empire competitors continued to enjoy the preferences. This group of articles includes Tea, Tanned hides and skins, Goat-skins (raw), Groundnuts, Coir yarn, and Coir mats and matting. I do not think any one who is interested in any of these trades would admit that these preferences have been useless to India. On the contrary, we have received expressions of opinion that a withdrawal of these preferences would be most disastrous to India.

[Mr. H. Dow.]

The only preferences which we have not maintained intact are those on Wheat and Rice, and in the case of both of these, India abated her claims, as the Council is already aware, in the interests of promoting the Anglo-American Trade Agreement. Moreover, I may remind Honourable Members that the tariff concessions granted by the United States to the United Kingdom under that Agreement are automatically extended to India. The preference on wheat has been of considerable advantage in the past, but under conditions which are at present prevailing and are likely to prevail in the near future so far as we can see, it is not now of very great value. As regards rice, India's interest in the reduction of the rice preference really ceased with the separation of Burma.

We have not lost or had reduced any of our other preferences. I mention this specifically because the Committee of the Federation of Indian Chambers have published prominently a statement that in the case of Jute manufactures, Chrome leather and Carpets and Rugs, which they considered to be the only commodities in which India received an effective benefit, the margin of preference enjoyed under the existing scheme has been reduced. I dealt fully with that statement in another place and I do not propose to deal with it again here. I do not know how the Federation came to make such a mistake of fact, but I can only repeat they are entirely mistaken. There has been no reduction in these preferences, but on the contrary in the case of chrome leather we have succeeded not only in retaining our existing preference of 30 per cent., but we have got half of this scheduled as a guaranteed preference. We have also gained other additional scheduled preferences. I perhaps ought to explain what a scheduled preference is. Under the old Agreement India was entitled to free entry for a large number of commodities, and from time to time during the course of the Agreement duties have been imposed on some of these foreign commodities. That meant that India for the time being got a preference in respect of those articles, but it was a preference which was liable to be taken away at any time. That was the position in the case of the preference to chrome leather, but now chrome leather has been removed to the scheduled list, so that 15 per cent. of the preference is now guaranteed. But India still enjoys the whole preference of 30 per cent.

I now pass to the preferences which we have had to give to the United Kingdom. Here the main fact is that we have secured a very large reduction in the number and the value of the preferences which will now apply to a trade (measured by the figures of 1935-36) of Rs. 7½ crores as against Rs. 18½ crores under the Ottawa Agreement. In making out this reduced list of preferences we have very rigorously excluded articles for which a preference might not have been in the interest of the Indian consumer or of the small industrialist. I may mention such matters as Hardware, Rubber manufactures, Woollen manufactures, Stationery, Brass, Electric bulbs, Aluminium. All these things have been removed from the list of preferences which are granted to the United Kingdom. In other words we are now paying a very much smaller price than before for the preferences which we have secured in the United Kingdom.

**THE HONOURABLE MR. HOSSAIN IMAM :** What was the value of these concessions withdrawn ?

**THE HONOURABLE MR. H. DOW :** It is the difference between Rs. 18½ crores and Rs. 7½ crores.

I now come to the important point of difference between this new Agreement and the current one, and what is perhaps likely to be the most controversial point. At the time of the Ottawa discussions the United Kingdom were already very worried by the precipitate fall in their imports of piecegoods into this country, and the United Kingdom Delegation at that time was very anxious for a reduction of duties, but the Government of India felt unable to discuss the question because they had already referred it to a Special Tariff Board. The United Kingdom, however, did at Ottawa undertake to do what they could to promote the increased consumption of Indian cotton in Lancashire. You are aware that in pursuance of that undertaking the Lancashire Indian Cotton Committee was set up, and that it has indeed been extremely successful in increasing the use of Indian cotton in England. That is a matter which has received tributes from all sections of the industry, and I think there is now no reason for saying that this Committee has not honoured the Agreement, which at one time was said by many to be merely a pious hope. The Committee have honoured it as much as they could have done if it had been a contractual obligation, capable of being enforced in a court of justice. On the other hand, the reductions of duty which were ultimately given to Lancashire as the result of the Special Tariff Board have not, as a matter of fact, resulted in any improvement of Lancashire's trade in this country.

Now, Sir, it was known from the inception of these negotiations that the United Kingdom would attach the highest importance to some amelioration being made in her piecegoods trade into India. India on her part has attached importance to the translation of the undertaking to encourage the consumption of raw cotton in England into a definite undertaking to purchase a certain number of bales of Indian cotton. This position, that it was necessary to do something for Lancashire, has been accepted throughout by the non-official Advisers who in their first Report expressed their view that a trade agreement ought to be concluded. It is idle therefore to take up the position, as has been done in certain quarters, that no increase of Lancashire's trade with India can be permitted. It is however a matter of argument whether the sacrifices which are to be made by the mill industry are too heavy, and do not correspond with the gain to the cultivator.

I do not think that I need explain in detail the cotton clauses of this Agreement. They propose an immediate reduction in the duties of British cotton goods, with a further reduction if imports go below 350 million yards, and with power to restrict imports by any necessary increase of duty to 500 million yards. These concessions to the United Kingdom are linked directly with a guaranteed offtake of Indian raw cotton starting at 500,000 bales in 1939, rising to 550,000 bales in 1940, and to 600,000 bales in every subsequent year, with the grant of a special inducement to the United Kingdom if the figure exceeds 750,000 bales.

That is really a summary of the main points of the Agreement and Government think that the retention intact of all our existing preferences, the gaining of certain new scheduled preferences, the severe curtailment of the preferences which have been granted to the United Kingdom, and lastly the importance of the guarantee to our cotton growers, outweigh in value the disadvantages to the Indian cotton textile industry of the opportunity offered to the United Kingdom to recapture a small part of her lost Indian market.

To recapitulate, the Agreement guarantees to India the continuance of almost all her existing concessions with, in addition, an adjustment in her favour of the drawback system in respect of linseed and groundnuts. It ensures an average annual offtake of 550,000 bales of Indian raw cotton by the

[Mr. H. Dow.]

United Kingdom in the next three years, and incidentally it frees India from her obligations under the Supplementary Agreement. On the other hand it imposes on her, in return for the concessions received, the obligation to continue preferences to the United Kingdom on a greatly reduced volume of trade, and to reduce the duties on United Kingdom cotton piecegoods by certain specified amounts, whilst retaining freedom to raise duties in the event of the United Kingdom imports exceeding certain defined limits. Now in the normal course the United Kingdom can hardly hope to attain the maximum limit of 500 million yards earlier than in the third year of the Agreement, and on a most liberal estimate her average sendings during the period of this Agreement are unlikely to exceed 425 million yards, or the medium figure which is expressed in the Agreement. The fact that imports from the United Kingdom approximated to these figures as recently as 1935-36 suggests that the recapture by the United Kingdom of this additional market would not involve the Indian textile industry in any undue sacrifice. Judged from the point of view of the exact balance between immediate losses and gains the Agreement must be admitted to be highly favourable to India. There are, however, larger economic considerations which invest the present Agreement at the present time with special value and significance.

In the course of the last few days I have heard many arguments against the Agreement which have tended to cancel each other out. We have been told that the preferences are of no importance and cannot affect the natural flow of trade. We have been told that they are a great hindrance and they ought not to be allowed to affect the natural flow of trade. We have been told that their grant is of no value, and we have been told that to be deprived of even the smallest of them is a very serious loss, and that to grant them to others will bring ruin to our own industries.

I do not propose to deal with these, but I will, in conclusion, deal with one argument which was made against this Agreement, an argument of a somewhat curious nature, which only derives its importance from the eminence of the source from which it emanated. One would have thought that it was beyond any human ingenuity to give a communal twist to the consideration of this matter. But one lives and learns. It has been seriously argued that this Agreement is at best an arrangement between British capitalists on one side and Hindu capitalists on the other, and that it is therefore an issue which the whole body of Muhammadans can afford to regard with indifference. I do not know, Sir, whether the Congress Party subscribe to the view that the poor Hindu who is not a capitalist is also not concerned in this matter; but it was a noticeable feature of the debate in another place that the Member who is usually the most precipitate and vocal in his defence of the interests of the poor ryot played throughout the debate the part of a dumb laggard. Perhaps Mr. Ramadas Pantulu will be in a position to tell us why. I myself cannot understand how anyone can subscribe to the argument that only the capitalist, and only one of the two great communities, has any interest in this Agreement. No less than 82 per cent. of India's total exports to the United Kingdom fall within the category of goods which enjoy either preference or free entry under this Agreement. It covers an extraordinarily wide range of India's raw materials and of its manufactured products. It seems to me fantastic to suggest that, while this Agreement may affect the interests of Hindus, it cannot concern the 70 millions of Muslims who live in this land. It covers such crops as tea, groundnuts, linseed, tobacco, coffee, barley. Is it only the Hindu zamindar, the Hindu cultivator, who is interested in the price that he gets for these

commodities ? Among manufactures, there are jute manufactures, tanned hides and skins, coir matting, chrome leather, carpets and rugs. Are these only the concern of the Hindus ? Rather isn't it true that in some of these the Muslim community has a special interest ? Oh, but we are told the Muhammadans are mere labourers, hewers of wood and drawers of water ; they have no real concern in the business. This statement is not true, but let us suppose for a moment that it were. Does the Leader of this Community argue that because large masses of Muslims are poor and without influence, we need pay no attention to their interests ? When agriculture is depressed, when trade is bad, when industry languishes, is the suffering confined to the zamindar, to the merchant, to the manufacturer ? Is not the cultivator, the shop assistant, the millhand, the first to feel the pinch and to feel it most severely ?

Sir, I am myself a beneficiary of the Indian peasant, and it is by the sweat of his brow that I am enabled to eat my bread. I am grateful for it and I am not ashamed of it, for I have done my best, and I shall continue to do my best, to repay him by working hard on his behalf. It is equally true that the gentlemen opposite draw their sustenance from the same source. I hope that they, and I believe that they, are equally grateful. I hope they will recognise, as I see the Punjab Premier has just publicly declared, that the rejection of this Agreement will amount to a gross betrayal of the interests of the agriculturists of the Punjab and other provinces.

Sir Muhammad Zafrullah has been accused of throwing dust in the eyes of the agriculturists of the Punjab. I say that the man who made that charge was himself throwing dust in the eyes of the elected representatives of those agriculturists who sat behind him. And he knew it. And they knew it.

The Roman poet, musing in retirement in his villa at Præneste over the ebb and flow of fortune during the Trojan War, reached the conclusion that when the great ones of this earth make mistakes it is always the common folk who suffer. I am sure this will prove true in the matter before us. I know that the Honourable Commerce Member, to whose patient persistence this very satisfactory Agreement is largely due, has had constantly before him the interests of the poor and lowly of this land ; and I believe that he has had signal success in safeguarding them, and that it is they who must suffer in the largest measure if this Agreement is allowed to become a mere scrap of paper.

Sir, I move.

**THE HONOURABLE THE PRESIDENT :** As this Motion is in the nature of a Resolution, I remind Honourable Members that the time limit for individual speakers is 15 minutes only.

**THE HONOURABLE MR. RAMADAS PANTULU (Madras : Non-Muhammadan) :** Sir, I regret I have to oppose this Motion in spite of the very lucid and sympathetic exposition of the Agreement with which it was moved by the Honourable Mr. Dow. Before I come to the details of the Agreement, I will state a few general grounds for my opposition to this Resolution. I oppose this on behalf of the Congress Party, not because it affects any particular interest or particular communities but because it affects all interests and all communities in this country. The Congress at any rate stands for all interests and all communities in this country and not for any particular interests or communities. Sir, in the first place, I must say that the Government, after its very decisive defeat in the popular Chamber, ought not to have brought this Agreement here for adoption in this House.

**THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN :** If that, Sir, is the feeling of the House about this Motion, I am prepared to request you to stop the discussion at this stage.

**THE HONOURABLE SIR DAVID DEVADOSS :** No, certainly not.

**THE HONOURABLE MR. RAMADAS PANTULU :** Sir, it is not an honest procedure to bring an Agreement to a House where the Government whose action is disapproved by the popular Assembly has got a standing majority. It might as well have been taken to a Secretariat Conference consisting of the officials here.

**THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN :** Sir, I hope the Honourable Member will excuse another interruption, but I must make that point clear. Government decided to make this Motion in this House because on previous occasions this House had expressed a desire that, if any Agreement was arrived at between the United Kingdom and this country, it should be placed before this House also for the expression of its opinion. If, as I have already said, it is not the desire of the House that they should express an opinion upon this Agreement, I on behalf of the Government am quite prepared to request you that the discussion may stop at this stage.

**THE HONOURABLE MR. RAMADAS PANTULU :** Sir, we take the offer. This House will express an opinion if the Government and its nominees will abstain from voting. It is not a legislative measure and there is no constitutional difficulty in the Government abstaining from voting. If they want to ascertain the opinion of the representatives of this country, the elected representatives of the people and not once more to ascertain the opinion of the Official Members and the Nominated Members who constitute the majority, then we will accept Sir Muhammad Zafrullah's offer to discuss this.

**THE HONOURABLE THE PRESIDENT :** But that would be unconstitutional.

**THE HONOURABLE MR. RAMADAS PANTULU :** With all respect, Sir, I submit that to ascertain the views of the elected representatives of the people on a trade agreement will not be unconstitutional, though it may be in regard to a legislative measure. It is not a Bill. After all, the Government is solely responsible for concluding this Agreement and it is the concern of Government. In doing so they would be well advised to ascertain the views of the representatives of the people, keeping their own votes in the background because they are parties to the Agreement. Therefore, Sir, I submit that there is nothing unconstitutional in my proposal.

**THE HONOURABLE SIR DAVID DEVADOSS :** Nominated Members don't belong to the people?

**THE HONOURABLE MR. RAMADAS PANTULU :** They don't. They count as part of the official block.

**THE HONOURABLE SIR DAVID DEVADOSS :** Certainly not.

**THE HONOURABLE MR. RAMADAS PANTULU :** It is when it comes to a question of voting.

**THE HONOURABLE SIR DAVID DEVADOSS :** I must protest against this sort of challenge, Sir. We vote as we think right. As you know very well, Sir, I have voted several times against the Government. But it is not my duty always to say they are wrong.

**THE HONOURABLE THE PRESIDENT :** I would advise you not to take very much notice of this.

**THE HONOURABLE SIR MUHAMMAD YAKUB :** I also, Sir, would like to enter my strong protest against the language used by the Leader of the Congress Party and if it comes to that I am prepared to formally move that the debate on the Motion be adjourned.

**THE HONOURABLE SIR A. P. PATRO :** It is a cheap commodity, the vote of these people who came in by election. We know by what means and in what ways they came in.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** The elected Members are the representatives of the people, as we all know. We also know what the position of the nominated Members is. No number of protests from them will alter that fact. (*An Honourable Member attempted to interrupt.*) Will the Honourable Member allow me to go on? The question has been discussed here several times and we all know what the position of nominated Members is. Outside this House they tell us what they would have done had they been under no compulsion to vote in a particular way but when they come here they stand up as patriots.

**THE HONOURABLE MR. H. DOW :** Has that not been known to happen in other Parties?

**THE HONOURABLE SIR MUHAMMAD YAKUB :** Have we not heard the same thing from Congress Members and other Members in the lobby?

**THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House) :** Sir, may I suggest that this question about nominated Members is not relevant? It might be taken up on some other occasion.

**THE HONOURABLE SIR MUHAMMAD YAKUB :** His remark ought to be withdrawn, Sir.

**THE HONOURABLE SIR A. P. PATRO :** The Congress Party makes these people worse than slaves.

**THE HONOURABLE MR. RAMADAS PANTULU :** I assure my Honourable friends that I meant no insult to them. I paid a compliment to them for their loyalty to the Government.

**THE HONOURABLE SIR MUHAMMAD YAKUB :** We would like to pay you back in the same coin!

**THE HONOURABLE MR. RAMADAS PANTULU :** Sir, I say that a debate on this Motion before this House is absolutely useless—I won't use the word "farce". Secondly, Sir, in answer to a question in this connection, the Honourable the Commerce Member in the Assembly said that Government would not take any decisions until they had given full consideration to the

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debate in the other place. If so, I think he might have waited for some time before he brought this Motion here, because there is hardly any time to give consideration to the elaborate discussion which took place in the other House for two days and he might have come to us later with proposals for a modification of the Agreement, if any, which he would suggest in view of the debate. Therefore, bringing it immediately after the defeat in the Assembly merely to have it ratified or approved here is, I submit, not at all an honest course for Government to take. I am sorry to use the phrase.

Then, Sir, what is this Agreement? One leading publicist humorously remarked some time ago, when the Agreement was in progress: It is an Agreement which is signed by one Mr. Stanley, President of the Board of Trade, for England and another Stanley, Under Secretary of State for India and this is called an Indo-British Trade Agreement! By two Stanleys, one representing India and another representing England, that is the Agreement between the two countries.

Sir, what is this Indo-British trade, I ask? It is nothing but trade in commodities and goods carried between India and England in British bottoms, financed by British exchange banks and insured by British insurance companies. Nothing but that. My friends of the Federation of Indian Chambers of Commerce call these services invisible imports. They may be invisible from the commercial or technical point of view but they are offensively visible to most of us who know what they are. Sir, this aspect of Indo-British trade has come in for detailed consideration before the Indian Central Banking Inquiry Committee. Then distressing tales were told us of the way in which British shipping, banking and insurance concerns in this country enter into unholy alliances to suppress Indian interests by both open and insidious methods, methods with which the Committee dealt at length in this Inquiry and found to be absolutely true. I will read, Sir, one small passage—a few lines from the Report of the Central Banking Inquiry Committee on this matter which I consider to be very relevant. They say at page 326 of the Report:

“ Another complaint prominently put forward by the representatives of the Indian Merchants Chamber, Bombay, relates to the attitude of the exchange banks in regard to Indian insurance companies. It has been stated that these banks are literally forcing Indian exporters to insure their goods with foreign insurance companies. . . . . As a result of this attitude on the part of the exchange banks, it is alleged that every year India is making payments abroad in the form of insurance premia to the extent of nearly Rs. 2 to Rs. 3 crores, which should properly go into the pockets of Indian insurance companies ”.

Again, British ships would not carry the goods unless they were insured with British insurance companies. What did this Agreement do to redress out grievances in these fields?

THE HONOURABLE MR. A. J. RAISMAN (Finance Secretary): The Honourable Member purported to tell us what the Committee said but he has not done so.

THE HONOURABLE MR. RAMADAS PANTULU: The recommendations of the Committee are given on the pages to which I can give reference. I cannot read out the whole passages in the 15 minutes allowed to me. The Committee finds that these charges are all correct. See also the non-official Adviser's Report in relation to this Agreement. These complaints still exist. They go at great length into it. My friend would permit me to give the reference to the passages—

THE HONOURABLE MR. A. J. RAISMAN : I presume it is alleged that the Committee found it correct ?

THE HONOURABLE MR. RAMADAS PANTULU : Certainly. I was a member of the Committee and I know the recommendations I have made there. This Indo-British Trade Agreement has been concluded in the interests of England. Sir, we have got plenty of advisers to tell us that it is in India's interests and that we ought to accept it. The latest I have read this morning is the *Manchester Guardian's* advice. It says that the Agreement is greatly in India's favour. Sir, may I ask if Indian commercial men and Indian industrialists are so stupid as not to understand their own interests or if they are so perverse as to say "No" when as a matter of fact it is to India's interest ? They are neither perverse nor stupid. We know our interests better than our British advisers do, and we are not so stupid as not to consult our own advantages. The Honourable Sir Thomas Stewart, who spoke for Government in the other House, expressed his regret at two recent developments. One of them is the rapidly declining imports of British cloth into India and the other is the rapidly increasing production of the Indian textile mills. He was evidently concerned over both these developments. That is exactly the attitude which has animated British statesmen in this country for two centuries now, and today, Sir Thomas Stewart says in the Legislative Assembly in the year of grace 1939 exactly the same thing which Sir John Strachey said in 1877 when he presented the Financial Statement of the Government of India for that year. I quoted that passage once before on another occasion and I shall do so now. He said :

" I am not ashamed to say that while I hope that I feel as strongly as any one the duties which I owe to India, there is no higher duty in my estimation than that which I owe to my country. I believe that my countrymen at home have a real and very serious grievance ".

When was it ? In 1877, when Lancashire had practically a monopoly of the cloth trade in India, after they destroyed our trade by the most abominable methods. Sir, while the Indo-British Trade Agreement was in progress, the *Morning Post* said :

" We have direct concern in India because it is one of the chief markets of the world. We went there as traders and despite all the fine talk of our modern Highbrows, that is still the material basis of our rule ".

" Material ", I agree. There is no more moral basis for it.

" We give you protection and you buy our goods. If we abandon India it will not only be Indians who will suffer but the 12 million people of Lancashire and indeed our whole industrial system will be affected. After all, when all is said, this nation must live. That is the first consideration, and we see no other way in which this nation can live upon these little islands save by industry and trade ".

They might have added, " at the expense of other people ". That is the spirit which animates this Indo-British Trade Agreement. Therefore, we on our part cannot accept the advice given to us that the Agreement is in our favour and is to our interest.

Sir, coming to some details of the Agreement, it is unnecessary to go into them at any length, because they were discussed fully in the other House and the Honourable Mr. Dow has given details. With regard to the cotton clause, an appeal is made to Indian textile interests to make some sacrifice in the interests of the Indian cultivator. If the interests of the Indian cultivator will be promoted by the Indian textile industry making some sacrifice,

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I would certainly vote for it, because, after all, the Indian cultivator produces the food for the nation, grist for the mills, and also produces surplus agricultural wealth to create a favourable balance of trade for India. No industrialist can afford to ignore such vital interests, because the agriculturist is after all the mainstay and the economic backbone of this country. So, if a sacrifice on the part of the Indian industrialist will benefit the cultivator, I would certainly vote for that Agreement.

THE HONOURABLE THE PRESIDENT : Your time is exhausted.

THE HONOURABLE MR. RAMADAS PANTULU : But my reading of the Agreement is that both the Indian textile industry and the Indian cultivator are asked to sacrifice their interests in order to promote the interests of the Lancashire textile industry. That is the tragedy of the whole situation. I do not think that Indians can so easily swallow that pill. The Honourable Mr. Dow very rightly pointed out that the British textile trade is not likely to increase its import into India by more than 425 million yards in the near future. But what will they get in return for that ?

THE HONOURABLE MR. H. DOW : I said " up to that amount ".

THE HONOURABLE MR. RAMADAS PANTULU : Yes. Supposing we took cloth up to that limit what would they take in return ? They would not take more than 400,000 bales of cotton. They can go up to 425 million yards without taking more than 400,000 bales of cotton and at the same time get a reduction of  $2\frac{1}{2}$  per cent. in the basic rate.

THE HONOURABLE THE PRESIDENT : Please conclude your remarks.

THE HONOURABLE MR. RAMADAS PANTULU : I say the Agreement is one-sided. The preferences which the United Kingdom gets either hit our industries or curtail our power to enter into agreements with others. With regard to the preferences given to India, which is mainly a producer of raw materials, only with one point I will deal. The Honourable Mr. Dow said that the insurance value secured for Indian exports to the United Kingdom is not negligible and asked what will happen to India if England discriminates against India in favour of other Empire countries. My answer is, England dare not. Because Indians are the best customers of British trade, they dare not discriminate against us. We have got to meet our foreign commitments to England. We have got to pay your interest, your pensions ; British capital has got to be paid the interest. Our foreign commitments are such that you dare not discriminate against us in favour of Empire countries. You will lose the Indian trade, the Indian custom, and you won't get your salaries, interest and pensions. This argument therefore does not convince us. Therefore, England imports Indian goods for her benefit and when she gives us preferences along with the Empire countries she does so because she cannot afford to discriminate against India. From every point of view this Agreement is injurious to the people of India and I hope the Government will be wise to accept the Assembly's verdict and not ratify the Agreement over the people's head.

THE HONOURABLE MR. SHANTIDAS ASKURAN (Bombay : Non-Muhammadan) : Sir, I am glad that my friend the Honourable Mr. Dow has made a lengthy statement which will help us in expressing our opinion.

Sir, this Agreement raises most important issues regarding the commercial and industrial policy of this country. I shall confine myself therefore to what I consider to be certain broad aspects of general policy in this connection, leaving the details to the experts. I do not intend to convey that the details are unimportant; some of the details are fundamental, but I feel that a greater emphasis is necessary on the general policy, with which I am not in agreement.

Sir, the history of the Ottawa Trade Agreement is still fresh in our minds.

12 NOON. That Agreement was conceived in secret and passed in haste. The procedure then adopted was unusual in as much as the commercial community had very little or no opportunity to shape the Agreement. The Indian delegation at Ottawa was in no sense representative, and the procedure subsequently adopted to push through the Agreement did no credit to the Government of India. This naturally led to resentment, and this found expression in the Resolution of the Assembly asking for the termination of the Agreement when the three years were over. The Government of India at first delayed in giving notice of the termination of the Agreement. And when the notice was given, it was announced that negotiations had started for a fresh Agreement. In due course, a body of non-official Advisers, mainly members of the commercial community was appointed to help the Commerce Member in his work. The appointment of Sir Purshottamdas and his colleagues for this work naturally inspired confidence and an impression was created that the Government of India was anxious to take public opinion into confidence in connection with the Agreement.

But unfortunately this impression could not last long. When it was noticed that the Advisers had to knock about between London and Simla, and when it was further noticed that the personnel of the Advisers was partly changed there was a growing feeling of distrust. Before long it was known that the inordinate delay in concluding the negotiations was due mainly to one cause, namely, to find a formula which will satisfy Lancashire without harming Indian interests. Sir, I fully sympathise with Sir Purshottamdas and his colleagues in the great sacrifice of time and labour they made in working as Advisers under such difficult conditions. I can well imagine the strain to which they must have been put, not to mention even annoyance on occasions. The country owes them a debt of gratitude for their self-sacrifice and for their splendid stand for securing an Agreement mutually satisfactory. Like true businessmen, Sir Purshottamdas and his colleagues showed perfect willingness to appreciate the point of view of the other party, spared no pains to find a way out, and suggested a fair compromise. All agreements are by their very nature compromises. Sir, after the end of the first three years of the Ottawa Agreement it has taken another three years to negotiate a second Agreement which is also to run for three years. In this intervening period the Ottawa Agreement was technically dead, but the Ottawa duties have been in operation. Sir, after all this extraordinary procedure, and this unusually good work done by the non-official Advisers the country would have certainly heaved a sigh of relief, if only their recommendations had been accepted by the Government of India. May I also add here, Sir, my sincere appreciation of the pains taken by the Honourable the Commerce Member to study the position and to do what he could on behalf of their country faced as he was with the political influence of Lancashire and pressure from the British Board of Trade. I feel that we owe a debt of gratitude to the Honourable the Commerce Member for his labours.

Sir, it was my good fortune to be present at the other House and hear the speech of the Honourable the Commerce Member. I am sorry that I could not

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attend the full proceedings. May I say, Sir, that in judging the effect of the Agreement we should have regard for the country's interests as a whole, and not from the point of view whether it affects any particular community or not. A businessman sees only too plainly how our differences are likely to be used against us in matters of this kind. A united stand by the people of this country will help the Commerce Member to secure more than what he has been able to show in this Agreement. In this connection I must express my disappointment that the Government have not helped us by nominating to this House the non-official Advisers for this debate. Had they been here to give us their views and explain the Agreement, both the Houses would have been in a better position to understand its implications and put forward its point of view.

THE HONOURABLE SIR RAMUNNI MENON: Then they would be nominated Members.

THE HONOURABLE MR. SHANTIDAS ASKURAN: It has been the practice. They could have explained the Agreement.

Sir, unfortunately for this dependent country, the suspicion that Lancashire interests have succeeded in dominating the course of negotiations has come true. The deliberate advice of the non-official Advisers, which was the result of patient and careful consideration, has been shelved. What is the result? The figures of export of cotton and import of cotton piecegoods which were suggested by the Advisers have been changed in both cases in favour of Lancashire. Lancashire may take less cotton from India than the Advisers recommended. Nay, the figure is even less than what has been the normal figure in recent years. As against this, Lancashire is allowed to send more piecegoods than the Advisers recommended. The fact is that the figure in this case is more than the average in recent years. Thus by a skillful manipulation of the quotas on both sides, it is intended to give a definitely larger market to Lancashire at the expense of the Indian industry, without giving an adequate safeguard to the grower of Indian cotton. This is not the complete story. In order to ensure that the quota given to Lancashire is realised the duty is to be lowered. Besides lowering the basic duty from 25 per cent. to 17½ per cent. in the case of prints and from 20 to 15 per cent. in the case of other goods, a further provision is made in its favour in case this reduction does not give the desired impetus to Lancashire goods. If the import of these goods is below 350 million yards the duty will be reduced by another 2½ per cent. Lancashire can also earn such a reduction by taking more of Indian cotton in excess of 750,000 bales. It is not clear whether this may under certain conditions lead to a total reduction of 5 per cent. Sir, the conclusion is obvious that in the name of preference, we are giving protection to the Lancashire industry in our own market. After all the criterion by which the Agreement should be judged is whether these provisions to which I have referred are going to help the cotton grower without harming the cotton manufacturer in this country. Sir, I would go further and ask the cotton industry even to undergo a sacrifice in favour of the cotton grower. May I point out how the cotton growers can be benefited? It is well known that Lancashire will buy Indian cotton only when it suits her, that is only when the parity is in her favour. In doing so, Lancashire is not bound to buy specified varieties. The non-official Advisers suggested that Lancashire should take at east 65 per cent. of the cotton quota in the form of short staple varieties, i.e.,

Punjab, Oomra, Khandesh, etc. There is nothing in the Agreement by which Lancashire can be expected to do so.

Sir, let me put a definite request to the Honourable the Commerce Member. Is he prepared to secure a definite guarantee from His Majesty's Government that the United Kingdom will buy from us 500,000 bales during the first year, 550,000 bales during the second year and 600,000 bales during the third whatever the parity may be ?

THE HONOURABLE MR. HOSSAIN IMAM : Will the millowners give such a guarantee ?

THE HONOURABLE MR. SHANTIDAS ASKURAN : Yes, Sir, they are using all the cotton.

If they buy more when the parity is favourable and less when the parity is against us it does not help this country. Is the Honourable the Commerce Member also prepared to secure a guarantee from His Majesty's Government that they would take one-third of Sind and Bengal varieties, one-third of Khandesh and Oomras and one-third of staple cotton so that this country may be assured that a sufficiently large percentage of short and fair staple varieties will be bought from us ? Let the Honourable the Commerce Member get this undertaking before he ratifies the Agreement finally.

Sir, an impression exists that the cotton industry in India is in a flourishing condition. The Honourable the Finance Member quoted the other day a few extracts from the Report of the Bombay Textile Inquiry Committee in support of his view that the industry was doing well. He, however, forgot to point out that whatever margin might have existed had been transferred to Labour in the form of higher wages by the intervention of the Bombay Government. Besides, the figures for the year 1938-39 are highly misleading. It is well known that because of the war in China, Japan has been so busy that she was unable to supply her usual quota to India. This gave an opportunity to Indian mills, but this is obviously only temporary in its effect. This temporary advantage should not be treated as a permanent feature of the industry in judging the burden which it can bear. In fact, those who are in the know of affairs are well aware that the situation is daily growing graver. Stocks have been accumulating. Night shifts are being gradually closed. Unemployment has started. On official authority I find 13,000 men are already out of work. I am told by the same authority that another 20,000 will have to stop work soon.

Sir, in my speech on the certified Finance Bill in 1936 in this House I referred to the fact that mills of the aggregate value of Rs. 11 crores had been closed down in Bombay City. The prospects of the industry are already on the decline. I am sure that the Government of India does not want to see this decline continued. It cannot be their desire to see that the production of Indian mills should be reduced. Nor can the Government contemplate with equanimity the closing down of night shifts and some units in the industry as they cannot be unaware of the consequences ? The country will lose large amounts of capital invested in machinery and buildings. It will result in growing unemployment among large numbers of people. Sir, may I appeal to the Honourable the Commerce Member and to the Honourable the Finance Member to go earnestly into this question and satisfy themselves whether this is not the actual position of the industry ? I am confident that if they undertake an inquiry, they will be convinced of the truth of what I have said and

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that will enable them to take necessary steps before it is too late to save our national industry.

Sir, it is unfortunate that the Indo-British Agreement and the proposal to levy the cotton duty have come together. In spite of the loud protests of the Honourable Finance Member that the duty is a revenue measure intended only to balance the budget, the impression will remain that the duty is closely connected with the terms of the Agreement. It may be purely accidental that the Honourable the Finance Member thought of the additional revenue duty on cotton at the same time as the Honourable the Commerce Member's decision to lower the duty on Lancashire goods, but we have to take them together in judging the effect on the future of our industry. Lancashire has been able to secure under the Agreement a much larger quota of cotton piecegoods to be imported into India than the figure recommended by the non-official Advisers. Sir, I am sure that at the time the Honourable the Commerce Member was going on with the negotiations with Lancashire, he could not have even dreamt of this additional burden which the Honourable the Finance Member has imposed on the industry by means of this cotton duty. As according to him he was safeguarding the interests of other items, the Honourable the Commerce Member may have honestly felt that he could give way to Lancashire to a certain extent. Having extracted already more than enough from the Honourable the Commerce Member, the appetite of Lancashire could not evidently be appeased without this additional help which came from the Finance Member.

Sir, I wish the best of luck to British trade in this country, but I want to tell them plainly that the only way of pushing British trade in this country is to retain the goodwill of its people. You may legislate; you may tax; you may give preference; you may make use of several factors to push British trade in India, but if you do not cultivate the goodwill of the people these measures are bound to fail in the end. Temporary success here and there should not lead you to the belief that permanent achievements have been accomplished. Allow me to remind the House of the very sound advice which Mr. Ramsay Macdonald, then Premier, gave to the Lancashire delegation a few years ago. He emphasised the warning that though it was possible to give encouragement to British cotton goods in India by a change in the duties it was not possible to compel the average Indian to buy British goods even at the point of the bayonet. In other words, he emphasised the need for cultivating goodwill to which I have referred. May I still hope that all efforts will be made to cultivate that goodwill instead of alienating it permanently by the kind of measure now before us?

Sir, I am a business man. I have to consider all the circumstances with a cool mind. The position is that the other House has already thrown out this Agreement and its fate is to be decided today in this House. We all, however, know what the decision of this House will be. In the other House the Honourable the Commerce Member has raised hopes of some possible modifications. I trust that he will be able to secure these and other improvements in the Agreement with the combined strength of his colleagues and the support of the Secretary of State. Let me go further and respectfully impress upon His Majesty's Government that they will be doing a great service to the people of both the countries if they would help in securing goodwill which is of much greater value today than at any time before. I represent not one interest or community, but the whole of the Bombay province with all its different interests and communities. I recognise that the Agreement as regards certain

items are undoubtedly favourable but as the Agreement has to be taken as a whole and judged on its merits, I propose to wait for the Government's reply to this debate and then decide my attitude to the Motion before the House for I am still hoping that the Government will be able to give us sufficient assurances about modifying the Agreement to satisfy us. May I again, therefore, appeal to the Honourable the Commerce Member that he will give his serious consideration to the protests from all quarters to the clause in the Agreement dealing with cotton and cotton piecegoods and promise to get us better terms than those provided in the Agreement? May I close with a personal appeal to the Honourable the Commerce Member who as an Indian has the country's interests at heart next to none and realises fully his responsibility to the country for the effect, good or bad, of this Agreement if it is brought into force.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) :** Sir, before I go on to examine the actual terms of the Trade Agreement, I should like to refer to the fact that, when the Legislative Assembly recommended the termination of the Ottawa Agreement, the Government of India took up the negotiations for a fresh trade agreement with the United Kingdom. They, of their own free will and choice, invited some distinguished persons from all parts of India to assist them in these negotiations. These non-official Advisers, therefore, did not represent any vested interest in the country, nor were they the official spokesmen of any Chamber or commercial organisation. The country, therefore, expected that the Government of India would respect their recommendations in negotiating this Trade Agreement. I should, therefore, like to know what special considerations justified Government in throwing overboard the advice of the non-official Advisers, and to accept, on behalf of India, certain terms which were decidedly disadvantageous to this country. The result of these three years negotiations was that the United Kingdom continued to enjoy all the preferences, under the Ottawa Pact, against the continuance of which, there was a definite vote of the Legislative Assembly. At the end of three years, we were not better off than what we were before.

In the Memorandum submitted by Government, they have claimed that they were able to secure from the United Kingdom preferences of the total average annual value of exports to the extent of Rs. 44 crores and, on the last three year's average basis, not less than 82 per cent. of India's total exports to the United Kingdom would be enjoying preference or free entry under the new terms. Examining the various items mentioned in the Agreement under Schedules I and II and the unscheduled items, I find that the number of important items such as Tea, Goatskins, Pig iron and Coir mats and matting do not really enjoy any preferential treatment under the proposed Agreement.

**THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN :** Will the Honourable Member excuse me? He goes on reading his speech with his face glued to the desk. If he will kindly speak up I may be able to hear him and reply to what he is saying. May I ask the Honourable Member to repeat the names of the commodities which he says do not enjoy preferences under the present Agreement?

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** The commodities are mentioned in the Agreement under Schedules I and II and the unscheduled items, such as Tea, Goatskins, Pig iron, Coir mats and matting. These were the items which I mentioned which I now repeat.

[Rai Bahadur Lala Ram Saran Das.]

As regards other portions of the Agreement relating to import of cotton piecegoods and export of raw cotton, as I see the position that would arise, with the acceptance of this Agreement, is, that when Lancashire imports under the present level of import duties are at 266 million yards in 1937-38 and may not exceed 200 million yards (according to the 10 months figures of 170 million yards) in the year 1938-39, we would give an immediate reduction in the import duty of  $7\frac{1}{2}$  per cent. on printed goods and 5 per cent. on grey and other goods with a specific rate of 2 annas  $7\frac{1}{2}$  pies per lb. in case of grey goods and a promise of further reduction of  $2\frac{1}{2}$  per cent. if these imports do not exceed 350 million yards. When the Special Tariff Board was appointed in 1936 by the Government of India to examine the position of the Indian industry, they did not recommend any reduction in the 25 per cent. duty on printed goods. The Indian textile industry has recently organised the printing section under the protection given to them by the present rate of 25 per cent. and without any inquiry as to the probable effect of an immediate reduction of  $7\frac{1}{2}$  per cent., the Government have come forward with this proposal with a view to give Lancashire a place in the import trade of this country. The Indian textile industry is asked to bear this sacrifice in the immediate reduction of these import duties on the plea that the Indian cotton growers would secure a fair deal in the export of raw cotton to the United Kingdom. According to the figures given by the Honourable the Commerce Member, the United Kingdom, on an average have been taking 450,000 bales of Indian cotton. Against this intake, there is a provision for 500,000 bales to be taken in the first year, 550,000 in the second year and 600,000 in the third year.

Another important point which ought to weigh with us in examining the proposed terms relating to cotton textiles is the increasing production of Indian mills in fine count cloth. Though there are no reliable statistics collected by Government regarding the production of fine cloth in the country, according to the calculation adopted by the Tariff Board of turning yarn above 30 counts into cloth works out to about 1,000 to 1,100 million yards of fine count cloth. Against this indigenous production, we have at present imports of about 200 to 250 million yards from Japan and, as most of the piecegoods coming from the United Kingdom come under this class of goods, we are having total imports to the extent of about 400 million yards from the United Kingdom and Japan. Under the proposed terms, it is expected that there would be an additional import of about 200 million yards of fine count cloth from the United Kingdom. This additional import will be at the cost of the production of similar cloth in India and, in a restricted margin of about 600 million yards, the competition of this additional import of 200 million yards would be naturally severe and would upset the whole price market of the fine count cloth in India. The inevitable result of such a situation would be that the indigenous industry which has built up the production of this kind of cloth in the country and has shown remarkable progress, would be largely hit by the reductions in the duties over and above the extra additional duty, which the Finance Bill has imposed on the imports of raw cotton, and I am sure that the country would not tolerate a handicap on the progress of one of our main industries, which is consuming more than half the production of cotton in the country.

The cotton growers' representatives, when they were specially invited to Simla to tender their advise on this question, definitely put down  $6\frac{1}{2}$  lakhs to be increased to an objective of 10 lakhs of bales in a period of five years,

with a specific guarantee that 65 per cent. of the intake should be of short staple, *i.e.*, Bengals, Oomras, Central Provinces and Berars of a staple length of five-eighths of an inch and under. There is no guarantee about this intake in the Trade Agreement. On the other hand, under clause 2 of article 10, it is stated that the fulfilment of the objective, *i.e.*, intake of 600,000 bales in the third year depends on the continued pursuit by all interests concerned in India to improve the quality and staple of Indian cotton exported to the United Kingdom. Instead of giving a guarantee that the United Kingdom would take a definite quantity of five-eighths of an inch and under short staple cotton they, on the other hand, stipulated that the fulfilment will depend upon the improvement in the quality and staple of cotton. It must be said that we are not anxious to export our long staple or medium cotton, as whatever that we produce is likely to be absorbed in the country itself. Our anxiety about the disposal of five-eighths of an inch cotton remains the same under the new terms and, as such, I do not feel that the new terms, particularly as regards cotton, are such as to justify ratification of the Agreement.

Before I conclude, Sir, I would like to refer to the case of our tea exports to the United Kingdom. Under the International Tea Agreement, dated 9th February, 1933, entered into between India, Ceylon and the Netherlands, export quotas were fixed for these three tea-producing countries for a period of five years, in the first instance. These quotas were, for India 382 million pounds, Ceylon 251 million lbs. and for the Netherlands 173 million lbs. In November, 1936, the Agreement was further extended for a period of five years from 1st April, 1938 and would operate till 31st March, 1943. Practically the same quotas were fixed for this second period. Besides these three chief tea-producing countries, China and Japan also export tea; but their exports are respectively 85 million lbs. from China and about 50 million lbs. from Japan. The annual requirements of the world for 1937 were 882 million lbs., out of which 700 million lbs. were supplied by these three countries and about 150 million lbs. were supplied by China and Japan. In case India is not allowed to enjoy preference of 2*d.* per pound in the United Kingdom market, it will be the British consumers who will have to pay a higher price for their beverage as the United Kingdom will have to take its tea from one of the three countries. Assessing fully the value of this preference, I would like to quote the opinion of the Director General of Commercial Intelligence and Statistics—Government's Economic Adviser—reproduced by the non-official Advisers on page 9 of their Report, dated 9th October, 1936, reading as under :

“The benefit or preference in extending the export market as well as in increasing production, could not operate”.

The Government of Assam confirms this view by saying :

“So far as the article is concerned, its welfare is bound up more with the International Restriction Scheme than with the Ottawa Pact”.

I would leave the House to judge for itself whether, in view of these circumstances, the preference is at all of any effective advantage to India.

As regards goatskins, it is pointed out in the Memorandum that India secured substantial benefit by the increase in her exports to the United Kingdom. Examining the position in relation to our exports to all countries, we find that while our exports to the United Kingdom increased from Rs. 49 lakhs in 1932-33 to Rs. 71 lakhs in 1935-36, Rs. 78 lakhs in 1936-37 and Rs. 95 lakhs in 1937-38, our exports to the United States of America increased in

[Rai Bahadur Lala Ram Saran Das.]

similar proportion, namely, Rs. 86 lakhs in 1932-33, Rs. 167 lakhs in 1935-36, Rs. 149 lakhs in 1936-37 and Rs. 157 lakhs in 1937-38. The improvement which we secured gradually from year to year is not due to the preferential treatment in the United Kingdom market but owing to an expanding world market in this commodity. Looking to the imports into the United Kingdom, we find our imports into the United Kingdom market increased because of the greater intake of goatskins by the United Kingdom. The foreign countries position in the United Kingdom market is very insignificant and occupy scarcely six to eight per cent. of the trade. The following figures taken from the United Kingdom Sea-borne Trade Returns will illustrate this point :

<i>Goatskins (raw).</i>				
Import into the United Kingdom (In 000 of £).				
	1935.	1936.	1937.	1938.
British India . . . . .	435	562	792	300
British West Africa . . . . .	147	133	86	103
Union of South Africa . . . . .	28	41	58	41
Foreign countries . . . . .	44	55	66	67
<b>Total</b>	<b>708</b>	<b>864</b>	<b>1,138</b>	<b>576</b>

According to the estimates of the Indian Hide Cess Inquiry Committee, India accounts for nearly one-third of the world production of goatskins and it has been claimed, according to that Committee's view, that certain classes of goatskins, especially those produced in the eastern provinces of India, possess unique qualities and as such they occupy a special market of their own. Pig iron enjoys free entry into the United Kingdom, but it must be remembered that it is an essential raw material in the manufacture of armaments and as such would always command a privileged position in the world market. Our exports of pig iron to all countries have also been on the increase during the last three years. From Rs. 1,24 lakhs in 1935-36, they went up to Rs. 1,29 lakhs in 1936-37 and Rs. 2,59 lakhs in 1937-38. So, with the expansion in the demand for pig iron in the world market, exports also increased. It must be further remembered that Japan is a more substantial customer than the United Kingdom. The exports to the United Kingdom in 1935-36 was Rs. 15 lakhs, Japan Rs. 92 lakhs. In 1936-37, the United Kingdom Rs. 40 lakhs, Japan Rs. 69 lakhs. In 1937-38, the United Kingdom Rs. 102 lakhs, Japan 128 lakhs. Examining the import trade of pig iron into the United Kingdom for the last three years, we find, according to the United Kingdom Sea-borne Trade Returns, the following position :

<i>Pig iron.</i>			
Import of into the United Kingdom (In 000 of £).			
	1936.	1937.	1938.
British India . . . . .	464	898	764
Other Empire countries . . . . .	..	187	36
Foreign countries . . . . .	363	2,410	1,412
<b>Total from all countries</b>	<b>827</b>	<b>3,495</b>	<b>2,213</b>

THE HONOURABLE THE PRESIDENT: Nobody is able to follow you.

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN: All

this is printed in the Statistics of the Sea-borne Trade of India.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Yes, Sir.

Before I conclude, I would like to refer to an important question raised by the non-official Advisers and which was not seriously considered at all, while negotiating the Trade Agreement. In conducting negotiations in a trade agreement between two countries, the invisible imports and exports are always taken into consideration and the preferences are adjusted accordingly. In the case of India particularly, the question of invisible imports in the form of Home charges and in the form of commercial services, such as insurance, banking and shipping, amount to a very substantial figure. It is put down that while Home charges amount to about Rs. 40 crores, our payments to the United Kingdom for the carriage of the export trade in British bottoms is also the payments to British insurance and banking companies would amount to Rs. 25 to Rs. 30 crores. Though, there are no reliable figures, it cannot be denied that, over and above the Home charges, the invisible imports do affect our financial status in the world. When this aspect of the question was pointedly brought to the notice of the Government of India by the non-official Advisers, we did not find any attempt being made by Government to secure a greater advantage from the United Kingdom under the new trade terms. His Majesty's Government in the United Kingdom, in their trade negotiations with Russia, definitely discussed the question of shipping and they stipulated that Russian timber should be carried in British bottoms to the United Kingdom. I want the Commerce Member or his representative in this House to inform this House whether any attempt was made to secure a condition that one way trade between the United Kingdom and India should be carried in Indian bottoms ?

On a careful consideration of all these terms, I do not think that Government have made a case which would justify the acceptance of the trade terms by the country.

THE HONOURABLE RAJA CHARANJIT SINGH: (Nominated Non-Official): Sir, no one has denied that an understanding with the United Kingdom is absolutely necessary. It was with that idea that the Ottawa Pact was signed, and approved by a very large majority in the other place and unanimously by this House. After carefully considering the present Agreement, I have come to the conclusion that it is a great improvement on the last, and is of very great advantage to India.

I should like to congratulate my Honourable friend the Commerce Member on the remarkable success of his negotiations. I should also like to take this opportunity of expressing our thanks to His Majesty's Government and particularly to that great statesman, Mr. Chamberlain, for the very sympathetic way in which they have considered and conceded the claims of this country.

Some Honourable Members have said that it gives some advantages to the United Kingdom also, and does not give everything to India. I fail to see the force of this argument. How can there be any agreement which gives all the advantages to one country only ?

If the present Agreement is dispassionately analysed, it will be found that the preferences given to the United Kingdom in the Ottawa Pact have been considerably reduced, that the previous concessions given to India have been preserved intact and that new preferences have also been given to this country. How can therefore any one say that this Agreement is not to India's advantage ?

[Raja Charanjit Singh.]

I am sorry it was turned down in another place by a narrow majority. I hope this House will rise to the occasion and will approve this Agreement by an overwhelming majority, if not unanimously.

This will help the Government of India in preserving for this country the advantages which have been gained by this Agreement.

**THE HONOURABLE MR. HOSSAIN IMAM** (Bihar and Orissa : Muhamadan) : Mr. President, before I commence my remarks on the merits of the Agreement, permit me to say that we greatly appreciate the efforts of the Honourable Sir Muhammad Zafrullah Khan to secure this Pact. With a singleness of purpose which is rarely found, with the one objective of favouring India's position, with the grim determination to surmount all difficulties, he persistently fought the Board of Trade and secured the present Agreement. Sir, it was rather unfortunate, and I regret the attack that was made by the Honourable Mr. Dow on the pronouncement of Mr. Jinnah in the other place. The proper venue for this reply was in the other House, and the Government having missed that opportunity, have thought it right to fire the missiles from their entrenched position in this House, against all canons of chivalry, and the rules of the ring. It is in my opinion worse than hitting below the belt. The essential part of Mr. Jinnah's indictment was that the Moslems and Hindus were alike interested in the agricultural production, but they were interested only in production. The marketing and trade with the United Kingdom is mainly the concern of Europeans and the Hindu capitalists. From this point of view he looked at the matter and came to the conclusion that if the Hindus and the Europeans decided to do a thing, it is their funeral and it is not his part or his duty to interfere with it. 95 per cent. of the people interested in the export trade with the United Kingdom are really Europeans or Hindus. There is a difference of opinion between these two. Europeans want to have this Pact ; the Hindus do not want to have this Pact. He could not therefore come to the rescue of the Government and lend his help to coerce the Hindus and force it down their throat if they do not want it. But as he felt that this Pact was better than the last one, he could not very well walk into the lobby with the Congressmen when they had decided to reject it. This was the very simple, non-communal stand which he took, and that has been pictured to us as a downfall into the communal grounds. It was the Government which was trying to excite communal feelings and induce the Mussalmans to come and vote with them on communal grounds.

**THE HONOURABLE SIR DAVID DEVADOSS** : How is all this relevant to the present discussion ?

**THE HONOURABLE MR. HOSSAIN IMAM** : It is relevant because the Honourable Mr. Dow made reference to it.

**THE HONOURABLE SIR DAVID DEVADOSS** : That may be, but two wrongs do not make one right.

**THE HONOURABLE THE PRESIDENT** : He made a reference to the Muhammadans.

**THE HONOURABLE MR. HOSSAIN IMAM** : The Leader of the Muslim League has been accused of giving a communal colour to this. We say that it is the Government who gave a communal colour in order to induce the Moslem voters, especially from the Punjab, to vote with them.

**THE HONOURABLE SIR DAVID DEVADOSS :** Bihar is behind you.

**THE HONOURABLE MR. HOSSAIN IMAM :** Bihar has always acted fair and without any communalistic idea.

**THE HONOURABLE THE PRESIDENT :** Will you please express your own views now ?

**THE HONOURABLE MR. HOSSAIN IMAM :** In examining this Pact it is essential that due weight should be given to the textile interests which form the main bone of contention between the brown capitalists and the white capitalists.

**THE HONOURABLE SIR DAVID DEVADOSS :** Cotton is of two kinds, brown and white !

**THE HONOURABLE MR. HOSSAIN IMAM :** Cotton is of three kinds long staple, medium staple and short staple !

Mr. President, we have to consider two factors, the total trade affected and the special trade affected. Mr. Dow has explained to us that we were formerly allowing preference to the United Kingdom interests to the tune of Rs. 18½ crores and now we have reduced that to Rs. 7½ crores, a reduction of Rs. 11 crores. That is not to be lightly brushed away but it has to be seen whether in brushing aside or in reducing the number of items which are not to receive preferential treatment we have cut our nose to spite our face. If I had time I would have gone into details, but I find there are some items in which the United Kingdom was supplying to us the majority of our requirements, and, as is well known, when you allow preference to your majority supplier the cost to the consumer is reduced because the competitors who have to fight him have to bring down their prices in order to compete with the majority supplier, and so the consumers benefit. There are certain items of machinery on which a reduction in the customs duty is really a help to trade. Such items should not have been taken out from the preferential list of British goods because by removing them you have not harmed the United Kingdom, you have harmed yourself, the trade, as well as the general consumer. On the other hand, in the case of items which are not able to compete on equal terms, for instance, the minority suppliers of textile goods from the United Kingdom, if you give them a preference, the result is that you really give protection to that industry. The long and short of this Agreement is that instead of having the textile industry of India protected we are giving general protection to the Indian textiles as well as the British textile interests. In this connection I am sorry to be in disagreement with the non-official Advisers and the general trend of the criticism in this House as well as in the other House. My point, Sir, is that the Indian mill industry have thrown dust in our eyes. They have been hankering for more and more protection and all the time consuming less and less of Indian raw cotton. I have before me the report of a body whose impartiality even the cotton textile interests will not question, I refer to the Annual Report of the Indian Central Cotton Committee, Bombay, for 1937, in which you will find mentioned that Indian textile interests have consumed 2,535,000 bales of Indian cotton, whilst foreigners, against whom you are protecting them, consumed 4,015,000 bales of Indian cotton.

**THE HONOURABLE MR. SHANTIDAS ASKURAN :** There is some mistake, which country has taken 4,000,000 bales ?

**THE HONOURABLE MR. HOSSAIN IMAM :** All the countries combined, Sir. Japan took 2,324,000 bales ; the United Kingdom took 524,000 bales.

**THE HONOURABLE MR. SHANTIDAS ASKURAN :** That is not Indian cotton. That is the consumption figure of the industry. You are making a mistake.

**THE HONOURABLE MR. HOSSAIN IMAM :** It says here clearly, " Export of Indian raw cotton classified by varieties, Appendix XII ".

**THE HONOURABLE MR. SHANTIDAS ASKURAN :** We have not got a cotton crop of 75 lakhs of bales. You will have to grow that much first.

**THE HONOURABLE MR. HOSSAIN IMAM :** This comes to a total of 65 lakhs of bales. And you will be further thunderstruck, Sir, when I state that of the lowest kind of Indian cotton, the Bengal cotton, the Indian mills used only about 12 per cent. of their total purchase, whereas the foreigners were taking more than 26 per cent. of their total import from the worst kind of the total production in India. These are figures given by a neutral body who have neither the interests of foreigners nor of the millowners at heart. The foreigners are to take up 60 per cent. of our raw cotton production and yet we must discriminate against them. The Indian mills consume 40 per cent. of our cotton production and mostly the best kind yet they claim protection from the Indian taxpayers. This is the worst possible agreement that could be made that the users of the minority of the agricultural produce should have the greatest amount of protection. That is in a nutshell the case of the Indian millowners. The non-official Advisers made a gesture that they would advise the millowners to sacrifice their interests and to allow a reduction in the duty. But they hedged that with the impossible conditions, that the United Kingdom should take only Rs. 3 crores worth of preference. They were quite aware that this could never be accepted and so they would never be called upon to make that sacrifice. And that is what they are doing now. They are turning back and saying that they cannot allow this Agreement, not because there is a reduction in the cotton textile profits but because their main contention that the total value of preferential articles from the United Kingdom should only amount to Rs. 3 crores has not been fulfilled. On what basis was this figure of Rs. 3 crores arrived at ? Was there any basis ? Can you have a trade pact of such a one-sided kind in which you are empowered to lay down a minimum of your concessions irrespective of what the other country grants ? You want 80 per cent. of your goods exported to the United Kingdom to be sheltered but you don't want to give any consideration to the United Kingdom. The textile interests want to gain all along the line. They expressed their readiness to the Indian taxpayer to sacrifice themselves. On the other hand they placed such a demand on the United Kingdom as could not be accepted, and therefore they were sure they would never be called upon to pay back whatever they had promised. Their promise was hedged in by impossible conditions.

Now, Sir, in considering the value of the exports we have to consider whether India's total trade has improved or not. That is one item on which we are rather disappointed. India's total trade is not improving, although as far as the United Kingdom is concerned, we find that exports to the United Kingdom of Indian goods have increased from Rs. 36.82 crores in 1932-33 to Rs. 63.49 crores in 1936-37, and the imports from the United Kingdom have remained stationary at Rs. 48 crores. So that we can come to this conclusion

that the preferences granted to the United Kingdom do not allow the United Kingdom to expand its trade, and that non-expansion has two meanings. Firstly, it means that they do not pass on the advantages of their preference to the consumers. Secondly, that they would not have been able to compete in our market if they had not received this preference, because their production cost was mostly higher than that of their competitors; whereas Indian export had increased and the price was consequently reduced and thereby they secured a greater market than formerly, and so part of the advantage which India derived has been passed on to the United Kingdom consumers. So the United Kingdom does not stand to lose much by granting these preferences which they have secured.

THE HONOURABLE THE PRESIDENT: You have exceeded your time.

THE HONOURABLE MR. HOSSAIN IMAM: I am finishing, Sir.

On the balance we find that this Trade Pact, as is usual with trade pacts, is a question of mutual adjustment. There are no advantages which can be glorified into great victories, as for instance, the quota fixed for cotton consumption. As I have stated, the United Kingdom is not our main buyer of raw cotton. They are buyers only to the extent of 12 per cent. of our export of raw cotton. 88 per cent. of the purchasers of our raw cotton are those for whom we are making no concessions. Why should we make all these concessions for 12 per cent. buyers? That is a question which the Government should answer. If their intention was really to give something to the producers of raw cotton, they ought to have made concessions to all the producers of raw cotton, especially those who are interested in the short staple cotton of India like Bengal cotton.

Then, Sir, we do not know what would be the position of the Government *vis-a-vis* the votes of the two Houses. Is the Government going to accept the rejection by the one House and not introduce this measure. If it is the intention of the Government to do whatever they have decided without any regard to the votes of the two Houses, then—

THE HONOURABLE THE PRESIDENT: This House has not given its vote yet.

THE HONOURABLE MR. HOSSAIN IMAM: Mr. President, the voting of this House is practically well known and there is no need to give any assurance from the Government that they will honour the favourable mandate that they receive from this House. If they were really keen on giving responsibility to the Indian Legislature in this matter, they should have come forward with the assurance at the time when they introduced this measure in the other House. If this assurance had been given it is quite on the cards that the voting might have been a little different, because then we would have realised the responsibility. In conclusion I will say that as they have safeguarded their own liberty of action, we cannot take any responsibility for this action, where our opinion will not count for anything. Therefore, Sir, we will abstain from voting.

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN (Commerce Member): Sir, I regret very much that, owing to my being in charge of part of the Government business in the other House today, which may be reached in the afternoon, I have had to intervene in the debate at a stage earlier than

[Sir Muhammad Zafrullah Khan.]

I could have wished ; but as the Honourable Mover of this Motion will reply to the specific points raised in the debate it is really not necessary for me to traverse all the grounds of objection taken so far. I was extremely sorry to hear the criticism of the Honourable Leader of the Congress Party with regard to Government's decision to move this Motion in this House. I cannot imagine that he should be unaware that that decision was taken before the Agreement was discussed in the other House and before Government could have had any possible indication of what the voting in the other House would be, more particularly having regard to the number of amendments that had been moved on behalf of several Parties in that House. Again, he chose to forget that this House had expressed a desire, I believe on more occasions than one, that any Agreement arrived at with the United Kingdom should be placed before this House for an expression of their opinion. It is not today that the composition of this House has been changed. Its composition was exactly the same when Honourable Members expressed that desire and therefore I regret all the more that he should have chosen to characterise the course which Government have adopted as not being honest and straightforward. On the contrary, Sir, if we were to analyse the real situation I am afraid it would be very difficult for the Honourable Member and for his Party to be acquitted of charges of that description. He has claimed that the other House has turned the Agreement down. If he claims that merely on the figures of the division, of course he is right, but how far is he honest in urging that that represents the real opinion of the other House on the merits of the Agreement? He is well aware of the attitude of different Parties towards the Agreement. He is well aware of the speeches made by the Members of the Muslim League Party on the merits of the Agreement and he must know which way that Party would have voted, if it had not been for certain political considerations. Let us not, Sir, by implication make monopolistic claims of honesty, straightforwardness and integrity on behalf of particular political Parties. Exigencies of politics very often place people in positions which it would be very difficult for them to defend if strict standards of those kinds were applied. But I will say this, Sir, that there is nothing dishonest, nothing lacking straightforwardness, in the conduct of Government in moving this Motion in this House this morning. I was astonished to hear from the same Honourable Member that Government should have taken a little longer to consider the decision recorded by the other House before they came to this House to ascertain the views of Honourable Members here. Surely, Sir, he did not mean that Government should first have come to a decision, as the result of the division in the other House, as to what they were going to do and then moved a Motion in this House to find out what the views of Honourable Members were. Now, let us see to what extent the speech of that Honourable Member himself comes up to those standards which he has himself specified. I do not know where he got his information from, but he says what kind of Agreement is this which one Stanley signs on behalf of the United Kingdom and another Stanley signs on behalf of India. He did not choose to enlighten the House who this other mysterious Stanley is. If he means Lord Stanley, the present Lord Stanley is a minor.

THE HONOURABLE MR. RAMADAS PANTULU : I was referring to his father who was Secretary of State for the Colonies. I  
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 meant the observation was made when Lord Stanley was Under Secretary of State for India. The Agreement was not concluded then.

**THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN :** I stand corrected to that extent. Well now, it happens that Lord Stanley is dead, but the argument would still remain valid if his successor, Colonel Muirhead, had signed the Agreement on behalf of India. It would then be only a difference of names. But that is not true. This allegation is on a par with the other statements and allegations which have been made on behalf of certain interests in regard to this Trade Agreement in the Legislature as well as outside. This Agreement has been signed on behalf of the United Kingdom by Mr. Oliver Stanley, as the Honourable the Leader of the Congress Party asserted, and on behalf of India by the High Commissioner for India, Sir Firoz Khan Noon. Surely when an Honourable Member holding so responsible a position makes allegations of that kind he owes it to this House to make sure that those allegations have a basis in fact.

He then went on to make another entirely incorrect and unjustified statement, and there surely there should have been no room for any misunderstanding, because he could either have listened to the speech to which he was referring or, if he was not able to listen to it, he could have obtained a copy of it to inform himself of what was said. He said that the Honourable Sir Thomas Stewart speaking in the Legislative Assembly in support of the Government Motion on the Trade Agreement expressed a regret that the United Kingdom piecegoods imports had been declining and the output of the Indian industry had gone on increasing.

**THE HONOURABLE MR. RAMADAS PANTULU :** That is how I understood him. That is how I understand him still.

**THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN :** Sir, I can merely state what Sir Thomas Stewart said. I cannot supply the Honourable Leader of the Congress Party with an understanding! Sir Thomas Stewart gave the figures and said that is how the trade stands. There was nothing either in the words used by him or in the argument which he developed from which any inference could be drawn that he was regretting the advance made by the Indian industry at the expense of Lancashire.

Then, Sir, the Honourable Member, while charging Government with dishonesty and lack of straightforwardness, shed a few crocodile tears over the state of the Indian agriculturist and described the Agreement as a one-sided arrangement under which India gets nothing at all and a surrender is made to Lancashire interests. Well, that again I leave it to the House to decide—whether the picture is so one-sided as all that. But I will take up one rather curious doctrine put forward by him which was also hinted at by a member of the Congress Party in the other House. He says, these advantages that you say we have secured under the new Agreement or which are continued under the new Agreement, they really, to begin with, are worth nothing at all. But if they are worth anything at all, surely even if we have no trade agreement with the United Kingdom, we shall continue to enjoy them because the United Kingdom dare not discriminate against us. If we had no agreement and they took away those advantages from us they would be behaving unfairly towards us, in the sense that they would be placing us in a position in which we were being discriminated against. And, therefore, I suppose the first part of the argument is, inasmuch as Great Britain would dislike to discriminate in that sense against India, we will get all the advantages and we need give nothing to Great Britain in return for it. How far that argument is honest I shall again leave it to the House to judge. But let us examine this doctrine of discrimination a little further. The United Kingdom, since the coming into

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force of their Import Duties Act, is committed to this policy that their tariff will apply to all imports into the United Kingdom except in the case of countries which might conclude agreements with the United Kingdom, in which case the tariff would be modified in accordance with the terms of the Agreement. Well now, we enjoy these preferences in the United Kingdom and these preferences are also enjoyed by the Dominions. The Dominions give a *quid pro quo* to the United Kingdom for the preferences which they enjoy and we also give a *quid pro quo* for the preferences which we enjoy. The argument is : we withdraw the *quid pro quo* and then the position will be that England will then have to say. " We will withdraw the preferences from India ". Then we shall say : " You are discriminating against us ". But that surely is not discrimination against India ? There is an agreement between each Dominion and the United Kingdom whereunder in return for something which the Dominions give to the United Kingdom *vis-a-vis* foreign countries they receive preferential treatment in the United Kingdom. India is in the same position. If the final decision on behalf of India is to reject this Trade Agreement, surely India cannot complain if she no longer finds herself in the same position as the Dominions. But, India will still be in the most favoured nation category in which France is *vis-a-vis* the United Kingdom, in which Germany is *vis-a-vis* the United Kingdom, in which every other country is *vis-a-vis* the United Kingdom, except to the extent to which specific trade agreements might have modified the normal course of tariffs.

Now, Sir, the Honourable Mr. Askuran put certain questions to me. He said : Will you secure certain modifications of this Agreement for us ? First he said, those modifications which you yourself said in the other House might be possible to obtain, and secondly, certain further modifications which he himself suggested. In the other House I had suggested that certain modifications could be obtained, though my own view was that by securing those modifications India would place itself in a worse position than it would be under the Agreement as it stands. I shall not go into details in regard to that here. I mentioned them in detail in the other House. But if that is the general desire, those modifications could be secured.

THE HONOURABLE MR. SHANTIDAS ASKURAN : I did not mean those modifications, Sir. I thought you would secure the modifications as regards the qualities of cotton concerned, and purchase regardless of parity.

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN : With regard to cotton, the modification mentioned by me was this. I said, Honourable Members have been saying : We are not satisfied with this arrangement where on default occurring on the part of the United Kingdom in the takings of our raw cotton to the extent of 50,000 bales or a fraction thereof, there will be a corresponding reduction in the piecegoods yardage figures by 25 million yards. I said, if Honourable Members are not satisfied with that arrangement, it might be possible to persuade the Board of Trade to accept the arrangement that, if their takings fall substantially below the minimum figures mentioned in the Agreement, then it should be open to India to denounce the Agreement. I said, my own personal view was that this would be a change for the worse, for, who is going to use the cotton which the United Kingdom will take ? Lancashire manufacturers. Now, Lancashire manufacturers are interested in the yardage figures. Their object all the time has been—and it is a perfectly natural desire on their part—to increase the market for their products in India and the Agreement so links up the obligation to take Indian raw cotton with the facilities for the sale of United Kingdom piecegoods in India that it

becomes the direct interest of the person who is to use the cotton and who is to manufacture the cloth, to take as much cotton as he can take. But if Honourable Members say—this is what I said there—that that kind of arrangement is not adequate and that we should have the power to denounce the Agreement, the position becomes this. I say to the United Kingdom: “If you do not take the quantities which you have undertaken to buy from India, then I shall take action which will absolve you from taking any more cotton afterwards”. But opinions might differ. I may be wrong and it may be that it will be a better guarantee to have the power of denouncing the Agreement in case the minimum quantities are not taken.

Let me now come to the modifications suggested by the Honourable Member here. He says he is interested in two modifications. He asks: “Are you able to secure that the quantity taken is 600,000 bales in each year?”

**THE HONOURABLE MR. SHANTIDAS ASKURAN:** 500,000, 550,000 and 600,000, whether there is parity or not, and the quality.

**THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN:** Parity or not, these minimum quantities must be taken. As I have said, whether parity or not, they are under an obligation to take these quantities because if they do not, then, for every deficiency of 50,000 bales or a fraction thereof—even 1,000 bales—their yardage figures are reduced. After all, where there is a guarantee, there has to be a sanction behind it. If they fail to take, what will happen? Does the Honourable Member mean that we should be able to denounce the Agreement? I think such modification is still possible. He then said that they should be under an obligation to take certain percentages of particular qualities. He said that the percentage of short staple in their takings is extremely small. May I remind him—it is unnecessary for me to enter into details—that the percentage of their takings of seven-eighths of an inch staple and below which is defined as short staple, has been steadily rising and that it now stands at 61.2? I am assured that it is impossible for the industry to bind itself in regard to defined percentages of particular categories. Ten years ago, the percentage of short staple was less than 40 and today it is over 61. Surely, that is an indication of what will go on happening under this Agreement. This exhausts the list of modifications suggested in the other House and the modifications suggested here. The argument comes to this, that if you can assure us that these modifications can be obtained, then you may put this Agreement into force. If that is so, then all this outcry that the reduction of duties on Lancashire piecegoods to be offered under this Agreement will ruin the industry is sheer nonsense, because, if these modifications were obtained, the industry would be willing to accept those reductions. Therefore, it follows that they are able to afford it, unless these modifications are being suggested in the hope that we might say: “No, it is not possible to obtain these modifications” and then the industry may say that as these modifications in favour of the cotton growers could not be obtained, the Agreement could not be accepted.

**THE HONOURABLE MR. SHANTIDAS ASKURAN:** The position is changed only on this last increase in the cotton duty. Otherwise, I would have given my opinion on absolutely different grounds.

**THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN:** I am very glad the Honourable Member is of that view.

Now, Sir, I was not able to hear and therefore not able to follow the greater part of the observations which fell from the Honourable Rai Bahadur Lala

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Ram Saran Das. But I was able to catch one point which he tried to develop with reference to two or three commodities. He said that our trade has increased with the United Kingdom in certain commodities but so has our trade in those commodities increased with other countries. Surely, it was for the Honourable Member to find out by a comparison of the figures whether the increase with the United Kingdom has been more or less than the proportionate increase with other countries. If it was more, he should have admitted that we have gained an advantage in the United Kingdom market ; if it was less, then we have in fact lost ground. But he forgot that the totals for all countries that he gave included our trade with the United Kingdom. He was taking advantage of the increase of trade with the United Kingdom to support his argument that there is an increase in the trade with all countries. Let me take one item, goatskins. Figures are given at page 57 of the Memorandum that has been supplied to Honourable Members. Our exports of goatskins to the United Kingdom in 1935-36, 1936-37 and 1937-38 were (omitting decimal figures) 71 lakhs, 78 lakhs, and 95 lakhs. The total figures were : 278—276—(if you look at the decimal figure there is actually a decrease)—and 307. Thus, we had 71 lakhs out of 278 lakhs, in 1935-36, because 278 lakhs is the total to all countries. The next year we had 78 lakhs out of 278, and in the last year we had 95 lakhs out of 307. Thus, the figures for all other countries *minus* the United Kingdom become 207, 200 and 212 lakhs. From 207 they went down to 200 and then went up to 212 lakhs. The average has thus remained the same, whereas exports to the United Kingdom have increased from 71 lakhs to 95 lakhs. It is this kind of criticism which has throughout been directed against this Agreement and which makes one doubt whether Honourable Members have really applied their own minds to the different aspects of the Trade Agreement and come to conclusions for themselves or whether they are going merely by the criticism which has been published in the press by the Federation of Indian Chambers of Commerce and other bodies. Then it was said that goatskins will enjoy no preference. That again is not correct. Goatskins are one of the commodities for which a scheduled preference has been secured but actually they have been enjoying a preference. May I explain that in a minute ? Where a commodity has free entry into the United Kingdom under our Agreement and the free entry does not apply to imports from other sources, then in that case duties are imposed upon imports from foreign countries and to the extent of those duties the countries enjoying free entry, that is to say, India and the Dominions actually enjoy a preference but it is an unscheduled preference. The danger is this, that later on, they may reduce these duties or may abolish them altogether against foreign countries also. One improvement that we have made in this Trade Agreement as compared with Ottawa is that in regard to chrome leather, goatskins, bones and gram we have now got scheduled preferences. We have said : " Your duty stands at such and such a figure, but tomorrow you might reduce this duty. You are under no obligation to maintain it. Will you now schedule the preferences in respect of these commodities and give us a guarantee that whatever happens during the currency of our Agreement these duties will not be reduced below the scheduled figure " ? That is what has happened. The actual enjoyment of the preference is not modified. That depends on the actual level of the duty, but we have ensured now that the preference shall not fall below a certain point.

And that brings me to a matter which, Sir, with your indulgence, I might try to clear up. I said in the other House that the Federation of Indian Chambers of Commerce had either completely misunderstood this scheduling

of new preferences, which would be extremely regrettable in the case of an Association which purports to represent Indian commercial interests, or had deliberately mis-stated the position, which would be worse still. On that I have received a long communication from the Federation protesting against my statement and pointing out that all that they had said was that the non-official Advisers had asked for a certain quantum of preferences to be scheduled and the preferences that had been scheduled were not up to that level. Now, Sir, if this is all that they meant, it is a different matter; but that certainly is not what they said. If they meant only that much then certainly my criticism of their position was not justified and I owe it to them to state it publicly as I am doing now that I was wrong. But I still maintain that what they said with regard to chrome leather, which was the particular article to which I was referring in the other House, was this. They said—

THE HONOURABLE THE PRESIDENT: Are you reading from a newspaper?

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN: Yes, Sir, the *Hindustan Times*.

THE HONOURABLE THE PRESIDENT: I cannot allow that.

THE HONOURABLE SIR MUHAMMAD ZAFRULLAH KHAN: Very good, Sir. I shall take upon myself the responsibility for stating that what they said with regard to chrome leather was that the preference has been reduced and the position under the new Agreement is worse than it was under Ottawa. I have fortified myself on that, Sir, and I therefore repeat that either they misunderstood the position, had not fully appreciated it—and I can make allowance for that because their criticism of the Trade Agreement was published almost as soon as the Agreement itself was published, which gave them very little time to consider its provisions and therefore they might easily have fallen into this error—or they have misrepresented it. But if they say that what they said was correct, then I repeat that it is entirely wrong. If it is not a deliberate misrepresentation it is the result of a misunderstanding. The position with regard to chrome leather is that at present it enjoys by virtue of the privilege of free entry the full benefit of the 30 per cent. duty levied upon imports from foreign countries into the United Kingdom. It continues to enjoy that under the new Agreement. It will continue to enjoy the full benefit of any duties imposed by the United Kingdom on foreign chrome leather. The only difference is that, as I have already explained, we have now secured that this duty shall not during the currency of this Agreement be reduced below 15 per cent. I hope I have cleared up that matter satisfactorily.

Sir, I have already taken a great deal more time than I was entitled to and I believe I have dealt with the principal points raised in the course of the debate. I would beg the House not to go on repeating certain clichés irrespective of whether they are actually justified by the facts or not. As I stated in the other House, one of two positions may be taken up. One is this. We do not want a Trade Agreement with the United Kingdom as we cannot be sure that, situated as we are constitutionally and politically in relation to the United Kingdom, we can really secure an Agreement which would be to the benefit of India. That is one position. If that is so, then one is rather surprised that one should have been given a mandate by the Assembly to conclude a Trade Agreement with the United Kingdom when all the time the

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attitude of certain parties was that they were not prepared to accept any kind of Trade Agreement with the United Kingdom. The other position is that we should divest ourselves as business men ought to in all their concerns, of every kind of political bias in the matter, and we should say to ourselves that we may not have got all that we had asked for, all that the non-official Advisers had said we should get but what is the result on a balance of considerations? The shoe may pinch a little bit here and might be very easy somewhere else. But on a balance of considerations is this an Agreement which is likely to secure substantial benefit to India? Or look at it in another way. If we give up all that we might secure under this Agreement and the textile industry is not called upon to make any sacrifice at all, would the injury done to our general trade be less than the profits that the textile industry might be called upon to sacrifice under the Agreement? Those profits are perfectly legitimate. I am not insinuating that the industry has taken advantage of the scheme of protection to secure improper or illegal advantages. But here is an industry which under the scheme of protection has flourished, which in itself is gratifying and which has secured a position for itself for which those who have been responsible for bringing the industry to that position deserve every credit, but having secured that position—and a study of the figures shows that their practical monopoly cannot now be challenged by Lancashire, whatever may be the case *vis-a-vis* Japan if there were not such a high wall of protection against that country—is it not legitimate to ask that they should agree to this new Agreement whereby Lancashire imports into this country, which last year fell to 266 million yards and this year might stand at 200 million yards, might be helped to the extent of another couple of million yards or so on the average. Sir, is it seriously contended that an industry whose production today stands at 4,000 million yards would be ruined or seriously prejudiced if the imports from the United Kingdom rose to a figure at which they stood in 1934-35? I submit, Sir, there can be only one answer to that question. (Applause.)

**THE HONOURABLE THE PRESIDENT:** This is an opportune time to adjourn. After lunch I will give all Members who desire to speak the fullest opportunity of speaking.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

**THE HONOURABLE MR. V. V. KALIKAR** (Central Provinces : General) : Sir, in discussing this Trade Agreement between India and the United Kingdom one cannot forget the political condition of India and in spite of the efforts made by my Honourable friend the Commerce Member to bring about an equitable Agreement between India and the United Kingdom I am afraid I must state that he has failed in his attempt. I quite agree with him that he has been able to reduce the value of imports into India of the United Kingdom from Rs. 18 crores to about Rs. 7½ crores ; he has been able to get some advantages over the Ottawa Agreement in some commodities, but, as an agriculturist I must submit that so far as raw cotton is concerned, the agriculturist and the cotton growers are not satisfied with the terms that have been placed before us and therefore we are not enthusiastic in this connection. In a Trade Agreement when two countries want to conclude equitable and impartial agreement,

the political status of the two countries must be the same ; this is wanting in the case of one. Here, Sir, the Government that concludes the Agreement with the United Kingdom on behalf of India is admittedly a subordinate branch of the British Government. They cannot but be influenced by the vested interests of Lancashire and therefore they have to knock out a bad bargain. I am one of those who want to make use, the best use, of a bad bargain, but here I find from the point of view of the cotton growers that it is not only a bad bargain, but it is the worst bargain. Apart from the recommendations made by the majority of the non-official Advisers about giving some protection to the shipping industry against the discrimination of the United Kingdom, about giving protection to the banking industry and about giving some chance to our young men to allow them to work as apprentices in the commercial concerns and factories in England, the position we see is that we have not been able to conclude a Treaty which will ameliorate the condition of the cotton grower. I am particularly connected with cotton growing and I come from a constituency which is a purely agricultural constituency where cotton is grown and I therefore submit that I must record my protest on the deal which has been placed before us which is not at all in the interest of the cotton growers. Sir, we find from the figures that last year 6½ lakhs bales of raw cotton were exported to the United Kingdom. If, Sir, that is the position, then I fail to understand why the representation that was made to the Government by the representatives of the cotton growers during the period when the negotiations were being carried on that a guarantee of 7 lakhs bales should be given by the United Kingdom to India and that within a period of five years the objective figure of 10 lakhs bales should be reached by the United Kingdom was not given effect to ? If the figures are correct, they have taken 6½ lakhs bales last year ; if the information that they are trying their utmost to take more raw cotton from India is correct, if the attempts made by the Lancashire Cotton Committee to import a large number of bales is really correct, then, Sir, the position is that the representation made by the cotton growers should have been given effect to. I find, Sir, that in this House and in the other House much is said against the industrialists. We are told that the industrialists have been very much benefited at the cost of the consumer and therefore they must make some sacrifice. I agree, Sir, that they have benefited. But they have benefited after a long agitation for many years with a view that the main industry in India should be able to compete in the home market as well as in the foreign markets with foreign textile goods. And after a very long agitation that industry received protection. If by concluding this Agreement the industry is to lose by 50 per cent. the protection that was afforded to it and at the same time the cotton growers are not going to benefit in any way, I for one, Sir, will not be a party to support this Agreement when we, the tillers of the soil, do not and cannot reap any benefit from the Agreement that has been placed before us. I understand, Sir, that about 60 lakhs of bales of cotton is produced in India, of which about half the quantity is consumed by our mills in India. Japan consumes according to the Agreement that has been entered into with Japan about a million bales and before some years we had a good market for exporting our raw cotton and especially I mean Omra cotton from my district in the Central Provinces and Berar to China. That market is closed to us now. So we are passing anxious times to find a stable market for our produce. Under these circumstances we cannot afford to displease the Indian textile industry which is our biggest customer. The Lancashire mills could have, Sir, without any material loss to them, agreed to the proposal of the representatives of the cotton growers and guaranteed to take 7 lakhs of bales with an objective figure of 10 lakhs within five years. Here we find, Sir, that they are going to

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take 5 lakhs of bales in the first year, 5½ lakhs of bales the second year and in subsequent years 6 lakhs of bales. Not only that, the representatives of the cotton growers urged that a percentage should be fixed for taking the Oomra cotton. We were told this morning that the percentage of takings of Oomra cotton has been reached to about 61·8 per cent. The cotton growers represented that the percentage should be fixed to 65 per cent. So that also has not been agreed to. From the Report of the Indian Central Committee I find that they stated in paragraph 10 of the Report of 1936 that on the basis of production of yarn up to 20 counts only it has been roughly computed that Lancashire's requirements amount to 13,63,000 bales and for much of this Indian cotton is required. Now, this statement is from a report of an expert committee of cotton growers. Now, Sir, if that is the position of Lancashire I do not think they would have lost much in accepting and agreeing to the demands of the cotton growers. Therefore, Sir, I think the Agreement that has been brought forward before us does not satisfy the minimum demands of the cotton growers and so the cotton growers cannot find their way to support the Agreement.

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#### STATEMENT OF BUSINESS.

**THE HONOURABLE THE PRESIDENT :** Honourable Leader of the House, you have an important engagement this afternoon. You may now make your statement regarding the future course of business.

**THE HONOURABLE KUNWAR SIR JAGDISH PRASAD (Leader of the House):** With your permission, Sir, I would just like the House to know the business for this week and what we anticipate for next week. It is expected that the Legislative Assembly will pass some Bills by Friday, the 31st instant. I therefore suggest that for the purpose of laying them on the table of the Council we may meet at 11 A.M. on Saturday, the 1st April. The Motions for the consideration and passing of the Bills laid on the table on the 1st April may with your leave be discussed on Monday, the 3rd April. Should, however, no Bills be passed by the Legislative Assembly on the 31st March the meeting on the 1st April will be cancelled by a circular.

**THE HONOURABLE THE PRESIDENT :** I shall bear your suggestion in mind.

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**THE HONOURABLE SIR A. P. PATRO (Nominated Non-Official):** Sir, after the very lucid statement on the general outlines of this Agreement given by the Honourable Mover and the explanation offered by the Honourable Member, it does not require much argument to support this Agreement. Before I go into the merits of this Agreement I would, however, beg to clear one misconception that seems to be prevailing amongst certain Members. The composition of the House is very much misunderstood. The nominated Members are 26, of whom the officials are 9 and the non-officials are 17. The elected Members are 32. Thus the number of nominated Members, including officials and non-officials, is 26, while the number of elected Members is 32. Therefore

the statement often repeated that the nominated Members dominate the voting strength of this Council and that therefore any proposal that is put forward by the Government is slavishly carried out is entirely incorrect. On the other hand, the people who make this kind of charge are not able to see the beam that is in their own eyes. With the 32 Members who constitute the majority are divided into four Groups and the attendance of the Members of each Group, the division lists show how far they are responsible to this House and how far they are responsible to and representative of the interests of their constituencies. Not only this, Sir, he forgot altogether that the 16 or 17 nominated non-officials are like jurors and assessors between the official bloc and the non-official bloc. Therefore, their verdict depends on the circumstances and the facts of each case and the justice of the cause and it is not mere slavish obedience to Party Whips irrespective of their conscience and their convictions. This being the picture in the House, it is ridiculous for anybody to say that the nominated Members dominate the House. Leaving that for the moment, I submit that the discussion today would have been much easier if the Honourable Member representing the group to whom the Honourable Mover addressed the question, that is, the Congress Member, had replied to his question. The question was: "Why was it that the Congress Leader and the Congressmen sat mum in the other House when Mr. Jinnah made the statement whose fallacy could have been exposed by them?" If they were supporting the interests of the agriculturists, producers and the poorer classes, they should have got up in their seats and replied to this. The absence of any such reply from their side shows that they also agreed. Silence is half consent, as they say. They agreed therefore with the statement made by Mr. Jinnah. Here, also when challenged to explain the position taken up in the other House, we have not had any explanation. That indicates that those who sit here also consent to that position. Apart from this, the question is this: "Is this Agreement justified on the merits?" There are criticisms which show that this is a very fair and reasonable Agreement. In the circumstances, it could not be otherwise. On the other hand, it is pointed out that this Agreement gives more to Lancashire and therefore it ought not to be accepted. Lancashire, on the other hand, has been agitating that the British Government has not been very fair to them, and that the British Government have yielded to the bargaining powers of the Indian delegation. In the midst of these, what are we to do? We must look at facts. The facts are that the Indian textile industry is not able to consume more than 50 per cent. of the cotton produced in this country. What is to become of the other 50 per cent.? Are the producer and the agriculturist to be subjected to the prices dictated by the consumers of this cotton or the cotton brokers who are used for fixing the price of cotton for the agriculturist? Therefore, it is in the interests of the producer, the agriculturist, that this surplus of 50 per cent. should be exported and consumed. The United Kingdom agrees to take a large proportion of the cotton grown in India and there must be some *quid pro quo* for this. If today India gives preference to the extent of Rs. 760 lakhs, India gets a benefit on the concessions to the extent of about Rs. 30,60 lakhs worth of imports, which we have either free or on preference. If so, how can you say that the Agreement is to the disadvantage of the country? Then again, if a larger quantity of United Kingdom manufactured piecegoods are imported, it is not an absolute concession. That concession depends upon a *quid pro quo*, namely, that increased consumption takes place. There is guarantee of a definite consumption by the United Kingdom. If the minimum is not reached, a penalty is attached to it. Therefore, it is a very fair and reasonable thing. When we grant concessions, the United Kingdom also gives more concessions. This is the second advantage.

[Sir A. P. Patro.]

The third thing which we have to note is this. In the case of raw materials imported into the United Kingdom, we must remember that there is very great competition from the Empire goods. Preference is given in the case of our raw materials. Therefore, on these three grounds, I think that this Agreement is to the benefit of India and that it should not be rejected. I have not heard from Mr. Kalikar that the agriculturists do not like it. Is he prepared to sell his cotton at a lower price than that which is obtained from the United Kingdom? 50 per cent. of the produce of India—

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I inform my Honourable friend—

THE HONOURABLE SIR A. P. PATRO: I do not give way, Sir. Is he to say that 50 per cent. of this is to go at a cheaper rate? The Indian producer looks for a steady market for his produce, and a proper and equitable price for it. How is he to obtain this? If there is no agreement at all between India and England, what is to happen to the producer of cotton?

(At this stage the Honourable Rai Bahadur Lala Ram Saran Das attempted to interrupt.)

THE HONOURABLE THE PRESIDENT: Let the other Honourable Members have their own say.

THE HONOURABLE SIR A. P. PATRO: The Honourable Member read us about 20 typed pages. I think he should now have the patience to bear with me. If there is no Agreement, what is to be the fate of the producer and the agriculturist? What is to become of the very many articles which are now receiving preference or which are freely admitted into the United Kingdom? That position has to be seriously considered before we think of rejecting this Agreement. It seems to me, in the words of the Prime Minister of the Punjab, it will be a great betrayal of the interests of the agriculturist and of the producer if we do not accept this Agreement. As an agriculturist, therefore, I support the Agreement.

THE HONOURABLE MR. H. G. STOKES (Bengal Chamber of Commerce): I rise, Sir, to give my whole-hearted support to this Agreement, and in doing so, I wish warmly to congratulate the Honourable the Commerce Member on the terms which he has been able to secure for India after such protracted negotiations. If one might define a perfect Agreement as giving to all parties joining in it all that they want and a bit more, then this Agreement is not perfect. There is a good deal that we should like to have secured, for instance, an increased preference for coffee, which we have not got. But, since perfection is unattainable, I consider we should be very satisfied with our share of the bargain and with the very substantial concessions which our negotiator has been able to obtain for us. It is true, Sir, that in some respects the views of the non-official Advisers have not been met. But when one sets out to make a bargain how often does one name at the start the price one is prepared to pay or to take? The seller asks a high price, the buyer a low, and after negotiation the middle figure found is often acceptable to both. That at least is my experience of 30 years of Indian business, and that I submit is what we find in this Agreement.

Turning to its details, Sir, we find that two of India's preferences have been abolished or reduced. The first of these is on wheat and Government claim, in my opinion correctly, that its loss is

comparatively unimportant. India is not yet a wheat exporting country on any large scale, and the duty recently imposed on the import of wheat into this country must tend to keep prices here above world parity. There is also a decrease of a third of a penny on rice, and here again I do not think that we need fear the result in the least. The high grade rice which we export has an established position in the home market which will not be disturbed. In this, Sir, I am able to speak from a certain amount of experience.

On the other side, I submit, there are substantial advantages. The removal of the drawback on groundnuts, its curtailment on linseed, are definite benefits for us. There has also been a notable reduction in the number and value of United Kingdom goods entering India which receive preference. I should like here to suggest to Government that the opportunity thus afforded of scaling down the relative revenue duties be not allowed to slip. Jute manufactures, leather, woollen rugs and carpets retain the privileged position which has been so valuable to them. The margin on chrome leather, as Mr. Dow has told us, is now guaranteed to us as to 15 per cent. That I regard as of great value. Then, Sir, there are the cotton provisions. It is true that the terms settled fall short of the ideas of the non-official Advisers. They may indeed not be as favourable as we might have wished, but there is now introduced to all intents a guaranteed offtake of cotton which is an enormous advance on the previous undertaking by Lancashire that she would just take all she could. That she has taken 550,000 bales in 1935-36 and 650,000 bales in 1936-37 is in my opinion no criterion that she would continue to import at this level in future years. It merely shows, I submit, Sir, that she has honourably carried out to the full her promises. Now, her purchases of cotton are linked to her imports of finished goods. The millowners say that these cotton purchases will not benefit the grower, but I fear that I cannot understand this argument. It is not a question of staple at any rate, because the Honourable the Commerce Member has just assured us that Lancashire's purchases in 1938 were to the extent of 60 per cent., I think he said 61·2 per cent. of seven-eighths of an inch staple or under, that is low staple cotton. This is near the figure suggested by the non-official Advisers. From the Indian mills point of view, I submit, there is now the advantage of fixed quotas. The quantity of piecegoods which can be imported is limited whereas formerly it was unlimited and the peak figure of 500 million yards now laid down is, if I remember aright, considerably less than the textile industry were prepared to concede to Lancashire a few years ago. In putting forward these arguments I do not suggest that the great textile industry has no grievances. Our troubles always look blackest at first, even income-tax, and I think it possible that on further consideration it will be found that the sacrifices which the industry is called upon to make for India's trade as a whole are not so extensive as is now claimed. In common, Sir, I expect with most Honourable Members I have been favoured with the views of the Federation of Indian Chambers of Commerce and Industry on this Agreement. There is a suggestion I see on page 2 that advantage should be taken of this Agreement to secure a specific share for Indian shipping of India's carrying trade with the United Kingdom. Sir, I bear no ill-will to Indian shipping. Indeed, as a shipper I welcome the effect of their competition upon rates of freight. But I do not see how Government could possibly use this Agreement in the manner suggested. I do not say this because to do so would be to raise the issue of discrimination but because this Agreement concerns the trade of India as a whole and not Indian interests in India as distinct from British interests.

In conclusion, Sir, Honourable Members are no doubt aware that my Group in another place moved an amendment to hold this Agreement in abeyance

[Mr. H. G. Stokes.]

while it was examined by a Committee. I may be asked why if you support this Agreement so strongly, if you consider it so advantageous to India, do you seek to delay it in this manner? I want to make it very plain that delay was not our object. We felt and we still feel that on more mature consideration much of the antipathy now being shown to this Agreement would disappear and that its advantages would be recognised as we now recognise them.

Sir, I support the Motion.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan) : Mr. President, it gives me great pleasure to join those who have congratulated the Honourable Commerce Member for having striven hard and faithfully to uphold India's interests during the protracted negotiations leading to the Pact that is before us. He, and indeed the Government of India, must be acknowledged to have done their best in the political situation in which they found themselves to protect Indian interests. In carrying on discussions with His Majesty's Government they must have found the advice of their non-official Advisers very helpful. Testimony has been borne to the value of this advice both by Sir Muhammad Zafrullah Khan and Mr. Dow and one may feel certain that the fact that the representatives of a Government politically subordinate to Great Britain had behind it the support of non-official Advisers must have lent great weight to their representations. Representatives of the Government of India are not in the same position as the representatives of the Dominions. I doubt whether the Indian representative could have taken up the position, for instance, that Mr. Mackenzie King, Prime Minister of Canada, did at the Ottawa Conference, in 1932, in fighting for Indian interests.

Sir, it must be fairly acknowledged that the present Agreement is a very substantial advance over the Agreement of 1932. But does this settle the matter? The question has so far been considered from the point of view of the total imports of Lancashire cloth into India and the progress recently made by the Indian mill industry. I cannot say, when you come to consider the cotton article which is after all the main part of the Agreement and our view of which must decide our support or opposition to the Pact from this standpoint, that either of the interests concerned was *prima facie* unreasonable. England naturally wanted that if there was to be a pact its most important industry should be benefited. Taking the years 1934-35 to 1937-38, one finds that the average import of Lancashire textiles into India was about 375 millions. If the Pact is to be beneficial to England, it is obvious that His Majesty's Government should ask that an outlet for the greater consumption of Lancashire cloth should be provided in India. The Indian millowners on the other hand say that although in 1934-35 the imports of Lancashire cloth amounted to over 500 million yards they fell in 1937-38 to about 267 million yards and that in the current year they are likely to be about 200 million yards only. Now, in order to reconcile these views the Honourable Commerce Member speaking this morning asked us to consider the rapid strides made by the Indian industry during the last four or five years. He pointed out that the production of Indian mills had advanced from about 3,400 million yards in 1934-35 to about 4,100 million yards in 1937-38 and asked whether in view of these figures one could reasonably assert that the Indian mill industry could not make the sacrifice, the comparatively small sacrifice, demanded by Lancashire. We cannot go merely by the aggregate figures in this case. So far as I have been able to understand the matter, the competition between Lancashire and India will be in respect of fine cloth only.

**THE HONOURABLE MR. HOSSAIN IMAM :** There is an item of grey too in the list.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Or substantially. We have therefore to see what will be the extent of the competition in respect of these goods if a larger import of Lancashire cloth is allowed into India. An appreciable advance has been made in regard to their manufacture in India and as Ahmedabad has made the greatest progress in respect of the production of fine cloth, its interests will be particularly affected. It is only when we look at the question in this concrete way that we can take a comprehensive and fair view of the matter.

Sir, if this were all, one might ask whether we should not make some sacrifice to promote the interests of the cotton growers. Let us see whether the Pact serves the cotton interests. It is perfectly true that it provides that in the first year when the Pact comes into operation Lancashire should purchase 500,000 bales of Indian cotton and that after 1940 it should purchase 600,000 bales of Indian cotton annually. If it does not do so the quantity of cloth which it will be entitled to send her will be reduced by 25 million yards for every 50,000 bales of the deficiency, and the deficiency must not exceed 150,000 bales in any year after 1939. But the fact remains that Lancashire can without increasing her purchases of Indian cotton increase her imports of cloth into India. Whether the increase is large or small does not matter, but the fact is that Lancashire, whose market in India is going down, will be able to import a larger amount of cloth into India without offering any substantial benefit to the cotton growers. There is therefore no guarantee regarding the purchase of cotton and the sanctions are not effective. If anything really substantial had been offered to the cotton growers, I am sure that a different view would have been taken of this Agreement. Even so it may be asked are these the only points—

**THE HONOURABLE MR. H. DOW :** A different view would have been taken by whom? Does the Honourable Member mean by Government?

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** I mean by the people at large, by India.

Even so it may be asked whether these are the only two questions that ought to be considered in relation to this Pact, namely, the interests of the mill industry and the interests of the cotton growers. Should not the general trade between England and India also to be considered in this connection. The Honourable Commerce Member is reported to have said in the other House that the trade between England and India had improved in consequence of the Ottawa Pact and that the balance was in favour of India. Now, we all know, Sir, that British imports into India began to decline several years before the Ottawa Pact was signed. Apart from this, we have to consider the entire import and export trade of India and from this point of view all that can be said is that there has been a diversion of Indian trade from one side to another. I do not think it can be said on a review of the figures, say, from 1930-31 to 1936-37 that the Ottawa Pact has led to any increase in our trade.

Sir, it may be said if this is the situation, if there was no possibility of an agreement, why should Government have been asked in 1926 to enter into negotiations with His Majesty's Government? This question was actually raised by the Honourable Commerce Member. Well, my Honourable friend Mr. Shantidas Askuran put a question with regard to the sale of Indian cotton and asked whether Lancashire would be prepared to purchase Indian cotton even if

[Pandit Hirday Nath Kunzru.]

the ratio of Indian to American prices moved against India? I do not think that the Honourable Commerce Member gave any very definite reply. He only said that the Agreement implied it. But as a matter of fact in 1937-38 when the parity was against India the purchases of Indian cotton by Lancashire were considerably reduced. It appears therefore that Lancashire's intake of Indian cotton will depend on world conditions. But apart from this, we have to take two other factors into account which have prevented the Agreement from being considered purely on its own merits. I have no hesitation whatsoever in saying, taking into account the demands of the non-official Advisers and the Agreement now arrived at, that it does not seem to me that the gulf between the British and Indian interests was too wide to be bridged. Given a little patience and goodwill I think it ought to have been possible in view of this to arrive at a settlement fairly acceptable to both sides. But in the first place the case was prejudiced from the start by the doubling of the duty on raw cotton. If Government wanted that the Agreement should be rejected out of hand, they could not have done better than announce the enhancement of the duty on raw cotton. Surely a little common sense ought to have told them that they were gravely prejudicing the consideration of the Agreement by doing so. In the second place the atmosphere of political goodwill necessary for the conclusion of a pact involving give and take is wanting at present. Sir, this question has a long history behind it. The steps taken by Government in 1930 and 1936 to benefit the Lancashire cotton industry have created a tremendous bitterness in this country as they are aware without proving advantageous to Lancashire. The suspicion that prevails now with regard to the advantage that His Majesty's Government may take of the subordinate position of India, and in view of past history with regard to the attitude of Government towards the Indian cotton industry is compared with Lancashire is, I think, responsible for a great deal of the opposition to the present Agreement. An Agreement involving the import of Japanese cloth and the sale of Indian cotton was arrived at with Japan two years ago. There we had no such complicating factors as are present in the case of Lancashire and at the same time competition of Japan was not in respect of the finer kind of cloth. In the present case it is a matter of regret to have to admit that at the present time it is possible only to arrive at an agreement which leaves Lancashire cloth and Indian cotton out of account.

It has been said, Sir, by the Honourable the Commerce Member that the expectation that, if no agreement is arrived at now, India would continue to receive treatment on a par with the Dominions in the British market is unfounded and is also dishonest. Now, I personally do not see anything dishonest in the contention that situated as India is today England would think twice before subjecting Indian trade to any appreciable disadvantage. We are a debtor country and we are debtors to England. It would obviously be prudent of England, notwithstanding any differences that might prevail between the two countries in respect of Lancashire cloth, to see that she takes no steps in anger and haste which would jeopardise her own interests in this country. But even if it be otherwise, I for one see no prospect of a stable agreement being arrived at unless things are allowed to take their course for some time. If India really suffers by the rejection of the present Agreement, let her suffer. Let her public men and her commercial and industrial leaders have time to realise all the factors involved in the problem before us so that hereafter there might be a better chance of concluding a Pact taking into proper account the interests of both countries. From this point of view, Sir, I hope that there will be no desire on the part of the Government of India to go behind the decision of the Assembly. If that is done, this Agreement, however good it may be, will be

viewed with the same suspicion and hostility with which the Ottawa Pact was regarded and it will further embitter relations between England and India.

This is all, Sir, that I had to say on the merits of the question but I hope you will allow me before I sit down to join my Honourable friend Mr. Dow in regretting that in another place a communal twist should have been given to the issues involved in the consideration of the matter before us. One of the non-official Advisers was Nawabzada Liaquat Ali Khan, the General Secretary of the Muslim League and he was in agreement with the majority of the Advisers. It is a great pity, therefore, Sir, that in the review of factors relating to the vital interests of India in a very important matter, statements should have been made which are not merely irrelevant to the issues concerned but extremely injurious to the larger interests of the country

Sir, I am also indebted to Mr. Dow for having brought up this Resolution here. I do not agree with those who think that its discussion should have been confined to the Assembly. It is true that Government has practically a standing majority here but any fair-minded man who takes the trouble of reading the debates of this House will be concerned not with the total number of votes cast on either side but with the weight of non-official opinion on either side.

\* THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadian) : Sir, whatever be our differences with the Pact—and I shall not conceal from the House that we are extremely critical of it—there is one thing on which there is happily complete unanimity among us and that is in our appreciation of the work which Sir Zafrullah Khan and those associated with him in connection with the Pact have done. Sir Zafrullah as representative of a Government that has to take its orders from His Majesty's Government and that is responsible to it had to negotiate with His Majesty's Government, with the Ottawa Pact continuing even after it had been condemned by the other House, and it should surprise no one that the actual results of negotiations between two unequal parties are such as to cause little enthusiasm. Real trade pacts based on genuine reciprocity and equality of sacrifice on both sides are possible only between countries which have an equal bargaining power. Unfortunately, we are not in that favourable vantage ground. Our political subjection reflects itself in our economic life and even Sir Zafrullah with all the ability that he has brought to bear on his task, with all the hard work that he has so strenuously put in and with all the efforts that he has made for a better Agreement than the old one cannot work miracles.

It is not possible, Sir, to cover the entire ground in the time available to one and I shall therefore content myself with explaining my point of view. It is claimed on behalf of the Pact that it has brought down the preference on British imports from Rs. 18.75 crores to an annual average of Rs. 7.68 crores, that while 82 per cent. of India's exports to the United Kingdom will enjoy preference by free admission, only 16 per cent. of India's imports from the United Kingdom will be subject to preference, that the preference enjoyed by Indian exports would still value nearly Rs. 45 crores, that the number of preferential heads has been reduced from 163 in the old agreement to 43, and that the number of preferential tariff items has been reduced from 106 to 20, that the preferences are confined to articles not in competition with Indian products, that several items have been omitted in the interests of Indian consumers, that this reduction will lead to a lowering

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\* Not corrected by the Honourable Member.

[Mr. P. N. Saprū.]

of the tariff barrier against foreign countries and that this concession will ultimately develop India's foreign trade. I am free to admit that the Pact, as compared to the old Ottawa Pact, has some advantages. It is a better Pact than the Ottawa Pact, I gladly acknowledge that. The first thing that I note is that the non-official Advisers had suggested that the preference to British imports should not exceed Rs. 3 crores. The difference between the figure actually adopted in the Pact and that suggested by the non-official Advisers is very great. It appears from the Report of the non-official Advisers that the British Government wanted preference for a volume of trade amounting to Rs. 8½ crores. The actual figure arrived at is Rs. 7 crores and 68 lakhs and this is much nearer the British figure than anywhere about the Indian figure. The preferences cover manufactured commodities such as electric appliances, instruments, apparatus, motor cars, drugs and medicines. These are commodities in which foreign competition is keen. I doubt whether the preference given to British chemicals, drugs and medicines would be advantageous to India, because I think it ought to be our endeavour to develop the chemical industry and it is to be doubted whether India can afford to give a wide range of preference under this head. Sir, the Memorandum which has been published says :

“ The difficulties experienced in evolving an arrangement which embodies the greatest common measure of agreement without sacrificing any vital interest were enormous : it may be claimed, however, that the Agreement recently signed secures the object which has been constantly in view ”.

In considering whether the Agreement secures the object which Sir Zafrullah Khan had constantly in mind, we have to remember not only the political relationship but the different economic conditions of the two countries. India is an overwhelmingly agricultural country. It has just started on the road to industrialisation. It is attempting industrialisation in a world which believes in exclusive economic nationalism. Political conditions being unsettled, our resources being limited—industrialists have little resources to fall back upon—capital being shy, Government being indifferent in the matter of providing State assistance or help, our industrialists have to work under certain handicaps. Naturally, they are apprehensive of the reactions of any steps which may adversely affect the industrial future of the country. We need to inspire confidence in the investor in order to attract enough capital for industrial expansion and development. A further circumstance which we must remember is that India being mainly an agricultural country, its exports to the United Kingdom are mostly in the nature of essential articles of food or drink or raw materials which do not compete with the producer in the United Kingdom. Most of the Indian imports into the United Kingdom do not replace British agricultural products. I say most, because I know that the only manufactured articles of any importance which may be said to be in competition with the producers of the United Kingdom are jute manufactures and woollen carpets. In the case of articles coming to India from the United Kingdom, the United Kingdom not only competes with other countries trading with us but with this country also. For example, in the case of drugs, chemicals, paints, iron and steel and to a certain extent in cement. If we believe in industrialisation and we cannot rely on agriculture as we have an expanding population which needs more avenues of employment, we have to scrutinise the Trade Pact from the point of view of its effect on our nascent industries. The objection, therefore, to the inclusion of protected articles in a trade agreement may be stated in this manner. My most effective objection to the Trade Agreement is that preference has been given

in a protected industry. Rates of duty were fixed by the Tariff Board for a certain number of years after an examination of the production cost and Lancashire too had an opportunity of placing its case before the Tariff Board. It is not right, therefore, to disturb the tariff arrangements on the basis of which manufacturers have extended their plants or new sources have been established. It is not right to disturb the arrangements without an examination by an expert body of its effect on the industry concerned. Procedure like this amounts to a repudiation of an undertaking given by Government and may have serious repercussions on the economic life of the country. Apart from other considerations, I object to the linking up of cotton with the tariff arrangements for textiles in disregard of the findings of the Tariff Board on this broad kind of principle. I wish the non-official Advisors had stuck to this position. I do not agree with the line which they took. They gave away their case when they began to talk of 1 million bales or 1½ million bales and all that sort of thing. Further, there is another consideration which weighs with me, and that is, the doubling of the duty on raw cotton and the manner in which that duty was levied. I should have thought that increase in the cost of raw material would have been counterbalanced by a counter-vailing excise duty on imported textiles. We have to consider the cotton arrangement in the light of this increased cost of production in India. This arrangement will undoubtedly increase the capacity of Lancashire to compete with the Indian industries. What is the return which we get for this method of doubling of the duty on raw cotton? The doubling of the duty could not have been known to the non-official Advisors and the question that I should like to ask is whether they were consulted in regard to its effect on the Trade Agreement after the 28th February. Such is the scant respect, if I may say so, paid to public opinion by the present Finance Member that the duty was certified as essential for the economic interests of India. Now, Sir, how can Government expect support in this atmosphere of prejudice for this Pact? You have created this atmosphere yourself; you must therefore not blame us if we succumb to the atmosphere of prejudice which you have created for us.

Sir, I would also like to ask whether the preference of Rs. 7 crores includes the preference of cotton goods? As far as I can see they do not include the preference on cotton goods.

There is just one remark I should like to make about the introduction of communalism in this discussion. I was very sorry that a most respected leader introduced the communal bogey into this matter. Sir, we have the interests of exporters and importers, we have the interests of workers and capitalists, we have the interests of zamindars and tenants, but we have no interests as Hindus and Muslims. If all these economic questions are to be looked at from the communal point of view then democracy would become absolutely impossible in this country. I think people ought to realise and have greater sense of their responsibility and they ought not to introduce these communal issues in matters which have no bearing on the communal life of the country. I think communalism is being carried to extremes and even moderate-minded Hindus are asking themselves this question, "Where do we stand with our Muslim friends today?"

THE HONOURABLE MR. M. N. DALAL (Bombay : Non-Muhammadian) :  
Mr. President, Sir, the Indo-British Trade Agreement, which the Legislature is called upon by Government to approve, displays many features, which, on a close scrutiny, will convince any impartial student that it is not made in the interests of India, in matters of trade, with the United Kingdom. India,

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Sir, suffers from serious handicaps in such matters, from the mere fact, that those who have the destinies of this country in their sole charge today, think more of the interests of the country of their own origin, than of the country which employs and exalts them. I am aware, indeed, Sir, that the official head on the Indian side, in concluding this Agreement, was an Indian Member of the Government of India. But, I am also aware, Sir, of that basic condition in modern governments, whereby the official head of an important department of state, is not a technical expert qualified to deal on his own, with the intricate questions coming up for his decision in the usual course of administration of that department. It was precisely because this feature of modern governmental organisation was recognised, that non-official Advisers were associated from the start, with the official head of the Indian Government Department of Commerce, in carrying out these negotiations. But, Sir, it must have come with the utmost shock and surprise to every Indian, nay, to every honest man in the country, that the advice and counsel of these non-official Advisers was neglected; and that the Agreement, as now required to be approved by us, has been concluded without their concurrence and against their advice.

The Agreement, Sir, is supposed to be in pursuance of the Legislative Assembly Resolution passed on the 30th March, 1936, three years ago. This Resolution called upon the Government of India to terminate "without delay" the iniquitous Ottawa Agreement, and required the Government immediately to examine the trend of trade of this country with various other countries, as well as with the United Kingdom, and to—

"investigate the possibility of entering into such bilateral trade treaties with them, whenever and wherever possible, to bring about the expansion of the export trade of India in those markets, and submit such treaty or treaties for the approval of the Assembly".

I would ask this Honourable House to consider carefully the very modest terms of this Resolution. It seeks to put an end to the unfair arrangement by which India gave all kinds of preference and protection, to competing British goods in her own markets, in return for which she got preference—over nothing really, that needed such preference in British markets. Government, however, with their characteristic contempt for Indian opinion, however solemnly expressed, did not terminate that Agreement at all, but kept it substantially alive, only contenting themselves by giving a notice of their desire to terminate it, six weeks after the Resolution was passed, as the official Memorandum on the present Trade Agreement puts it, with inimitable irony :

"Pending the negotiation of a fresh Agreement, however, the Agreement then in force continued in operation, subject to termination at three months' notice by either side".

The last named three months' notice was, of course, never given; and so the Assembly Resolution was treated with less consideration than that proverbial "scrap of paper", for three years.

This studied disregard for Indian public opinion on such matters would dispose any self-respecting Indian summarily to reject such Agreements. If they do not mean to abide by the advice of our countrymen, whom they officially appoint their Advisers, why do they appoint them Advisers? If they do not want to respect the judgment of the Legislature, why go through the farce of submitting such a one-sided arrangement for its approval? Have they carried out the condition laid down by the Assembly in the Resolution I have quoted? Have they investigated into the real trend of India's

trade with other countries, as much as they have done with regard to that with the United Kingdom? Have they made this a bilateral agreement, or only submitted to dictation to the orders from Whitehall?

I have intentionally asked this question, Sir, because I find in the Report of the non-official Indian Advisers, that not a single consideration which they thought ought to have guided these negotiations on the side of India has been fulfilled. For a just and proper Trade Agreement, these gentlemen considered it essential that attention should be paid to the—

- (1) Raw cotton purchase from India by British interests ;
- (2) General preference to Indian goods in the British market ;
- (3) General preference to British goods in the Indian market ;
- (4) Reduction in the tariff on Lancashire goods.

In each of these respects, the Agreement, if one may use the term without mockery in respect of the present document, now before us, sadly belies the most moderate expectations of fair dealing to India. The British cotton industry refuses to accept more than a fraction of what should be considered a fair *quid pro quo* for the concessions forced from this country. What even the Lancashire delegation might have agreed to as a minimum and an optimum purchase of raw cotton from India, our Government has scaled down by nearly 50 per cent. Lancashire does not *guarantee* the purchase of any quantity of Indian cotton; while we have agreed to give them 7½ per cent. reduced duties on piecegoods, which means more than 33 per cent. reduction in the existing duties, for nothing tangible in return. A 33 per cent. reduction in the margin of protection will bring many an Indian cotton mill to the verge of destruction; but that does not seem to matter to those who have negotiated and agreed to this Trade Pact. Compare this with the terms India has demanded of Japan, and you will see how utterly unfair and one-sided is the present Agreement, and how ruinous it is likely to prove to Indian foreign trade.

I shall not dwell at further length on that feature of this insupportable arrangement; but pass on to other considerations, which ought to have, but which have not, governed this treaty. The real preference obtained by Indian goods in the British market will apply to no more than a fourth, or at most a third, of the total Indian exports to the United Kingdom, as against the 82 per cent. claimed by a sleight of statistical presentation by the apologists of the Government of India. Even if we include the insurance value of such preference as is given to Indian goods, the total value of trade having effective preference cannot be assessed at more than Rs. 11 crores out of a total of Indian exports to the United Kingdom valued at Rs. 33½ crores. Much of India's exports, which are supposed to be given preference in the British market under this arrangement, are of such a character that Britain either cannot dispense with them or cannot get them cheaper elsewhere. So she makes a virtue of necessity and calls it giving us preference. In return, she demands preference for her exports to India, for an aggregate value of Rs. 8½ crores, as against the Rs. 3 crores which the Indian Advisers thought more than ample for the purpose; and, what is the result, she gets Rs. 7.68 crores under this Agreement.

On this subject, Sir, I must say that the accompanying Memorandum cannot honestly defend this iniquitous instrument, stifling Indian industry, and strangulating Indian trade, except that it is needed by Britain for her own vital needs. I invite the attention of this Honourable House to the solemp

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enunciation of the principles on which such agreements ought to be concluded, as laid down by that authority on page 12 of the Memorandum :

"The conditions precedent", he says, "to the grant of preference are, firstly, that any serious risk of injury to India's trade with other countries should be avoided; secondly, that no important domestic interest should be sacrificed; thirdly, that the preferential scheme should be consistent with India's tariff policy".

In what respects, may one ask, have these principles been served and maintained! How will the trade of India with other European countries or America or Japan be affected by this arrangement? Have they considered it at all? I see no evidence of a single thought having been devoted to this aspect of the matter though Government itself lays down this principle, and though the Legislative Assembly, in its Resolution already quoted on the subject, had expressly required, as a condition precedent to the conclusion of any such treaty. Again, what answer have the Government to give to the charge that the 7½ per cent. reduction granted to the Lancashire piecegoods competing with the Indian manufactures of the same kind, will ruin the latter? I find no ground to believe that those who made this Agreement have fully realised this aspect of their deed. Finally, is the entire series of preferences agreed to in keeping with India's tariff policy, and more particularly with India's financial needs?

All this, Sir, is not a matter of Indian prejudice. The analysis of the articles of Indian export supposed to obtain preferential treatment in Britain, given on pages 3—11 of this Memorandum amply confirms the worst apprehensions of all of us, who can read between the lines of such official documents. Tea and coffee and tobacco, linseed, wheat and rice, either got no real preference, or the preference supposed to be obtained has no real significance. The only vague answer that Government can give to it is, because of the introduction of the wheat duty last December, we ought not to worry about our wheat exports; and because of the separation of Burma, the export trade in rice has lost much of its importance—so we need not worry about that either. Oilseeds, tea, tobacco, coffee—all tell the same tale, though perhaps not in the same words, in this official document. And so, the principles supposed to have guided those who negotiated this Agreement, do not appear to have materialised in their own creation, in any respect worth mentioning. And still they want us to approve of this Agreement! How can we?

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar: Non-Muhammadan): Sir, ever since the negotiations in connection with the Indo-British Trade Agreement started there was always present in this country an undercurrent of apprehension that the superior political position of the British Government would be exploited and utilised to the fullest extent by the Lancashire mill industry to secure the maximum possible concession for itself and that the other British commercial interests will also play the same game, and play it successfully. It was also feared that the subordinate political status of the Government of India would turn out to be of serious disadvantage to this country and that the Government of India would not be able to negotiate on equal terms with the Government of the United Kingdom and that the result of this would be that India would not be able to use her bargaining capacity to the fullest extent. It is not my desire to discredit the concessions, whatever they be, which have been secured by, or more appropriately, acceded to India. India's large resources as a producer of raw materials and the status which the textile industry in this country has now attained could not but have got some recognition in the Agreement. But, I contend, that it is definitely not a fact that the ultimate balance is in favour

of India and that the concessions gained by this country can stand comparison with those secured by the United Kingdom. It is, however, from this comparative point of view that this Agreement has to be examined and not so much from the point of view of comparing this Agreement with the Ottawa Agreement which was universally condemned in this country.

It is a well recognised principle that the claims of national shipping, banking and insurance should form an important part of any trade agreement between two countries. The Honourable Sir Sultan Ahmed on 16th September, 1937, had informed the other House that suggestions were made to the Government of India that the Indo-British Trade Negotiations should be utilised for securing greater opportunities for Indian shipping and that the Government of India's delegate was fully aware of the Indian feeling in this matter. Again, on 21st September, 1937, the same Honourable Member observed, in reply to a question, that the needs of Indian shipping were borne in mind by the Government of India during the Indo-Japanese Trade Negotiations and were being borne in mind again during the Indo-British Trade Negotiations by the Indian delegate. But, Sir, it was really a matter of surprise that on 15th of August of the following year, our delegate, Sir Muhammad Zafrullah Khan, said that shipping was to form no part of the Agreement. It is painful to reflect that the claims of this country with regard to shipping, banking and insurance were not made to form a part of this Agreement. If Britain can insist on U. S. S. R. to acknowledge her claims of shipping when she goes into a trade agreement with her, why should not the claims of India be recognised by the United Kingdom Government in a trade agreement between the two countries? We find that the non-official Advisers also on page 7 of their Report, dated the 5th September, 1938, wanted that these claims should be fully considered. India is a debtor country and these invisible imports in the form of shipping, banking and insurance add to her liabilities.

It is a matter of no small surprise and dissatisfaction that the articles of the present Agreement, which are proposed to be adopted in place of those of the Ottawa Agreement, should be so much at variance with the considered recommendations of the non-official Advisers appointed by the Government of India themselves. We have not been given all the reports of the Committee of non-official Advisers, but still from what we have got, we find that even the main and basic recommendations of the Committee have not been accepted. Taking, for example, the article relating to the offtake of Indian cotton and the intake of Lancashire piecegoods, which certainly is the most important article of the Agreement, we find to what an inglorious extent the recommendation of the non-official Advisers has been given the go-bye. The non-official Advisers maintained that it would be quite reasonable to demand a guarantee for  $7\frac{1}{2}$  lakhs of bales, rising in five years to 10 lakhs of bales of Indian cotton, preferential entry into the United Kingdom. The Committee held that the United Kingdom was fairly capable of giving that guarantee in view of the fact that during the last few years the export of Indian cotton to the United Kingdom was in the neighbourhood of  $5\frac{1}{2}$  lakhs of bales and it was  $6\frac{1}{2}$  lakhs of bales in 1936-37, while this recommendation of the non-official Advisers has not been accepted, India on the other hand has been asked to guarantee, even with the aid of effective sanctions, the intake of a minimum of 350 million yards of Lancashire cloth, a medium of 425 million yards, and a maximum of 500 million yards. These quantities are far in excess of the quantity which the United Kingdom imported into India in 1937-38 which was less than 267 million yards. It is quite clear, therefore, that the *quid pro quo* is not at all fair and the balance of trade is clearly in favour of the United Kingdom. In this connection, there is one point more that I would like to mention. During the

[Rai Bahadur Sri Narain Mahtha.]

debate in the other House, I heard the Commerce Member, the other day, intercepting Mr. Joshi and asking him a question, viz., would India be satisfied or perhaps he meant would Mr. Joshi be satisfied if Britain took from India twice as much cotton as is required for the manufacture of all the cloth she imports into India? I do not know of Mr Joshi, but I can quite emphatically say that India will not be satisfied. The reason is quite simple. India is a producer of raw cotton and also a manufacturer of considerable importance of cotton goods. England grows practically no cotton and must import cotton from abroad whereas India is in no need of importing manufactured piece-goods from abroad. The textile industry and the hand loom cottage industry of this country are capable of rising to the extent of satisfying India's needs of manufactured cloth to the full. I admit that India does certainly

4 P. M. need a market for her raw cotton, but the demand for raw cotton is so great that she will certainly be able to sell it. It is no special favour to India that Britain buys India's raw cotton. Would England give preference to Indian cotton, if she were a cotton-producing country, herself capable of supplying the needs of her own textile industry? The preference given to United Kingdom piece goods and the quantity we are guaranteeing to import are detrimental to the textile industry of this country. It is little consolation that the offtake of Indian cotton has been linked with the intake of Lancashire piecegoods, because India would be able to sell her cotton in any case and in the present arrangement the textile industry of the country will have to undergo a heavy strain.

In conclusion, Sir, I would like to say that the prosperity of a country depends on its exports. The total export of India was in 1928-29, Rs. 330.1 crores. It came down in 1932-33 to Rs. 132.4 crores and was in 1937-38, Rs. 180.9 crores, which although higher than the figure of 1932-33 was much below the figure of 1928-29. India should be able to have a free market for her raw material and should be able to bargain with all the purchasing powers so that she may find the best and the most profitable markets for her raw produce and not bind herself down to one market and one purchaser principally and for a definite period of time.

The Indo-British Pact is bound to be enforced by the Government after a couple of days whatever may be the opinion expressed by us. India is in a helpless position. Government have not accepted the recommendations of the Advisers selected by themselves, they will not, I dare say, abide by the vote of the Legislative Assembly, and they will not take into any account the opinion expressed by the majority of the elected Members of this House. It seems to me very curious and futile to make any attempt to influence the opinion of the Government of India but for the consolation that we may perhaps be able to educate public opinion in this country by the opposition we offer to such measures and pacts which unnecessarily harass the industry without in any way benefiting the producer.

THE HONOURABLE MR. R. H. PARKER (Bombay Chamber of Commerce) : Sir, I don't want to restate or repeat the many arguments that have been given against this Pact. I think we shall hear the answers to some of them from Mr. Dow and I am going to leave the answering part to him. But I regret one thing that the Honourable Mr. Kunzru said. He said he would like to base the results of this debate on what the Opposition said and what the non-officials said and take no notice of what the official Members said. I think we should have been very much at sea if we had not the advantage of what has been given to us by Mr. Dow and Sir Zafrullah Khan. I think there is a

lot in what was said in the other House that we ought to have a committee to examine the matter and decide the question at a later date. However, it is too late to consider that.

The one particular point I do wish to make is to request the Government to see that in fixing their duties on those articles which are now not going to receive preferences they will be very careful to fix those duties on a basis which will produce the maximum of revenue consistent with the legitimate interests of consumers but will not attract the law of diminishing returns, foster the growth of uneconomic industries, or impede the development of India's export trade.

**THE HONOURABLE SIR MUHAMMAD YAKUB (Nominated Non-Official) :** Mr. President, it was highly objectionable on the part of the Leader of the Congress Party to say that the Bill ought not to have been brought before this House for ascertaining the views of the Honourable Members. It is open to the Honourable Leader of the Congress Party to put any value he likes upon the Members of his own Party, upon their integrity and their common sense, but when he comes to generalities certainly he is hopelessly wrong. Mr. President, it was considered that the dawn of the new reforms would bring some responsibility upon the so-called leaders of the country, who were clamouring for responsible government, but the way in which they have handled important questions like the Finance Bill and this Trade Pact, both in the other House and in this House, shows that even the responsibility, which the new reforms have brought to the country, have failed to have any effect upon their destructive mentality.

**THE HONOURABLE MR. RAMADAS PANTULU :** There is nothing in the Centre.

**THE HONOURABLE SIR MUHAMMAD YAKUB :** Well, everything is in the Centre, and it depends upon you, in what way you behave in the provinces and in what way you prepare yourselves to shoulder your responsibility in the Centre.

Mr. President, we have seen from the trend of the speeches, both in this House and in the other place, that votes were not given and decisions were not given strictly on the merits of the Agreement and on the merits of the case, but political considerations were always in front of the Honourable Members when they were giving their speeches. It is very deplorable that in matters like the Trade Agreement decisions should be given on political considerations and not on the merits of the case. The Government of India was very right in appointing non-official Advisers, but the great mistake which was committed in this direction by the Government, was that they selected their advisers not from purely businesslike men but from amongst the politicians who always kept politics in front of their eyes before everything else and it was on account of the absurd propositions that were put by these non-official Advisers that Government has got to face this today.

**THE HONOURABLE MR. P. N. SAPRU :** As a matter of fact, the only politician who was a non-official Adviser was a Muslim gentleman, a business man.

**THE HONOURABLE SIR MUHAMMAD YAKUB :** I do not want to introduce communalism. A politician is a politician whether he is a Hindu or a Parsi or a Christian. Well, Mr. President, agreements are always concluded in a spirit of "Give and take". Agreements are never concluded in

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the spirit of " Heads I win and tails you lose ". And from the speeches which have been delivered by the Members on the opposite side, as well as from the speeches which were delivered in the Lower House, we find that even business-like men like Sir Homi Mody have appreciated the benefits of this Pact. They had to admit that the Agreement which has been concluded is to a great extent to the benefit of the country. Now, Sir, you cannot get 16 annas in the rupee in an agreement. You have also to consider that an agreement can only be brought about by mutual adjustment; one party can get certain concessions only where it is prepared to give certain concessions to the other party, and unless we were prepared to give certain concessions to the other party it would have been impossible to get any concessions for this country.

A great deal of stress has been laid upon cotton. It has been said that that part of the Agreement which relates to cotton is not for the benefit of the cotton-growing community. Sir, no opinion could be more valuable on this subject than the view which was expressed by the Premier of the Punjab, who belongs to a cotton-growing province, the view which he expressed the other day in the Punjab Assembly. Not only this, Sir. I can say with authority that nearly all the Muslim Members of the Punjab Assembly sent telegrams to their representatives in the Legislative Assembly and asked them to support this Pact. Well, if the Pact relating to cotton was not in favour of the cotton-growers, certainly the Premier of the Punjab and the Members of the Punjab Assembly would not have pressed upon their representatives to vote in favour of the Pact. Not only this, Sir. There is only one Moslem Chamber of Commerce in this country, and it is the Chamber of Commerce of Bengal. Here I have got in my hands a telegram from the Secretary of the Bengal Chamber of Commerce which he sent to a prominent Member of the other House in which they say :

" Committee Moslem Chamber favours Indo-British Trade Agreement which should be approved ".

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Why did the Punjab Muslim representatives not vote in favour of the Pact then ?

THE HONOURABLE SIR MUHAMMAD YAKUB : I am just coming to that. It is really to be regretted that the attitude which was adopted by the members of a certain Party in the other House was not according to the wishes of their electorate. By the manner in which the members of that Party have behaved they have certainly stultified their position, and I am prepared to say that their views are not shared by a majority of those who hold the same political opinions which they do. Sir Sikandar Hayat Khan is not only a prominent member but a great factor in the organisation of the All-India Muslim League and therefore the views expressed by a small section of the All-India Muslim League in the other House does not represent the views of the larger organisation. It is a pity that the members of that Party adopted an attitude of being neutral. They have neither done justice to themselves nor to their country nor to their community. If they wanted to fight, they ought to have voted on the one side or the other. There is no meaning in remaining neutral, and I may say that indirectly, in this way, they have helped the Congress with which they want to fight.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Why did you not influence them ?

**THE HONOURABLE SIR MUHAMMAD YAKUB :** I am sure that there is great resentment in the country on the attitude which was adopted by that Party in the other House.

**THE HONOURABLE MR. P. N. SAPRU :** Overthrow your Leader !

**THE HONOURABLE SIR MUHAMMAD YAKUB :** It is to the great credit of the members of the Muslim League Party in the Legislative Assembly that in a spirit of discipline and in order to follow their Leader, they voted against their own wishes, although, as would appear from the speeches of certain Honourable Members in the other House, they really favoured the Agreement and on the merits of the case they were not opposed to it. Mention was made by the Honourable Mr. Dow about communalism being introduced in this matter. Mr. President, I should certainly very much deplore if communalism was imported in a matter like this. If communalism is introduced in trade agreements then I do not know where we are going to and what will be the fate of this country. It was also reported that a prominent Hindu magnate, who is considered to be a great figure in mercantile circles had said that if a worse pact was brought by a man of his community, they would have accepted it, but they rejected this because it was brought by Sir Muhammad Zafrullah Khan. (*Several Honourable Members :* " No, no " and *one Honourable Member :* " Your invention ".) If communalism is introduced by any community, it is deplorable, whether it is introduced by a Musalman or by a Hindu. I can assure my Honourable friend Mr. Dow, that if communalism was introduced in the other House, it did not reflect the views of the Moslem community on this subject.

Mr. President, I cannot conclude my remarks without paying a tribute to the strength, the integrity and the faithfulness of the Honourable Sir Muhammad Zafrullah Khan. I am sure that if this Agreement had been particularly to the prejudice of the Mussalmans, Sir Zafrullah Khan would never have agreed to it even if it were at the cost of his membership of the Executive Council—

**AN HONOURABLE MEMBER :** You are now bringing in communalism.

**THE HONOURABLE THE PRESIDENT :** Take no notice of these interruptions and proceed with your speech.

**THE HONOURABLE SIR MUHAMMAD YAKUB :** We see what is going on in the provinces. It is no use talking of communalism. It is the Congress Party which has created communalism in the country.

**THE HONOURABLE SIR DAVID DEVADOSS :** How is all this relevant to the question now under consideration ?

**THE HONOURABLE SIR MUHAMMAD YAKUB :** Look at the state of affairs in the provinces where there is no law and order and no respect for the life and honour of gentlemen. We have seen in what way the *goondas* of the Congress behaved at Lucknow yesterday when a big meeting was to be held, which was to be presided over by no less a person than the Right Honourable Sir Tej Bahadur Sapru. What is the use of talking of communalism if you

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are behaving in this way? I wish also to pay my tribute to Mr. Dow and Mr. Pillai for the loyal co-operation which they have extended to the Honourable Sir Muhammad Zafrullah Khan in arriving at this Agreement. I would very much like that we adopt this Agreement. But, considering the way in which the Honourable Members have played in the other House and here in this House, and knowing that they knew that Government would adopt this Agreement—otherwise they would never have voted against the Agreement—I would request Government to take their courage in both hands and respect the vote of the Legislative Assembly and not ratify this Agreement. If they do it once, I am sure that Honourable Members who are tall talkers and who talk at the top of their voices that this Agreement is to the disadvantage of the country, will not be able to show their faces to their community in the country and come to their senses?

**THE HONOURABLE THE PRESIDENT:** It is cutting off your nose to spite your enemy.

**THE HONOURABLE SIR MUHAMMAD YAKUB:** That is the attitude which they have adopted. I quite agree with my Honourable friend Mr. Kunzru when he says, "If the country is to suffer, let the country suffer, but let us expose these so-called leaders of the country".

With these remarks, Sir, I conclude my speech.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU:** I did not say "Let the country suffer so that the people who are opposing the Pact may be exposed". All that I said was that if the rejection of the Pact meant that the country's economic interest would suffer, let people learn by experience.

**THE HONOURABLE SIR MUHAMMAD YAKUB:** That is what I said. Let people learn by experience.

**THE HONOURABLE SIR DAVID DEVADOSS (Nominated Non-Official):** Sir, although my Honourable friend Sir A. P. Patro has anticipated me, still I think I owe it to myself and other nominated Members to enter an emphatic protest against the insinuation that because we are nominated Members, therefore we have no conscience. It is a cheap gibe, Sir, which is levelled at people whom they cannot attack otherwise. As regards those people who make these insinuations, I ask them, "Do they always consider their conscience when they vote according to party dictates?" If they think that whatever the Government does is wrong and they must oppose the Government, if that is their policy, then whatever their convictions may be they are entitled to vote that way. Do they always consider the merits of a case before they vote? My experience of this House for the last so many years is that they are determined to vote in a particular way and they will vote in that way whatever may be the merits of the case. Therefore, Sir, I do not think, as you very rightly observed, that we should pay any attention to them. As it is coming up constantly, I think I ought to make this emphatic protest, not only on my behalf but also on behalf of all the nominated Members. The mere fact that we are nominated does not mean that we leave our conscience in our part of the country when we come here. Certainly not. You know perfectly well, Sir, that as far back as 1931 I very nearly carried a Resolution against Government in regard to income-tax. Sir, we vote according to our convictions and if we find the Government is wrong, we do not hesitate to say so. Therefore, I trust that hereafter such gibes won't be levelled at us.

Now, coming to the Agreement itself, we have to remember when we make an Agreement that we cannot have everything our own way. As the Honourable Mr. Stokes said, you might ask for Rs. 100 but you may be able to get only Rs. 50 or Rs. 75. In all bargaining it is a matter of making the best of it. No doubt you can sometimes drive a hard bargain but you cannot always succeed.

Some of our friends on the other side are suffering from an inferior complex. Because the Indian Government is not an independent sovereign government therefore anything done by this Government must be considered as not being favourable to India. I think that is a very very bad mentality, to look at everything through coloured spectacles. So far as this Agreement is concerned, let me read only one or two remarks from this Memorandum. The concessions that we are getting under this Agreement are—

- (1) the general preference and other concessions exchanged between the two signatories ;
- (2) the reciprocal concessions under the cotton articles ;
- (3) the preference exchanged with the Colonial Empire.

Sir, the British Empire as we all know, is a very big Empire. It has many Dominions and Dependencies and when we enter into an Agreement with the United Kingdom we have to take into consideration their obligations to the various parts of the Empire. And considering all that I think this Agreement is a very favourable one. The main objection comes from the textile industry, which is no doubt a very strong industry. But it must be remembered that it is a protected industry and when it objects to this Agreement it must take into consideration the benefits derived by other sections of the mercantile community who would be benefited by it. The textile industry is not alone concerned in this, but as we see from the list there are many other items of commerce which have to be protected. That being so, I do not think that the loud noise and clamour which the textile industry is putting up should be listened to. I have carefully listened to the speeches here and have also read some of the speeches in the other place and I have failed to trace any other prominent industry which has opposed this Agreement. It is the cotton industry alone, because the United Kingdom has not agreed to take more than 600,000 bales of raw cotton and because she has been allowed to import into India so many million yards, and so on. This is bad. As observed by some of my Honourable friends, we have to find a market for our cotton. Well, the wider the field the better for us. Now, if you shut out Lancashire what are we going to do with our cotton? Other countries will say, "Very well, here is a slump, we need not pay a good price for it". Can we grow cotton at a profit if we shut out one market altogether? That is a consideration which I think all people have not got before their eyes.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Are you getting a good price now?

**THE HONOURABLE SIR DAVID DEVADOSS:** We are getting as much as we can. That question shows exactly what the attitude of these merchants is. They want everything in their favour. The thing is when you have something to sell you must see what the other side has to say. You can get only a fair price, not all that you want. That is common sense. I may want a hundred rupees but I cannot get it. That is exactly what my Honourable friend Rai Bahadur Lala Ram Saran Das wants. He wants his business to

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pay a dividend of 100 per cent., and probably during the war he made 300 per cent. But he can't do it now. I have myself invested a few thousand rupees in a spinning and weaving concern. For the last few years it has not been paying any dividend. That is my connection with the textile trade. But, Sir, that has not affected the income of the managing agents. That comes to nearly a lakh of rupees. Sometimes they give up Rs. 5,000 or Rs. 10,000, but still we do not get a dividend. I do not want to give advice to the textile industry, but if I may be allowed to do so I would say, "Put your house in order; cut down your expenses; try to compete with Japan, and if you can do that I do not think there will be any difficulty in competing successfully with Lancashire". Therefore, I say they should put their house in order and not clamour for more and more protection. There are numerous ways of cutting down expenses but I am going into all the details of that. All that I wish to submit is that in a matter of this kind we have to take a broad and comprehensive view. The mere fact that the Government have concluded this Agreement is no ground for saying it is bad. After all, who was our representative in these negotiations? He is an Indian. I do not think that Sir Zafullah Khan overlooked the Indian aspect and Indian interests in concluding this Agreement. He had to do it, if I may say so, under a distinct disadvantage. He had to go and fight the Imperial Government on our behalf and I believe that he and his advisers, Mr. Dow and Mr. Pillai and others have succeeded admirably and I think our thanks are due to them.

With these words I have very great pleasure in supporting this Motion.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR  
(Madras : Muhammadan) : Sir,—

THE HONOURABLE THE PRESIDENT : You are going to be neutral why do you want to speak ?

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR : I will have to give the reasons which prevent me from voting either way.

Sir, I am afraid I shall have to address myself to the bogey of so-called communalism. (*An Honourable Member* : "What has all this to do with the business before us?") It should have been stopped when it was first mooted here. I would not have ventured to take up any time of this House in referring to this matter had it not been for the fact that all the charges levelled against the respected Leader of the Muslim League in the Assembly are altogether unfounded. The gravamen of the charges is utterly unfounded.

THE HONOURABLE THE PRESIDENT : That is what your Leader has already said.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR : I will have to put my own point of view, the gravamen being based on a misconception of the meaning and import of the statement which Mr. Jinnah made in the other House. Sir, I would challenge my Honourable friends who have levelled their attacks against that speech to show one single passage or one single expression in that speech which went to show that Mr. Jinnah's decision about the matter under consideration in the Assembly was based merely on communal grounds. All that Mr. Jinnah said was that since the

Muslims had only a very infinitesimal proportion of interest in the matter it was not their right to try and interfere with the views of other people who hold an overwhelmingly large interest in the affair. I may ask whether it is wrong for one to find out what proportion of interest one has to get the right to interfere with the decision of others? If one tries to assess one's own interest in order thereby to find out one's own right to influence the decision about any matter, should that be called communalism? On the other hand Mr. Jinnah made it quite plain—

THE HONOURABLE THE PRESIDENT: But he asked Government, "What have you done for me?"

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: That was not in regard to the merits of this Motion but with regard to the attitude of the Government towards the demands of the Muslims in general. Mr. Jinnah wanted to know for what reason he should court the odium of the country in trying to influence and judge a matter in which his own community was not chiefly concerned.

THE HONOURABLE THE PRESIDENT: That is true, but the voting took place not on merits; you admit that by implication?

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: I do, Sir, because Mr. Jinnah made it perfectly plain that he was considering this question on three grounds, political, constitutional, and economic and when he was considering the economic aspect of it he held that the cotton grower did not benefit materially and on that account it was not obviously very much in the interest of the cotton grower, though in this respect I venture to differ from him, because my own view is that the cotton grower has benefited materially from this Agreement. Apart from that, Mr. Jinnah's view was that the cotton grower did not benefit substantially by means of this Agreement inasmuch as the intake of cotton by Britain was not guaranteed and it was in this connection that he mentioned that Sind and the Punjab, which have been clamouring for support of this Agreement, have been misled by misunderstanding the whole position in this respect. But as I said I do differ from Mr. Jinnah and hold that the cotton grower has materially benefited.

THE HONOURABLE SIR DAVID DEVADOSS: Then vote for the Agreement!

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: I have said that our vote is influenced by other considerations; as in the case of the Finance Bill, there are various considerations which go to determine our attitude in regard to this measure. Again, Mr. Jinnah said about the constitutional aspect that it was no use considering this Agreement at all, that it was no use trying to determine one's attitude towards it at all, inasmuch as Government had presented the Assembly with a *fait accompli*, as the Government had already decided to give effect to the Agreement irrespective of what might happen to that in the Assembly. In view of that he said the Assembly was engaged in a process of *post mortem* examination, that there was no use trying to give it any consideration inasmuch as the decision of the Assembly would not even by a jot or tittle influence the Government in their conduct. Therefore, Sir, my submission is that it was never contended by Mr. Jinnah that since the Muslims had

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only a microscopic interest in that that this Agreement should not be supported. It is wrong to say that there was any consideration of communal aspect which influenced the decision in this respect. I will just say a few words about the merits of the Agreement.

Before I make my own observations about it, I feel it my duty to pay a richly merited tribute to the Honourable Sir Muhammad Zafrullah Khan for having brought about this kind of Agreement, which is obviously a decided improvement upon the Ottawa Pact. I do say that.

THE HONOURABLE SIR DAVID DEVADOSS: You are not ashamed to say that ?

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: Why should I, I do not disguise the fact that the Agreement is an improvement upon the Ottawa Pact.

THE HONOURABLE THE PRESIDENT: Why don't you then vote for it ?

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: It would go to persuade, and thrust my views upon, another section which as I have said we feel are more materially and more substantially interested in the matter than myself.

I feel, Sir, it is really a great credit to the Honourable the Commerce Member and his Advisers, both official and non-official, to have brought these negotiations to a successful issue, for more than once it appeared that these negotiations would break down.

As I said, Sir, the Agreement is an improvement in many respects. Much has been said about the interests of the textile industry here and my own impression is that after all the sacrifice that the textile industry has to make under this Agreement is not unjustified in view of the benefit that might accrue both to the general interests in the country and also particularly to the cotton grower. I feel, Sir, that an industry like the textile industry which has been enjoying protection for nearly nine years and has flourished very considerably on account of that protection ought to be willing gracefully to make a sacrifice when that sacrifice is called for in the interests of the country at large and also of the cotton grower, whose interest the industry itself must have at heart. The total production of Indian mills is about 4,084 millions of yardage and these Indian mills consume on the whole 25 millions of bales of cotton. The United Kingdom agrees to buy between 5 and 6 lakhs bales of cotton from India and in return what has been conceded to the British industrialist is that he would be permitted to send 5 millions of yardage—

THE HONOURABLE THE PRESIDENT: You have exceeded your time. Please conclude your remarks.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: I am concluding, Sir. This shows clearly that the United Kingdom, which offers to take 20 per cent. of the raw produce from this country, is allowed to send only as much as is equal to 12 per cent. of the total Indian manufacture to the country. I feel, Sir, that in the face of these figures this is not an unfair Agreement.

**THE HONOURABLE SIR DAVID DEVADOSS :** Good !

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR :** This portion of it is not unfair and at the same time we also find that the preference that has been allowed to the United Kingdom has been brought down from Rs. 18 to Rs. 7½ crores and the preference that was being enjoyed by the Indian exports has been either maintained or enhanced in some respects. Therefore I feel that on the whole this Agreement is a decided and an obvious improvement upon the Ottawa Pact.

But, Sir, as I said, our attitude about this measure is influenced by various considerations, one of the most important of which is political and the other that Government had decided to give effect to this Agreement even before they got to know the fate it would meet with in the Legislature.

**THE HONOURABLE MR. H. DOW (Commerce Secretary) :** Sir, this has been a most interesting and revealing debate. The Honourable the Commerce Member has made my task a good deal easier than it otherwise would have been by summing up the earlier half of the debate himself, and doing it in a much more masterly way than I can hope to do. There have been tributes to the Commerce Member—very well deserved tributes—from every quarter of the House. It is true that one or two, having started by praising the ability in negotiation of the Honourable Commerce Member, have then gone on to explain that he might easily have got this or that in addition, and has made a very bad bargain. Well, Sir, that is not my idea of an able negotiator. I must suppose that either the tributes paid to the Commerce Member are sincere or that the censures passed on what he has done are sincere ; but clearly both cannot be justified. I have a distinct feeling that it is the first that is the case, and that everybody is really and sincerely appreciative of the great skill and ability with which these negotiations have been throughout carried on on behalf of India by Sir Muhammad Zafrullah Khan. (Applause.) It is true, as I said in my opening remarks, that we have not got everything that we asked for. Mr. Shantidas Askuran is a business man himself, and in so far as he dealt with other things than the particular matter which concerns him most deeply, the gravamen of his charge was that we ought to have got what the non-official Advisers asked for, and I think he hinted that, if we had been able to do that, he might even have considered making the sacrifice with regard to cotton piece-goods which otherwise he is not prepared to make. Well, Mr. Shantidas Askuran must be a lucky man—I believe he is indeed actually a very lucky man—but he must be even a luckier man than I think he is if he is able to carry on his own business on these lines, and get in the course of deals with his opponents all that he asks for.

I must now deal, Sir, with one matter with which you did not allow the Honourable the Commerce Member to deal because it involved his reading a statement from a newspaper.

**THE HONOURABLE THE PRESIDENT :** I told him that he could paraphrase that into his own words.

**THE HONOURABLE MR. H. DOW :** I am no longer suffering from the same difficulty because I have before me the actual representation from the Federation of Indian Chambers of Commerce and Industry which is made to the Government of India. It is dated the 23rd March, 1939. It was received in my office on the 30th March. It was printed in the newspapers on the 24th

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March. I make no complaint about that, because I am quite accustomed to read letters that are addressed to Government by the Federated Chambers in the newspaper first, and it saves a certain amount of my time which I would otherwise have to devote to them in office. Now, in another place the Honourable Member pointed out that certain statements made by the Federation were incorrect. I also in the same place dealt with these statements at considerable length. I have now from the Federation a protest against the statement made by the Honourable the Commerce Member. It deals with what was said about chrome leather. The statement of the Federation is this :

“ As regards the exports of chrome leather from India, the margin of preference, which this article enjoyed under the Ottawa Agreement, is reduced from 30 per cent. to 15 per cent. under the new terms. The Committee feel that in view of the fact that increased exports of chrome leather from India were at the expense of her non-Empire competitors such as Germany, the lowering of preference is likely to reduce the competitive position of Indian chrome leather as against her Continental rivals ”.

A little later on the Committee say again :

“ The Committee wish to point out one significant aspect of the general preferences. Under the present scheme of preferences, the only commodities in which India secured effective benefit are chrome leather, woollen carpets and rugs and jute manufactures. In respect of all these commodities, the changes in the new terms have reduced the margin of preference enjoyed by them under the old scheme ”.

The Federation now explain that what they meant to say was something as follows. At present there is an unscheduled preference of 30 per cent. on chrome leather, and the non-official Advisers in their first Report on page 35 said :

“ We, therefore, recommend that chrome leather should now be included as a scheduled article and that the present margin of preference should be maintained ”.

That was a recommendation by the non-official Advisers. It becomes one of the things recommended by the Advisers which we have not been able to obtain in full. They recommended that the 30 per cent. preference should be maintained and that the whole of it should be scheduled. We have now got the same preference on foreign goods of 30 per cent., and 15 per cent. of it is a scheduled preference. That is, we have gained something. That, Sir, I submit is very different from the statement which they have made that in respect of these commodities the changes in the new terms have reduced the margin of preference enjoyed by them under the old scheme.

The Committee submit that it is unfair on the part of a responsible Member of Government to characterise as false the statement of the Committee of the Federation which is based on authentic facts. Now, Sir, authentic facts are one thing. You can base a statement on authentic facts. It does not necessarily make your statement true. The difficulty is that the Federation entirely misunderstood the authentic facts, and they made, on the basis of those facts but without saying that it was on the basis of those facts, a statement which was as a matter of fact untrue.

Now, Sir, that is the position as regards chrome leather. The Federation have in fact been able to explain that what they really meant—not what they said—what they really meant was that they wanted the whole of the unscheduled preferences to be transferred to the scheduled preferences. But unfortunately this explanation in regard to one article—chrome leather—cannot possibly explain their mistake about the other two articles, that is Carpets and Rugs, and Jute manufactures, because these articles have been scheduled articles all along. In the case of jute manufactures and carpets and rugs, there has been no such change, even in classification, as could give even a colour

of excuse for the mistake which has been made in the case of chrome leather. Yet about these too they say, just in the same way that—

“ in respect of all these commodities, the changes in the new terms have reduced the margin of preference enjoyed by them under the old scheme ”.

To take first jute manufactures, the Chambers' representation says that—

“ the non-official Advisers recommended the maintenance of the preferential margin of 20 per cent. in favour of Empire goods ”.

The non-official Advisers did not say that. They knew too much about their subject. They knew that the margin of preference was not 20 per cent. on jute manufactures, but 20 per cent. on some, 15 per cent. on others. They asked for the maintenance of the present rate of preference. The existing duties under the present Agreement are 15 per cent. on cordage, cables, ropes and twines, and 20 per cent. on sacks and bags. These are exactly the very duties that are being continued under the new Agreement, and the privilege of free entry has also been maintained.

To take the other subject, Carpets and Rugs ; there has been no reduction in these duties. In 1932 the duty on foreign woollen carpets and rugs was 10 per cent., and India was entitled to free entry. In 1934, these duties were raised, and the duty per square yard on hand-knotted carpets was made 4s. 6d. and a 20 per cent. *ad valorem* duty was levied on others, and India retained free entry. The things that India is particularly interested in are hand-knotted carpets, where her chief competitors are Iran and Turkey and China. The average ex-duty value of the Indian rugs imported into England works out on the basis of the figures for 1937—the figures are given in the Memorandum—at about 8s. 9d. a square yard. The average ex-duty value of the rugs of her competitors from Turkey, Iran and China works out at about 19s. 4d. a square yard. You will see from these figures that a duty of 4s. 6d. per square yard on foreign rugs works out really at a 50 per cent. preference *ad valorem* in favour of Indian rugs, and these duties have all been in operation since 1934, and will still be in operation under the new Agreement. Yet, we are told that the duty on carpets and rugs, which is admittedly of great value, has been reduced under this Agreement.

Well, Sir, I have dealt with the explanation of the Federation of Indian Chambers. I shall have later, I suppose, to deal with an explanation of the explanation, which is very badly wanted. I would suggest that there is only one explanation. We have carefully refrained from imputing motives either in the other House or in this House. The Federation's memorandum is quite obviously a hurried piece of work, and I think the only thing that they can possibly do is to admit that they made a mistake.

Well, Sir, I will not attempt to deal with points raised by Members who spoke before lunch except with one or two remarks made by the Honourable Mr. Hossain Imam, which were not touched by the Honourable the Commerce Member. I think that Mr. Hossain Imam made the only explanation that was really open to him as regards the attitude of the Honourable Leader of his Party. When later on, Mr. Padshah got up in the debate, and tried to help him, I saw Mr. Hossain Imam getting very restive, and I could imagine him saying to himself, “ Save me from my friends ”. (Laughter.) It seemed to me that Mr. Padshah, so far at any rate as he referred to the remarks which I made in my opening speech were concerned, was entirely at sea. I made no charge at all that the decision taken by the Leader of that Party in the other House was on communal grounds. I should consider it entirely improper

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for me in my position to have preferred any such charge at all, or to have imputed motives. I did nothing of the kind. I was not concerned with that.

Mr. Hossain Imam has said that if the point I raised was to be raised at all by me, it should have been raised by me in the other House.

THE HONOURABLE MR. HOSSAIN IMAM : By the Government.

THE HONOURABLE MR. H. DOW : Mr. Hossain Imam is well aware how much opportunity his Leader gave people in the other House to comment on anything that he said. I think he said that I was hitting below the belt. Well, Sir, the political stature of his Leader is so great compared to mine that if I wanted to hit him, I could hardly reach above his belt. (Laughter.) And to suggest that I was taking an unfair advantage—his Honourable Leader, if he has any desire to take notice of the remarks of any one so unimportant as me, he has a thousand platforms up and down the country, and I have none. On the merits of the matter, it seems to me that Mr. Hossain Imam really agreed with me. It is true that he tried to show that the effects of this Agreement were confined to those who were interested in the export trade. Mr. Hossain Imam tried to argue that the only persons who were interested in the export trade were the middlemen, who, he said, were not people belonging to his community. The whole burden of my contention was that this Agreement is a thing which comes home to all men's business and bosoms, and that it is not a matter which concerns only the people who happen to be engaged in middlemen's trade, merely facilitating the transport of goods from one country to the other.

THE HONOURABLE MR. HOSSAIN IMAM : It is primarily their profits, Sir.

THE HONOURABLE MR. H. DOW : If it were merely a case of these middlemen, why have we been paying so much attention to trying to get a fair deal for the agriculturist and his cotton? Has it ever been suggested that this was being done in order that the middlemen should have their profits? Sir, it is fantastic to make that suggestion, and what I said on the subject, I think, remains; you cannot separate the interests of the one community from another. You cannot even separate the interests of the rich and the poor in this matter. If trade is going to flourish, it is going to work for the benefit of all the people who are concerned in it.

I now come to a different line of argument which was started, I think, by the Honourable Mr. Kalikar and supported to some extent by speakers who spoke after him, including the Honourable Mr. Kunzru, that is, that this Agreement is bound to be unfair because of the inequality in political status between the two parties to it. Well, Sir, I do not well know how to respond to an argument of that kind, but if it were true that we have been all the time under duress from the United Kingdom, is it likely that these negotiations would have been protracted over a long period of three years? When you are in a position to issue orders to somebody, do you spend as long as three years arguing with him as to what he should do? Sir, I am as anxious as any one that Indians should be able to stand upright and to feel that they are equal partners in the Empire, but it does seem to me that to import into every subject considerations of this kind and say, "What can we do? We have not

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equal status, and therefore there is no help in the matter " is not the proper thing to do. Under the fiscal autonomy convention India has been independent for a very long time in these matters. There is, I believe, a pathological state call lordosis, which consists of a curvature of the spine not in the usual direction ; it causes a man to throw a chest like a pouter pigeon instead of bending down the other way ; and I do sometimes feel that in her too great anxiety over her status in these matters, there is a danger of India developing a sort of spiritual lordosis.

Mr. Kalikar then went on to say that he agreed that there were hard times ahead of the cotton industry. I think he is right. The world production of cotton still seems to be increasing very largely. We have a market in Japan ; it is not as secure as it was. Mr. Kalikar said that we once had a market in China which we have lost. We know that one of Japan's aims is to develop the growth of cotton in China for her own benefit with a view to making herself independent of India. What I did not understand about Mr. Kalikar was how he drew from all this the inference that somehow this was a good time to refuse to come to a deal with the United Kingdom in order at any rate to get an established market for part of our raw cotton ?

Now, Sir, I come to the Honourable Mr. Kunzru. One point I have already dealt with as it was put forward by others. I understood him to ask that if these cotton clauses are really in favour of India, why is not a different view of them taken ; and he explained, in answer to an interruption of mine, that he was referring to the view taken by India. Well, India is an abstraction a little difficult to understand in these matters. We have heard several views voiced. Both in the other House and in this House, there has been very general approval of these cotton clauses. I do not know whether the Honourable Pandit has seen the speeches made in the other House by members of the Muslim League. They were nearly all in favour of the Agreement. Some of the Independent Party came down on the same side so far as argument was concerned, and, indeed, in both Houses the astonishing thing is how very little hostile criticism there has been. It is generally recognised that this Agreement is a great improvement on the last one, and that it does at any rate attempt to do something to gain some absolute protection for our cotton growers, who at present have not any absolute guarantee.

Mr. Kunzru also inquired with regard to the question of parity. Naturally the question of parity affects whether a man is going to find it more profitable to buy his cotton in India or in America, provided that he can get the kind of cotton that he wants from both. The inference that I draw from that is that to have a guarantee of this kind which is independent of the question of parity is all the more valuable, because—

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Where is the guarantee ? You have talked so many times of guarantee. Where is it ?

**THE HONOURABLE MR. H. DOW :** The guarantee lies in this. Obviously we start from the assumption that the desire of the manufacturer at home is out to increase his market of piecegoods in this country, and in order to do that he has got to purchase stipulated quantities of cotton. If he does not, there are penalties. So that, looking at it at its very lowest, it does come to this, that the manufacturer in cases where he might otherwise have been deterred from purchasing Indian cotton by considerations of parity, has now an inducement to buy Indian cotton even though parity may be against him.

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And lastly, Mr. Kunzru expressed some surprise at the smallness of the gap between what the non-official Advisers thought we ought to try and obtain and what we actually did obtain, and he suggested that it ought to have been possible to bridge this gap or at any rate to make it somewhat narrower. Unfortunately Mr. Kunzru has not seen the whole of the gap. A great part of that gap has been filled up already. The Honourable Commerce Member, in the other House, explained that when the demands of the other side were first brought forward they were very different from the concessions they have now obtained. In addition to retaining the preferences they had, they wanted those preferences extended, and they wanted a large number of new preferences, and the Honourable Member has explained that in the early stages of these negotiations a great deal of time elapsed before he was able to persuade the United Kingdom that we were completely serious in our demands; that, so far from the list of preferences being extended, it would be severely curtailed. So that what the Honourable Mr. Kunzru now sees and describes as a narrow gap is only narrow because a good many months of negotiation were occupied in filling it up.

I come to the Honourable Mr. Sapru. He spoke, as he so often does, on grounds of high principle; and it was mainly on principle that he objected to this Agreement, particularly the cotton clauses. He went on to talk about general preferences, and then said that he could not agree to any concession which was going to harm our "nascent" industries. I listened for him to develop this point, and he went on to discuss the cotton trade. I have just looked up the word "nascent" in the dictionary. It seems "beginning to exist or to grow, coming into being". That seems to me rather a curious word to apply to our cotton trade.

**THE HONOURABLE MR. HOSSAIN IMAM :** It was about heavy chemicals.

**THE HONOURABLE MR. P. N. SAPRU :** This was a word used generally. So far as cotton is concerned, what I said was that I do not think that it is right to link up the duties to include a protected industry in the arrangement without reference to the Tariff Board and scientific examination.

**THE HONOURABLE MR. H. DOW :** I am sorry if I misunderstood the Honourable gentleman, and I do not wish to press my point. But I was perhaps misled because I know that he has an incurable habit of not noticing that anything has grown up. He was talking the other day about the "infant" shipping industry, and I certainly understood that when he spoke about "nascent" industry and went immediately to talk about the cotton trade he was referring to that.

**THE HONOURABLE MR. P. N. SAPRU :** I am sorry if I did that.

**THE HONOURABLE MR. H. DOW :** I drop that point. The Honourable Member then went on to say that it was wrong for us to deal with the duties to be charged on the United Kingdom textiles without the aid of a Tariff Board. Well, Sir, it is a little late in the day to bring forward that objection. We have regulated our cotton relations with Japan now for a good many years on a basis of mutual arrangement between the two countries, and this is merely an attempt to follow that precedent, and extend to our relations with the United Kingdom an arrangement which has already worked satisfactorily with regard to Japan. Since I am mentioning Japan, I will deal with one point which was raised

in Mr. Dalal's statement. He compared very unfavourably this Agreement regarding cotton with the United Kingdom with the terms which we have come to with Japan, and the suggestion, I take it, behind his speech was this. In the case of Japan we link the purchase of a million bales of cotton with 283 million yards of piecegoods ; in the case of Great Britain we link a larger amount of piecegoods with a much smaller amount of cotton. That I understand was the gist of his argument. Well, Sir, he entirely forgets that the main consideration which Japan gets for its purchases of raw cotton is not the import of a certain amount of piecegoods into this country. The trade between the two countries is roughly balanced in the neighbourhood of Rs. 20 crores. As regards our exports to Japan they consist almost entirely of raw cotton, anything, according to season, from 80 to about 95 per cent. Japan's imports of piecegoods into this country come to about 30 per cent. of her total imports ; about 30 per cent. consists of textiles other than cotton, and 40 per cent. covers a large range of miscellaneous goods, much of which competes very seriously with our smaller industries. The real consideration which Japan gets in exchange for her purchases of raw cotton is not only the right to import a certain amount of piecegoods but the assurance of most-favoured-nation-treatment in respect of this large and miscellaneous trade of hers in other textiles and in various classes of manufactured goods. Therefore to compare an Agreement of that kind merely with the cotton clauses of this Agreement is a grossly unfair thing to do.

The only other point that I need deal with was made by the Honourable Mr. Parker. All that I can say to him is that I shall have the greatest pleasure in passing on his suggestion to the appropriate Department, which is not the Commerce Department.

Sir, I think it will be clear to Honourable Members that in this House, as in the other House, not only the weight of argument, but even the majority of the speeches, and a very considerable part of the speeches even of those who are going to vote against my Motion, have been favourable to this Agreement. It is universally admitted that it is a great improvement on the one which we design it to replace. Generally speaking, the criticism has been that we have not got everything which we asked for in the beginning. If you, gentlemen, are going to wait for an Agreement in which you get everything that you ask for at first, before you will approve it, you are going to be done very badly. You can get such an Agreement, but you will only get it by asking for a good deal less than you ought to have asked for at first. If you have in any future Agreement a negotiator as able as you have had in this one, I am perfectly certain that at any rate he will not get all he asks for in the beginning.

Sir, with these words, I leave the fate of my Motion to the House.

**THE HONOURABLE MR. SHANTIDAS ASKURAN :** On a point of personal explanation, Sir, about what Mr. Dow said. I am a business man, and I always believe in give and take. I want it to be clearly understood that neither I own any cotton mill nor am I a member of the Millowners' Association. I have asked for modification in the interest of agriculturists only.

**THE HONOURABLE THE PRESIDENT :** You cannot make another speech. The Question is :

“ That this Council approves the Trade Agreement signed on the 20th March, 1939, between His Majesty's Government in the United Kingdom and the Government of India.”

The Council divided :

AYES—28.

Askuran, Hon. Mr. Shantidas.  
 Buta Singh, Hon. Sardar.  
 Charanjit Singh, Hon. Raja.  
 Chinoy, Hon. Sir Rahimtoola.  
 Das, Hon. Rai Bahadur Satyendra Kumar.  
 Devadoss, Hon. Sir David.  
 Dow, Hon. Mr. H.  
 Ghosal, Hon. Sir Josna.  
 Gorwala, Hon. Mr. A.D.  
 Govindachari, Hon. Rao Bahadur K.  
 Haidar, Hon. Khan Bahadur Shams-ud-Din.  
 Hissamuddin Bahadur, Hon. Lt.-Col. Sir.  
 Hydari, Hon. Mr. M. S. A.  
 Ismaiel Alikhan, Hon. Kunwar Hajee.

Khurshid Ali Khan, Hon. Nawabzada.  
 Lal, Hon. Mr. Shavax A.  
 Menon, Hon. Sir Ramunni.  
 Muhammad Hussain, Hon. Khan Bahadur Mian Ali Baksh.  
 Muhammad Yakub, Hon. Sir.  
 Mukherjee, Hon. Sir Satya Charan.  
 Nanak Chand, Hon. Rai Bahadur Lala.  
 Parker, Hon. Mr. R. H.  
 Patro, Hon. Sir A. P.  
 Puckle, Hon. Mr. F. H.  
 Raisman, Hon. Mr. A. J.  
 Russell, Hon. Sir Guthrie.  
 Sobha Singh, Hon. Sardar Bahadur.  
 Stokes, Hon. Mr. H. G.

NOES—10.

Dalal, Hon. Mr. M. N.  
 Das, Hon. Mr. N. K.  
 Kaliker, Hon. Mr. V. V.  
 Kunzru, Hon. Pandit Hirday Nath.  
 Mahtha, Hon. Rai Bahadur Sri Narain.

Pantulu, Hon. Mr. Ramadas.  
 Ram Saran Das, Hon. Rai Bahadur Lala.  
 Ray Chaudhury, Hon. Mr. Kumarsankar.  
 Roy Chowdhury, Hon. Mr. Susil Kumar.  
 Sapru, Hon. Mr. P. N.

The Motion was adopted.

The Council then adjourned till Eleven of the Clock on Saturday, the 1st April, 1939.