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THE LEGISLATIVE ASSEMBLY DEBATES

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LEGISLATIVE ASSEMBLY.

Monday, 27th March, 1939.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

MEMBERS SWORN.

Mr. Hugh Dow, C.S.I., C.I.E., M.L.A. (Secretary, Commerce Department);

Mr. Narayana Raghavan Pillai, C.B.E., M.L.A. (Government of India: Nominated Official); and

Sir Bryce Chudleigh Burt, C.I.E., M.B.E., M.L.A. (Government of India: Nominated Official).

STARRED QUESTIONS AND ANSWERS.

(a) ORAL ANSWERS.

REDUCTION IN THE TERM OF FOREIGN SERVICE OF BRITISH TROOPS.

1311. *Mr. Abdul Qaiyum: Will the Defence Secretary please state:

- (a) if he has read Reuter's telegram from London, dated the 7th March, 1939, published on page 2 of the *Hindustan Times*, dated the 8th March, 1939, under the "Late News" column;
- (b) whether there is any proposal to reduce the term of foreign service for British troops to three years;
- (c) what the additional cost will be if this is done, and what part of it will fall on India; and
- (d) whether Government have taken up this matter with His Majesty's Government, and, if so, the effect of such representation?

Mr. C. M. G. Ogilvie: (a) Yes.

(b) No.

(c) and (d). Do not arise. The Government of India have, however, agreed to the reduction of the tour of service to four years. The estimated cost to India will be in the neighbourhood of seven lakhs.

Mr. Abdul Qaiyum: May I know what is the present term of service for British troops?

Mr. C. M. G. Ogilvie: It is somewhere in the vicinity of five years.

Mr. Abdul Qaiyum: May I know when this new proposal was agreed to by the Government of India?

Mr. C. M. G. Ogilvie: I have said so.

Mr. Abdul Qaiyum: May I know whether the Government of India were consulted before this change took place?

Mr. C. M. G. Ogilvie: Yes.

Mr. Abdul Qaiyum: May I know if the initiative was taken by the Government of India or by His Majesty's Government?

Mr. C. M. G. Ogilvie: By His Majesty's Government.

Mr. President (The Honourable Sir Abdur Rahim): Next question.

CHANGE IN THE METHOD OF RECRUITMENT TO THE INDIAN POLICE.

1312. *Mr. Abdul Qaiyum: Will the Honourable the Home Member please state:

- (a) whether there is any proposal to change the method of recruitment to the Indian Police;
- (b) whether the competitive system is to be partially abolished in favour of nomination;
- (c) if so, what percentage of the posts is to be filled up by nomination, and when this change is likely to be introduced; and
- (d) the reasons for the proposed change, if any?

The Honourable Sir Reginald Maxwell: (a), (b) and (c). No change is at present contemplated in the system of recruitment in India. As regards the method of recruitment in England, the Secretary of State has already announced that a certain number of candidates, who must be University graduates, will be selected for admission to the Indian Police otherwise than by competitive examination. The examination will also be held as hitherto in 1939 and 1940 for a certain number of the vacancies available in these years, but the Secretary of State is not prepared to guarantee that recruitment by competitive examination will be continued after 1940.

(d) The change is being made to widen the field of recruitment.

Mr. Abdul Qaiyum: May I know what percentage of recruitment will be by nomination?

The Honourable Sir Reginald Maxwell: It is understood that during the next two years, that is, this year and next year, about one-third of the vacancies will be recruited by selection.

Mr. Abdul Qaiyum: May I know if the selection will be confined to Europeans or whether Indians also will be eligible for nomination in England?

The Honourable Sir Reginald Maxwell: Recruitment in England is entirely for Europeans, and Indian recruitment for the Indian Police takes place in India.

Mr. Abdul Qaiyum: May I know why this change is taking place, and whether it is with the consent of the Government of India?

The Honourable Sir Reginald Maxwell: The reason was stated in answer to part (d) of the question.

Mr. Abdul Qaiyum: Will the Honourable Member kindly repeat it?

The Honourable Sir Reginald Maxwell: I will read it again:

"The change is being made to widen the field of recruitment."

Mr. K. Santhanam: May I know whether the Provincial Governments were consulted as these officers have also to serve in the provinces?

The Honourable Sir Reginald Maxwell: I cannot inform the Honourable Member from my recollection.

Mr. Lalchand Navarai: When this recruitment is going to be widened and it is going to be done in England, why is it that Indians also are not going to be taken for the purpose of widening the field?

The Honourable Sir Reginald Maxwell: As I have already informed the House, the recruitment of Indians takes place in India, and of Europeans in England. It is a question of altering the method of recruitment of Europeans in England.

Mr. President (The Honourable Sir Abdur Rahim): Next question.

GRANT OF A DISTURBANCE ALLOWANCE TO OFFICERS AND SOLDIERS.

1818. *Mr. Brojendra Narayan Chaudhury: Will the Defence Secretary please state:

With regard to the grant of disturbance allowance mentioned in the 'House of Commons' as reported by Reuter, London, on the 13th March, 1939:

- (a) what disturbance is referred to;
- (b) whether the grant is proposed or has been sanctioned for (i) European soldiers, (ii) Indian soldiers, (iii) European officers, and (iv) Indian officers, stationed in India, and the scale proposed or sanctioned;
- (c) whether in fixing the scales of pay all kinds of risk and inconveniences were not taken into consideration; and
- (d) whether he will lay on the table a list of scales of other allowances, if any, granted to the abovementioned soldiers and officers, on station duty or as combatants, and the reasons therefor?

Mr. C. M. G. Oglvie: With your permission, Sir, I propose to answer starred questions Nos. 1818 and 1821 together.

An allowance of £20 for a married officer and £5 for a soldier on the married establishment is paid to British personnel on the Imperial establishment when a military officer or soldier is moved from one station to another for a period in excess of six months in order to recompense

them for the extra expenditure they incur owing to a change of station. This allowance has been termed a "disturbance allowance". The Government of India are considering the question of the introduction of a similar allowance in India, but no decision has yet been reached. I am, therefore, unable to make any further statement at present.

With reference to part (d) of Mr. Brojendra Narayan Chaudhury's starred question No. 1313, I refer the Honourable Member to the statement laid on the table of the Council of State on the 14th September, 1937, in reply to question No. 51 of the 4th March, 1937, and also to the statement laid on the table of this House on the 31st January, 1938, in reply to part (a) of starred question No. 651 of the 13th March, 1937.

Mr. T. S. Avinashilingam Chettiar: May I know what is the total amount of the money spent on the disturbance allowance?

Mr. C. M. G. Ogilvie: I am afraid Government have no information. None has been spent in this country.

Mr. K. Santhanam: May I know the estimated cost of the allowance if it is to be given to the Indian Army?

Mr. C. M. G. Ogilvie: I should require notice.

REPORT OF THE COMMITTEE FOR THE APPLICATION OF THE RECOMMENDATIONS OF THE INDO-BURMA FINANCIAL SETTLEMENT TRIBUNAL.

1314. *Mr. Manu Subedar: (a) Will the Honourable the Finance Member please state when the committee for the application of the recommendations of the Indo-Burma financial settlement tribunal was appointed?

(b) How many reports has it produced and when were they published?

(c) What is the final position between India and Burma and on what principles has it been worked?

(d) Is it a fact that the annual payment, which is now put down at Rs. 2,24.56 lakhs, was at one time put down at three crores and more and was subsequently reduced? Why was this done?

(e) How much is $7\frac{1}{2}$ per cent. of the liability of the Government of India in respect of central pensions on the date of the separation?

(f) At what rate and how is this liability expected to be reduced, and in how many years will this disappear?

Mr. K. Sanjiva Row: (a) In February, 1938.

(b) and (c). I would invite the attention of the Honourable Member to the Press Communiqués, dated the 15th February, 1938, and the 15th March, 1939.

(d) The answer to the first part of the question is in the negative; the second part does not arise.

(e) The estimated amounts are 80 lakhs in 1937-38, 75 lakhs in 1938-39 and 71 lakhs in 1939-40.

(f) The liability will be gradually reduced as the pensions are extinguished.

Mr. Manu Subedar: May I know with reference to the reply to part (e), under which account this money, 80 lakhs and 75 lakhs, is credited in the Government of India's books?

Mr. K. Sanjiva Row: It is taken under the head "Extraordinary receipts".

Mr. Manu Subedar: May I know if any part of this money is taken as receipts under the Defence Department?

Mr. K. Sanjiva Row: No.

RATE OF INTEREST ALLOWED FOR PROVIDENT FUNDS, ETC.

1315. *Mr. Manu Subedar: (a) Will the Honourable the Finance Member please state what is the rate of interest allowed by Government for various Provident Funds in their charge and on deposit with them?

(b) Is there any distinction between General and other Provident Funds in Government's charge?

(c) Is there any statutory obligation on Government to maintain a fixed rate of interest in regard to the Provident Funds? If so, what?

(d) What were the successive reductions during the last five years in the interest payable on:

- (i) Postal Savings Bank deposits,
- (ii) Postal Cash Certificates,
- (iii) Provident Funds protected by rules as to rate of interest, and
- (iv) Other Provident Funds?

The Honourable Sir James Grigg: (a)—(d). The information is being collected and will be laid on the table of the House in due course.

LEVY OF AN EMPLOYMENT TAX IN THE UNITED PROVINCES.

1316. *Mr. S. Satyamurti: Will the Honourable the Finance Member be pleased to state:

- (a) whether he and/or the Government of India have considered the question of the levy of an employment tax by the United Provinces Government from the financial and the constitutional point of view, as affecting the Central Government;
- (b) whether Government have been approached by any individuals or associations affected by the tax and, if so, in what manner; and
- (c) whether Government intend to take any action in the matter, and, if so, why?

The Honourable Sir James Grigg: (a) and (c). I am not in a position to make any statement.

(b) No.

COMPOSITION AND TERMS OF REFERENCE OF THE INDIAN SANDHURST COMMITTEE.

1317. ***Mr. S. Satyamurti**: Will the Defence Secretary be pleased to state:

- (a) whether Government have considered the vote of the House, censuring the Government on the composition and terms of reference of the Indian Sandhurst Committee (Dehra Dun);
- (b) whether Government propose to accept the verdict of the House and change the composition of the Committee, so as to have a majority of elected members thereon; and
- (c) if not, why not?

Mr. C. M. G. Ogilvie: (a) Yes.

(b) and (c). No, for the reasons given in my speech of the 14th March, 1939.

GOVERNMENT'S DEFENCE POLICY AND ADMINISTRATION.

1318. ***Mr. S. Satyamurti**: Will the Defence Secretary be pleased to state:

- (a) whether Government have considered the vote of the House censuring them on their Defence policy and administration;
- (b) whether they propose to take any action thereon; and
- (c) if so, what, and if not, why not?

Mr. C. M. G. Ogilvie: (a) Yes.

(b) Some of the questions raised in the debate are still under consideration.

(c) Does not arise.

PUBLICATION OF THE RESULTS OF DR. GREGORY'S ENQUIRIES OR RESEARCHES.

1319. ***Mr. S. Satyamurti**: Will the Honourable the Finance Member be pleased to state:

- (a) the particular work on which Dr. Gregory is just now engaged;
- (b) whether the results, if any, of his enquiries or researches have so far been published, and if so, what they are; and
- (c) whether Government intend asking him to take in hand a comprehensive inquiry on the incidence of taxation in India direct and indirect, Central, Provincial and Local (i.e., by local bodies), and, if not, why not?

The Honourable Sir James Grigg: The question should have been addressed to the Honourable the Commerce Member.

DELAY IN THE GRANT OF PENSIONS, ETC., TO THE FAMILIES OF DISABLED SOLDIERS.

1320. ***Mr. C. N. Muthuranga Mudaliar**: (a) Will the Defence Secretary state whether the definitions in regard to eligibility for death and disablement compensations for Indian ranks differ from that in practice in the United Kingdom?

(b) Is the Honourable Member aware that widespread bardship results on account of these narrow definitions?

(c) Is the Honourable Member aware that the Indian authorities are taking a long time to decide complaints and appeals concerning war disablements? Is he aware that in the United Kingdom the period taken is usually only seven weeks?

(d) Is the Honourable Member aware that there are several disabled ex-sepoys and families of deceased sepoys who, being unable to get disablement compensations and service pensions, are thrown at large on the charity of the general public?

(e) Will the Honourable Member state whether the following extract is a normal way of disposing of such appeals:

"your husband died of a disablement which was not certified attributable to military service. . . . Further petitions will not be answered."

"(Letter No. B.-52020-3-A.G.-14, dated 8th February, 1939. Adjutant General's Branch)"?

Mr. O. M. G. Oglvie: (a) No. The main condition in each case is that the death, disablement or disease should be attributable to military service.

(b) No. The definitions referred to are considered to be fully adequate.

(c) No, not that I am aware of. If the Honourable Member will give me details of any particular case, I will make enquiries.

(d) No.

(e) No. Replies differ depending on the circumstances of each case. If petitioners after being informed that the decision conveyed to them is final, continue to make applications, they are informed that further petitions will not be answered.

GRANT OF A DISTURBANCE ALLOWANCE.

†1321. ***Mr. O. N. Muthuranga Mudaliar:** Will the Honourable the Home Member be pleased to state:

(a) whether his attention has been drawn to the question and answer in the House of Commons published in the *Hindustan Times* of Wednesday, the 15th March, 1939, on page 1, bottom of columns 4 and 5, under the heading "U. P. Employment Tax";

(b) whether it is a fact that the Government of India are considering the grant of a disturbance allowance;

(c) how long the matter has been under consideration;

(d) when they expect to reach a conclusion;

(e) what is the quantum of the allowance;

(f) what are the services to which it is proposed to give this allowance; and

(g) the total anticipated cost of this allowance?

†For answer to this question, see answer to question No. 1313.

EXHIBITION OF ANTI-INDIAN FILMS IN FOREIGN COUNTRIES.

1321A. *Mr. S. Satyamurti: Will the Honourable the Home Member be pleased to state :

- (a) whether Government have any information about the number and the nature of films produced outside India which have been completely prohibited from being exhibited or allowed to be exhibited only with excision by the several Provincial Boards of Censors in India;
- (b) if not, whether Government are prepared to collect the information and place it on the table of the House; and
- (c) whether Government intend taking any steps through His Majesty's Government and the usual diplomatic channels to get into touch with the producers of these objectionable films, especially those which depict India and Indians unfairly, and stop the production and exhibition of such films outside India, and if not, why not?

The Honourable Sir Reginald Maxwell: (a) and (b). I have not the required information but will obtain it and lay it on the table in due course.

(c) The Government of India will again draw the attention of His Majesty's Government to the "very" strong sentiment in India regarding films of the character referred to.

Mr. S. Satyamurti: With reference to clause (c) of the question, may I know if Government will, after getting all the information, pursue the matter further with His Majesty's Government and persuade them to approach the Governments of the countries in which such films are made and apply such diplomatic pressure as is necessary in order to stop the production and exhibition of such films outside India?

The Honourable Sir Reginald Maxwell: That might be considered when we see the results of the inquiry that is being made.

Seth Govind Das: This question has been raised again and again. Will Government be pleased to state what they have done so far in this respect?

The Honourable Sir Reginald Maxwell: I have already answered that in reply to previous questions. Government have been in constant correspondence with the Secretary of State on this subject.

Seth Govind Das: Have Government heard anything from the Secretary of State?

The Honourable Sir Reginald Maxwell: Certainly, I have already had occasion to mention the case of a film of which the production was stopped in consequence.

STATEMENTS LAID ON THE TABLE.

Information promised in reply to unstarred question No. 83 asked by Mr. B. B. Varma on the 10th November, 1938.

NON-GRANT OF HOLIDAYS TO STATION AND RUNNING STAFF ON RAILWAYS.

(a) Yes.

(b) The reply to the first part is in the affirmative, and as regards the second, Government do not contemplate making any change.

(c) No compensation is paid, as none is due under the rules.

Information promised in reply to part (b) of starred question No. 1566 asked by Mr. Badri Dutt Pande on the 29th November, 1938.

DISPARITY IN LEAVE RULES BETWEEN GOVERNMENT AND RAILWAY SCHOOLS.

Clerks who are permitted to be absent from duty during regular vacations are governed by the rules in section IV (relating to Vacation Departments) of Annexure I to the revised State Railway Leave Rules promulgated with the Railway Department's Resolution No. 8373-E., dated the 20th February, 1930, while clerks who are not so permitted are governed by the ordinary rules applicable to other railway staff.

Information promised in reply to part (b) of starred question No. 735 asked by Shrimati K. Radha Bai Subbarayan on the 27th February, 1939.

TRANSFERS OF OFFICERS OF THE FINANCE DEPARTMENT.

(b) Rs. 4,673-5-0.

Information promised in reply to starred question No. 907 asked by Mr. K. S. Gupta on the 9th March, 1939.

COST OF MAINTAINING THE DREDGER AT THE VIZAGAPATAM PORT.

(a) The cost of maintaining and operating the dredger and connected plant and craft during the financial years 1936-37, 1937-38 and 1938-39 has been Rs. 5,74,747, Rs. 3,75,413 and Rs. 4,37,000, respectively.

(b) Ten. Their pay and allowances are as follows :

- (1) Pay Rs. 675+Rs. 50 house allowance.
- (2) Pay Rs. 550+Rs. 50 house allowance.
- (3) Pay Rs. 550+Rs. 50 house allowance.
- (4) Pay Rs. 475.
- (5) Pay Rs. 335.
- (6) Pay Rs. 295.
- (7) Pay Rs. 265.
- (8) Pay Rs. 60.
- (9) Pay Rs. 50.
- (10) Pay Rs. 40.

Three shifts of eight hours each are worked, as the dredger when in commission, is required to operate for 24 hours a day.

MOTION RE THE INDO-BRITISH TRADE AGREEMENT.

Mr. President (The Honourable Sir Abdur Rahim): Before the Honourable Sir Muhammad Zafrullah Khan moves his motion, the Chair would like to inform the House that an arrangement has been arrived at among the Leaders of Parties that there should be a time limit for the speeches. The Mover of the motion, Sir Muhammad Zafrullah Khan, will be allowed about three quarters of an hour to move his motion, and other speakers will be allowed 20 minutes each with discretion in the Chair to allow more time in special cases if he considers it necessary.

The Chair has also been requested to sit till 6 P.M. today and tomorrow, because the Chair understands there is a large section of the Members who do not desire to sit on Wednesday. Government are agreed that they will not put up any Government business on that day. The Chair is not going to declare next Wednesday a holiday as it is not a gazetted holiday in New Delhi and the practice has always been to declare only those holidays for the Assembly that are recognised as holidays by the local administration. But if the Government do not put up any agenda for that day, that being an official day, and the Members who have put down questions do not insist on the Assembly sitting on that day, then there will be no sitting of Assembly on Wednesday. If that is so, the Chair is also agreeable to sit till 6 P.M. today and tomorrow, for the purpose of this motion. The Chair understands it has also been agreed that at 5 P.M. tomorrow, the Honourable Member in charge of the motion will reply to the debate. Does the Chair take it that this arrangement meets with the wishes of the House?

Honourable Members: Yes.

The Honourable Sir Muhammad Zafrullah Khan (Member for Commerce and Labour): Sir, I beg to move:

"That this Assembly 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, I feel I owe a word of explanation to the House as to the time occupied by the negotiations that have resulted in this trade agreement. It was almost exactly three years ago that this House passed a Resolution asking the Government to give notice of termination of the Ottawa Agreement and to start negotiations for the conclusion of a fresh agreement. In pursuance of that Resolution, notice of termination was given. A panel of unofficial advisers was constituted and Government began to examine the question in detail with the help of the unofficial advisers. But a detailed examination of the varied and complex questions that arose for settlement made it clear very early that the negotiations would take longer than Government had anticipated. Honourable Members will perhaps realise, during the course of the debate, the wideness of the range and complexity of the questions that arose for settlement and, I am sure, they will appreciate that the search for a basis of settlement over that wide range, which should be satisfactory to both countries so as to induce them to accept it, required a great deal of time.

I may perhaps give just two illustrations to show how much time was required for the settlement of comparatively simple matters. Take the case of Ceylon. It was felt by the Government of India that so far as

any agreement with Ceylon was concerned, the question should be kept apart from the discussions that were about to be entered upon with regard to the main trade problems between the United Kingdom and this country. That appears to be a very small question and a very simple question, so small indeed, that having regard to the provisions of the agreement, it is likely even to escape notice during the discussion, but several meetings were necessary with the representatives of the Colonial Office before they could be persuaded to accept the Government of India's point of view that having regard to the proximity of Ceylon to India and the many interests that were common between the two countries and the variety of questions that arise between them, apart from purely commercial and trade questions, it was desirable that there should be a separate trade agreement between Ceylon and India.

Again, take the question of fresh and extra preferences to the United Kingdom. When the *desiderata* were exchanged between the two countries, the United Kingdom put forward a long list of articles on which they requested fresh preferences, and in respect of almost every preference enjoyed by them under the Ottawa Agreement, they wanted a wider margin of preference. It took many meetings with the representatives of the Board of Trade before they were convinced that the question was not of granting any fresh or additional preferences to the United Kingdom: the question was one of drastically reducing the preferences that they, at present, enjoyed. Now, neither of these matters occupies much space in the agreement itself but they occupied a great deal of time during the discussion. I need not go on elaborating this point. I have said enough to illustrate the kind of difficulties that we met with and I want to assure the House that there was no lack of either anxiety or effort on the part of the Government of India which could have contributed towards an earlier settlement of these questions.

Another matter to which I must refer before I go on to the actual provisions of the agreement is the great assistance that I and those who were associated with me on behalf of the Government of India in these negotiations received from the panel of unofficial advisers. Throughout these discussions the unofficial advisers were prepared to make every sacrifice of time and were cheerfully willing to suffer every inconvenience in order to help the representatives of the Government of India in these negotiations, and their help indeed has been of the greatest value. They travelled to London in the summer of 1937 and stayed there throughout the summer to facilitate these discussions and negotiations. It is unfortunate that in the end there were differences between the point of view of a majority of them and the point of view of Government with regard to certain matters resulting from these negotiations, but it would indeed be ungrateful of me if I did not acknowledge that, if there are any satisfactory features in this agreement, they certainly would not have been so satisfactory had it not been for the assistance and the advice given by the unofficial advisers. I take, freely and fully, the whole responsibility for any dissatisfaction that might arise out of the provisions of this agreement which we are about to discuss.

Now, Sir, to come to the provisions of this agreement I shall first take up the explanation of what may be described as the cotton articles in this agreement because, from such criticism as has come to my notice, I apprehend that the main criticism in this House will centre round these articles, and, therefore, it would be appropriate to begin with an explanation.

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of these articles. In order to appreciate the meaning and the operation of these articles, it would be necessary to have before us the history of the cotton piecegoods imports from the United Kingdom. Before I go on to describe that history I must make this clear, that it is due entirely to the resource and the initiative of the cotton textile industry in India that today we find that the industry has fully justified the measure of protection that it has received from Government and is in a flourishing condition, so that when I go on to describe the course of the declining imports from the United Kingdom, and the increase of mill production in India, it is not by any means in a spirit of criticism but for the reason that we must have the whole of the picture before us. It is a matter for great gratification for all of us that this industry should have established itself so successfully in the country, but in order to gauge the full effect of these articles and to appreciate to what extent there is any sacrifice involved on the part of the industry, I think it would be necessary to look at the history of these imports. The House is aware that during pre-war days imports of cotton piecegoods from the United Kingdom stood as high as three thousand million yards. After the War, they began to decline. For a period of nearly seven years from 1922-23, onwards, they stood at an average level of 1,400 million yards. Then there came a sharp decline and in 1930-31 the imports were 520 million yards, and in 1931-32 they declined to 376 million yards. Well, now, there must have been several causes that contributed towards that result. But certainly one of the important causes that contributed towards that result was the change in the Indian tariff with regard to these piecegoods. In April, 1930, the duties were raised from 11 per cent. to 15 per cent. In March, 1931, the duties were again raised from 15 per cent. to 20 per cent. In September, 1931, they were raised from 20 per cent. to 25 per cent., so that there was an increase in the duties from 11 per cent. to 25 per cent. during the course of eighteen months. That being so, the United Kingdom Delegation to Ottawa evinced keen anxiety to come to some agreement with India with regard to the import of Lancashire piecegoods. The Government of India could not then take up the discussion of this question as it was then under consideration by a Tariff Board. On the other hand, as Honourable Members are aware, the United Kingdom undertook in article 8 of the Ottawa Agreement to co-operate in any practicable scheme for the increased use of Indian raw cotton in the United Kingdom. In pursuance of that undertaking they set up the Lancashire Indian Cotton Committee, which, by means of propaganda and scientific research and persuading mills to adapt themselves to a greater use of Indian cotton, did certainly push to a considerable degree the use of Indian raw cotton in Lancashire. I shall cite the figures at a later stage. So that after the Ottawa Agreement Lancashire imports continued to decline in India and the export of raw cotton to the United Kingdom began to rise and continued to rise. In 1933, a delegation from Lancashire came to India and they had conversations with the representatives of the Bombay millowners and they came to an agreement that the millowners will not oppose a reduction of five per cent. in the duties upon Lancashire cotton piecegoods. That was, as I have said, in 1933, but no reduction was actually made till 1936. In 1936, duties were reduced to 20 per cent., that is to say, by five per cent. on greys and bleached goods, but even then no reduction was made on prints; prints continued to stand, as they do today, at 25 per cent. In the meantime, imports from Lancashire had fallen further. In 1936-37, when this further reduction of five per cent. had become effective imports fell to

334 million yards; in 1937-38, they fell to 266 million yards and in the first ten months of 1938-39, they have fallen further to 176 million yards. Throughout this period there was a steady growth in the consumption of Indian cotton by Lancashire.

Here I might draw the attention of Honourable Members to the figures of our exports of raw cotton to the United Kingdom, both in the pre-Ottawa period and during what I may describe as the Ottawa period. In 1930, the exports were 279,311 bales. I might explain here that I have had these figures worked out on the basis of calendar years and that might reveal a certain amount of difference with the figures for financial years though the averages in the end are the same, but Honourable Members will observe that in the present agreement the arrangement about the offtake of cotton is based upon calendar years. A cotton year means a year beginning on the 1st January and ending on the 31st December. To make these figures comparable, therefore, I have taken calendar year figures from 1930 onwards. As I have said, in 1930, the offtake was 279,311 bales, in 1931, it was 240,481 bales and in 1932, it was 127,820 bales. Honourable Members will observe that there was a continuous decline in these three years. The average for these three pre-Ottawa years was 215,817 bales. It was in pursuance of article 8 in the Ottawa Trade Agreement and as the result of the efforts of the Indian Lancashire Cotton Committee that these figures began to rise. In 1933, the offtake was 270,480 bales, in 1934, it was 381,878 bales, in 1935, it was 384,067 bales, in 1936, it was 569,022 bales, in 1937, it was 521,237 bales and in 1938, it was 386,512 bales. The average of these six years comes to 415,532 bales. Now, it cannot be said that this article amounted only to a pious hope as has been sometimes expressed in the press and I believe also in this House on the last occasion when this matter was under discussion. I venture to submit that if we had pious hopes like these in place of settled and definite agreements, we would be much happier as the result of such pious hopes.

Now, Honourable Members will be able to appreciate that on the one side there was a continuous decline in imports and on the other side there was a continuous rise in the exports of cotton, but this position could not last indefinitely. Indeed, it cannot last between any two countries and the very first question with which the unofficial advisers and myself were confronted, when we started negotiations with His Majesty's Government in the middle of June, 1937, was that if we were anxious to secure that there should be the freest access for Indian cotton to a large and expanding market in the United Kingdom, something had to be done to assist Lancashire with regard to their imports into India. That was a plain proposition, because if the imports continued to decline, as they had declined, nobody could expect that Lancashire could continue to take increasing quantities of Indian cotton. That is a position from which there is no escape, and this position was realised by the unofficial advisers and it thus became necessary to give a fresh orientation to the trade agreement between the two countries, keeping this aspect of the question in mind. In the meantime, as will be apparent from the figures that I have given, in the last calendar year 1938, the exports of Indian raw cotton had also fallen to 386,000 bales and in the last financial year, 1937-38, they had fallen to 395,000 bales. That, naturally, made our responsibility with regard to the provisions for Indian raw cotton greater because, after all, if Lancashire's total manufactures had fallen, and its imports into India had also fallen, and if nothing was to be done for Lancashire, obviously nothing could be done for the increased offtake of Indian cotton.

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Now, the provisions of the cotton articles briefly amount to this. There will be an immediate reduction in duties on Lancashire piecegoods to 15 per cent. or, in the alternative, two annas and $7\frac{1}{2}$ pies per pound, which is the specific duty on grey goods and $17\frac{1}{2}$ per cent. on prints and 15 per cent. on the balance of the piecegoods. These duties are called basic duties. If in any cotton piecegoods year—the cotton year will be the calendar year and the cotton piecegoods year will be from the 1st April to the 31st of March—the imports of Lancashire into India fall below or remain below 350 million yards, then in the following year, there will be a further concession of $2\frac{1}{2}$ per cent. in these duties. But if in any year the imports exceed 425 million yards, then this extra $2\frac{1}{2}$ per cent. will be put on again. On the other hand, if in any year the imports exceed the maximum figure of 500 million yards, then in the following cotton piecegoods year it shall be open to the Government of India to raise the duties on imports from Lancashire to such an extent as would ensure that their imports shall again be brought below the maximum figure and these extra duties shall continue in operation till the end of such year in which the imports have fallen below 425 million yards, that is to say, they will not be taken off till the medium figure has again been passed. Now, this is linked with the arrangement for the added off-take of Indian raw cotton. This arrangement is that the United Kingdom undertake to import during the first cotton year, that is to say, between the 1st of January 1939, and, the 31st December, 1939, 500,000 bales. I would ask Honourable Members to note that the first cotton year under this agreement, if this agreement is given effect to, has already begun and will end on the 31st December and the first year's minimum guarantee will be fulfilled only, if by the 31st December of this year, there is a minimum off-take of Indian raw cotton amounting to 500,000 bales. Then the undertaking is that during 1940, the minimum offtake shall be 550,000 bales and during every subsequent year during which the agreement may remain in operation under Article XVI the minimum offtake shall be 600,000 bales.

To begin with, Honourable Members will appreciate that the average of three years, though it is a minimum undertaking, is 550,000 bales. Compared with the actual offtake during the Ottawa years, even that minimum undertaking is very much more favourable to India as the average of the Ottawa years was 415,000 odd. There is a scheme of penalties attached to this undertaking and it is this. If in any cotton year there is a deficiency in the offtake of Indian cotton by the United Kingdom then for each 50,000 bales or any fraction thereof of this deficiency the yardage figures which I have already mentioned will be reduced by 25 million yards. Let me illustrate how this will operate in actual practice. Let us assume that imports of Lancashire piecegoods during the first piecegoods year amount only to 327 million yards. They would on the basis of that figure be entitled to a further reduction of $2\frac{1}{2}$ per cent. in the duties in the following year. Now, let us assume that their offtake of Indian raw cotton in the first year amounts to only 495 thousand bales, that is to say, there is a deficiency of 5,000 bales. The effect of this would be that they will be deemed to have exported to India not 327 million yards but 352 million yards and they will, thus, not be entitled to any further reduction in the duties, having been deemed to have exceeded the minimum figure. But there is a limit to the operation of this kind of penalty; if the offtake of raw cotton by the United Kingdom falls below 400 thousand bales in the first and second year or

below 450 thousand bales in the third year, then it shall be open to the Government of India after consultation with His Majesty's Government, to increase the duties on United Kingdom piecegoods above the basic rates to such extent as the Government of India may determine. I must point out that the provision relating to consultation with His Majesty's Government does not require their concurrence in the action which the Government of India may finally decide upon as suitable. The Government of India will be free, after hearing what His Majesty's Government has to say, to come to their own decision as to the level of duties which the situation justifies. The figures that I have mentioned are the minimum with regard to which an undertaking has been secured. The objective figure, however, is much higher, namely, 750 thousand bales. The Agreement provides that if in any cotton year the quantity of Indian raw cotton imported into the United Kingdom exceeds 750 thousand bales the rate of duty charged on the United Kingdom printed piecegoods imported into India in the following cotton piecegoods year shall not exceed the duty charged in that year on other United Kingdom cotton piecegoods imported into India. The result of this will, naturally, be that Lancashire will be able to export a large quantity of printed piecegoods to India. It was pointed out on behalf of Lancashire that in that event imports of piecegoods from Lancashire may go over the medium figure or the maximum figure as the case may be and the operation of the penalty provisions may thus be attracted much sooner than would otherwise be the case. They, therefore, represented that what is intended as a concession or a reward in return for an increased offtake of raw cotton may, in actual operation, operate as a penalty and that unless the yardage figures were also raised, the concession may turn out to be of no value to Lancashire. They, therefore, asked for substantial increases in the medium and maximum yardage figures. This was strenuously resisted and the actual concession on this point is a very slight one, namely, that if as a result of the duties on printed goods being reduced to the level of the duties on other categories of piecegoods there is an increase in the import of printed goods, then such increase shall not, unless it exceeds 25 million yards, be taken into account for the purpose of determining whether or not the medium or maximum figure has been exceeded. I cannot say whether during the currency of this Agreement the offtake of Indian raw cotton by the United Kingdom will, in any year, exceed 750 thousand bales, but if it does, it will be readily agreed that the further concessions proposed to be given in that event are fully justified. Sir, that concludes the description of the cotton Articles.

Sardar Mangal Singh (East Punjab: Sikh): What are the figures of exports of raw cotton to Japan and imports of Japanese piecegoods into India?

The Honourable Sir Muhammad Zafrullah Khan: Those figures have been available to Honourable Members ever since the last agreement with Japan was arrived at.

Now, Sir, the main criticism with regard to this part of the agreement is that it would place an intolerable burden on the Indian textile industry. I beg to submit that in all quarters where that impression prevails an extremely exaggerated view is being taken of the sacrifice which the textile industry is being called upon to make. As I have said before, the resource and enterprise of which the industry has given proof in the past and the high degree of efficiency that it has attained are the fullest guarantees that

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the concessions proposed to be made to Lancashire will not involve any undue sacrifice on the part of the Indian industry. Let me give one illustration. The industry has made a steady improvement in its exports to British Colonies, where it competes on equal terms with Lancashire.

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): Why not?

The Honourable Sir Muhammad Zafrullah Khan: Indeed this is a most gratifying feature. Without the aid of any protection so far the Colonies are concerned the industry is making a headway in those markets as against Lancashire and if the industry is able to do that I am confirmed in my belief that the sacrifice that it is being called upon to make in the general interest of India will not be too heavy a burden for it to carry.

Now, Sir, in concluding this part of my speech, let me recapitulate what we have been able to secure for Indian raw cotton. First, there is the assurance that the United Kingdom will continue to use all possible efforts to stimulate the use of Indian cotton in all possible ways, including technical research and industrial propaganda, etc. Sir, as I have said this is not only a pious hope. We have ample proof that practical benefits have accrued to India from their efforts. Secondly, we have the assurance that they will take all practicable means to improve the percentage of short-staple cotton in their takings. Sir, there appears to be a very widespread but entirely erroneous impression in this country, that the greater part of the cotton taken by the United Kingdom from India is long-staple cotton. That is entirely incorrect. In 1933, the percentage of short-staple cotton in the total exports to the United Kingdom,—and short-staple for the purposes of these figures means 7/8th of an inch staple and under,—was 41·4 per cent. In 1934, it was 44·6 per cent.; in 1935, it was 50 per cent., in 1936, it was 52·9 per cent., in 1937, 59·8 per cent. and in 1938, 61·2 per cent. I hope these figures will satisfy Honourable Members that there has been not only a continuous increase in the offtake of Indian raw cotton but a continuous increase in the percentage of short-staple cotton in the total offtake.

Mr. S. Satyamurti: Then why is there no agreement by them, agreeing to take so much?

The Honourable Sir Muhammad Zafrullah Khan: The industry has explained that it is extremely difficult for them to bind themselves with regard to the various varieties inside a particular minimum figure, but that they will continue to do whatever may be possible for them to improve the percentage of short-staple cotton. The figures I have cited show that the tendency all the time is in the direction of improving the percentage of short-staple and the actual percentage attained comes very near to the figure suggested by the advisers on behalf of the cotton growing interests during the course of the conversations with the Lancashire Delegation. Finally, there is the undertaking with respect to minimum quantities that I have explained.

Sir, I shall now go on to a brief explanation of the other provisions of the Agreement. Honourable Members will observe that the agreement preserves almost every concession that we enjoy under the Ottawa Trade

Agreement. I see Mr. Satyamurti shaking his head. Perhaps he has in mind one or two matters which the Federation of Indian Chambers of Commerce have mentioned.

Mr. S. Satyamurti: The unofficial advisers also say that.

Sardar Mangal Singh: What about wheat?

The Honourable Sir Muhammad Zafrullah Khan: When I said "almost" I had in mind the preference on wheat and the modification in the preference on rice. To take the last first: the modification is from a preference of a penny a pound to two-thirds of a penny a pound; but that is a matter of no concern to India inasmuch as India exports to the United Kingdom only high grades of rice and with regard to those grades of rice the balance of the preference affords ample protection. As a matter of fact the figures are, that out of a total export of 227,000 tons of rice in 1937, we exported to the United Kingdom only 6,000 tons. The rice preference is the concern mainly of Burma. The preference on wheat has been given up and I might add that these preferences were given up and modified for the purpose of the United Kingdom-United States of America agreement. The wheat preference was of value to us during the three years 1935-36 to 1937-38, when owing to price parity we were placed in the position of a wheat exporting country; but the present position is that there are enormous world stocks of wheat, and we have been compelled to put an import duty upon wheat. There is not the slightest hope that we might become an exporting country again within the period of this agreement. But let me stress one further point namely, that not only India but Canada and Australia also have surrendered this preference; and so long as Australia and India are on the same level *vis-a-vis* the United Kingdom, Indian wheat would not be adversely affected in the United Kingdom market.

Sir, this House discussed the effect of preferences enjoyed by this country in the United Kingdom in 1936 also. Since then, whatever the view of Honourable Members then was, the position has undergone further change and a change still more to the advantage of India.

Voices: No, no.

The Honourable Sir Muhammad Zafrullah Khan: Yes, indeed. As I have said, the present trade agreement preserves all the privileges of free entry and preference, subject to the two exceptions that I mentioned, that we enjoyed under the Ottawa Agreement. Now, take jute manufactures which enjoy free entry in the United Kingdom and which are therefore in keen competition with the Dundee industry. With regard to these we find that the figures are two crores and seven lakhs for 1935-36 and two crores and 79 lakhs for 1937-38. I have got masses of figures here but if I go on to cite them I cannot possibly finish within the time given to me; even as it is, I am afraid I will not be able to touch on more than one or two points very briefly.....

Mr. President (The Honourable Sir Abdur Rahim): If the Honourable Member thinks it necessary to take a little more time I am sure the House will not grudge it.

The Honourable Sir Muhammad Zafrullah Khan: Sir, I am extremely grateful to the House for showing me this indulgence. I shall, therefore, take a few more minutes to stress some of the points that I have in mind. Take woollen carpets and rugs which have risen from 60 lakhs to 76 lakhs: chrome leather, which has risen from 26 lakhs to 58 lakhs. I have mentioned these three manufactured articles because they compete with United Kingdom manufactures and the Board of Trade were desirous, particularly with regard to jute manufactures, that the condition of free entry should be modified. I shall only read out one little item that has appeared in this morning's *Statesman* with regard to that matter and leave it at that:

"A letter from Mr. Dingle Foot, M. P. for Dundee, to the Secretary of the Dundee Chamber of Commerce throws a new light on the exclusion of the jute trade from the British-Indian trade agreement.

Mr. Foot refers to the assurance which he said he had received from a Board of Trade official that the Department had every intention of invoking Article 15 (the protecting clause) if the United Kingdom jute industry was again severely hit by Indian competition. 'I pointed out, and he agreed, that if the Indians then chose to stand by the letter of the agreement, the United Kingdom Government would be powerless to make any alteration until the expiry of the agreement in 1942. I gathered from my inquiries at the Board of Trade that Mr. Stanley attached great importance to the inclusion of a clause to safeguard the United Kingdom jute industry and that he only gave way when it became clear that insistence on such a clause would prevent any agreement being arrived at whatsoever. All this is profoundly unsatisfactory from the viewpoint of Dundee.'"

The export to the United Kingdom of articles entitled to preference has increased from Rs. 82,35 lakhs in 1935-36 to Rs. 41,08 lakhs in 1937-38. Some Honourable Member just now said "No: there has not been continuous increase". I beg to differ from him. These figures speak for themselves.

Mr. K. Santhanam (Tanjore *cum* Trichinopoly: Non-Muhammadian Rural): Our exports to other countries also have increased in these articles.

The Honourable Sir Muhammad Zafrullah Khan: Not in any comparable degree at all. Similarly, other commodities, linseed for instance, have made considerable progress. In 1935-36, the exports to the United Kingdom of linseed were 121 lakhs; in 1936-37, they rose to 319 lakhs; in 1937-38, they came down to 274 lakhs; but in the first six months of this year they have again reached a total of 153 lakhs. This is the commodity with respect to which it has been alleged that the preference has been nullified by the system of drawbacks. I shall come to that in a moment. An additional advantage secured under the present agreement is that with reference to certain articles which are at present enjoying unscheduled preferences, scheduled preferences have been secured. Take chrome leather. Indian chrome leather enjoys free entry into the United Kingdom and that is all that it enjoys by virtue of the Ottawa Agreement. But as there is a duty on foreign chrome leather entering the United Kingdom the result is that Indian chrome leather actually enjoys not only free entry but also a preference, but it is an unscheduled preference, meaning that the duty has been imposed for its own purposes by the United Kingdom and it is open to them, without notice to anybody or consultation with anybody, to manipulate the duty in any way they like,—take it away altogether or reduce it—there is no obligation on them

to maintain it. But now, the preference has been scheduled at 15 per cent. and this has given rise to all sorts of misunderstandings. I am afraid the Federation of Indian Chambers are to some extent responsible for spreading the misunderstanding, perhaps not consciously; for they themselves may be labouring under a genuine misunderstanding. The duty is at present 80 per cent. We shall continue to enjoy the benefit of this duty but what we have secured in addition is: that if at any time Great Britain wants to reduce the duty, it is now under an obligation that a preference of 15 per cent. at least shall be maintained. The 30 per cent. duty continues: it may rise higher or it may fall; but while at present we are absolutely unprotected, for the future we have safeguarded ourselves up to the amount of the scheduled preference.

The same applies to goat skins, raw bones and gram otherwise called chick-pea—raw goat skins are an important item and our trade under this item has been rising during the last three years.

Now I come to the drawbacks. With regard to linseed it has been argued that the preference has been nullified because there is this system of drawbacks. That will take a minute or two to explain. The United Kingdom at present gives to exporters of linseed oil and exporters of such articles in the manufacture of which linseed oil is used, a certain drawback of duty on duty-paid linseed and duty-paid linseed oil. The position is that linseed imported into the United Kingdom from Argentine, which is our only competitor in respect of this commodity, pays duty and when oil crushed from such linseed is exported from the United Kingdom to other countries, which do not levy a duty upon the imports of linseed, it is at a disadvantage in competing with the oil crushed in those countries. Similarly, where duty paid linseed oil is used in the United Kingdom in the manufacture of articles which are subsequently exported to countries where no duty is levied on the import of linseed oil these articles are at a disadvantage in competition with similar articles manufactured in those countries. Now the whole of this system of drawbacks operates only over approximately 15 per cent. of the total imports into the United Kingdom of linseed and linseed oil.

Mr. M. S. Aney (Berar: Non-Muhammadan): Does this drawback mean a refund?

The Honourable Sir Muhammad Zafrullah Khan: Yes. This refund is granted in order to enable United Kingdom exports to compete on the Continent on equal terms. The modification secured in the new Agreement is that the drawback granted on the export of articles in the manufacture of which duty paid linseed oil is used will be abolished. The drawback granted on the exports of linseed oil will continue.

Mr. S. Satyamurti: That is all?

The Honourable Sir Muhammad Zafrullah Khan: Mr. Satyamurti says: "That is all". This concession which Mr. Satyamurti has so contemptuously dismissed amounts to approximately 45 per cent. of the total drawbacks. The result of this will be that the preference which has hitherto been effective in respect of approximately 85 per cent. of the total imports of linseed and linseed oil into the United Kingdom will now become effective in respect of over 92 per cent. of the total imports. I will now invite

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the attention of the Honourable Members to the figures of exports of linseed. In the decade before the Ottawa Agreement came into operation our share of the total imports of linseed into the United Kingdom on one occasion fell as low as three per cent. and never rose above 45 per cent. Since Ottawa our share has, with the exception of one occasion, never fallen below 50 per cent. That, surely, is a striking increase. Let us look at it in another way. The share of the United Kingdom in our total exports during that decade on one occasion fell as low as 10.9 per cent. and generally averaged between 25 and 30 per cent., since Ottawa, it has never fallen below 43 per cent., was 75 per cent. in 1936-37, 77 per cent. in 1937-38 and 77.3 per cent. in 1938-39. That does not look as if the preference had been nullified. The preference has been effective and we have continuously increased our exports.

If I may revert to chrome leather for a moment we have received a representation from the Federation of Indian Tanners which lays great emphasis on the value of the right of free entry in respect of this article and the value of the preference that it actually enjoys. During the course of the negotiations Sir Purshotamdas Thakurdas received a letter from Seth Jamal Muhammad of Madras, a copy of which he forwarded to me, urging most vehemently that the continuance of the right of free entry with regard to hides and skins and tanned leather must be secured at all costs, as this privilege was of very great value to the Indian trade in these articles.

Now, Sir, I shall go on to explain the preferences which have been continued to the United Kingdom. On the last occasion when this matter was discussed in this House, Honourable Members were at pains to point out that list of preferences enjoyed by the United Kingdom in India was extremely long. The greater part of the attack was concentrated upon this aspect of the matter. That list contained 106 tariff items. In the new Agreement the number has been reduced to 20. During the negotiations the standard year that was kept in view for the purpose of computing the trade in articles enjoying preference was 1935-36. In that year the value of preferred articles imported from the United Kingdom amounted to Rs. 1,875 lakhs and, of course, this includes imports into Burma. The value of articles imported in that year in respect of which it is now proposed to continue preferences in favour of the United Kingdom was Rs. 775 lakhs including Burma and Rs. 718 lakhs excluding Burma. That is to say, preferences amounting to 11 crores have been withdrawn...

Mr. Manu Subedar (Indian Merchants' Chamber and Bureau: Indian Commerce): May I know, Sir, what will be the position with regard to the 86 commodities on which preferences are proposed to be withdrawn as to their being put on 30, 25 or 20 per cent.?

The Honourable Sir Muhammad Zafrullah Khan: That I am unable to say; until it is decided to enforce this agreement, a decision on that matter cannot be taken, but the whole question is being studied in the departments concerned.

Mr. Manu Subedar: It is bound to affect us adversely.

The Honourable Sir Muhammad Zafrullah Khan: It seems to me that Honourable Members are difficult to please. If preferences are given, it affects us adversely; if preferences are withdrawn, it affects us adversely then what do they advise us to do?

Now, the figure seven crores 75 lakhs includes Burma, and if Burma were excluded, the total is 7.18 lakhs; and if we are to take the average, for the three years 1935-36—1937-38, then the figure excluding Burma is about seven crores 12 lakhs, and that is not only a considerable reduction, a substantial reduction, but a drastic reduction of the preferences enjoyed by the United Kingdom here. The trade covered by the general preferential items represents 16.20 per cent. of the total import trade of the United Kingdom with India. That is to say, out of their total imports into this country, they will enjoy preferences only over 16.20 per cent., whereas, out of our total exports to that country, the concessions under the Agreement will apply to 82 per cent. Another way of looking at the matter is this. The trade covered by the preferences which the United Kingdom will enjoy under the new Agreement is only 12 per cent., of our total imports, and, therefore, in respect of 88 per cent. of our total imports, there will be no preferences, and the value of that is this. Honourable Members were insistent when this matter was discussed last that we should free as far as possible the bargaining power of India for the purpose of trade agreements with other countries. They are now free to make arrangements with other countries in respect of 88 per cent. of our imports. That, coupled with Article XV of the Trade Agreement which says that if during the currency of this agreement any modification is desired, then the two Governments shall consult with each other, secures to India the freedom that Honourable Members were anxious to secure. The actual agreements will be matters for negotiations, but the provision is there.

Now, Sir, I would like to conclude on this note, that apart from these arrangements between the two countries, the value of a trade agreement must also be judged from the value and character of the total trade between the two countries. The United Kingdom is our largest customer,—the second largest customer is a very long way behind. The United Kingdom share of our exports, before Ottawa, stood at 27 per cent. roughly; it then rose to 29 per cent., then to 31 per cent., and then to 33 per cent., and the figures for the first ten months of this year show that the United Kingdom is now taking 34.7 per cent. of our total exports. So that there has been roughly an increase of seven per cent. in our trade with the United Kingdom in these years. Now, let us look at the balance of trade. The balance of trade between the two countries, which used to stand generally at an adverse figure of anything between 30 and 40 crores of rupees ten to fifteen years ago, gradually began to improve. In the last three years we have had a favourable balance of trade with the United Kingdom amounting to, on the average, between ten and 18 crores, and in the first ten months of this year we have had a favourable trade balance of over eight crores, not including re-exports to the United Kingdom. I have not got figures of those, but those figures will.....

Sardar Sant Singh (West Punjab: Sikh): Is it including gold?

The Honourable Sir Muhammad Zafrullah Khan: No, merchandise only, no other figures are included. Let us see what has happened on the other side. After all, the object of this agreement is to help both sides. I

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have described the picture on our side. Let us see to what extent the United Kingdom has profited from this agreement. Obviously our object is to help them, and their object is to help us. United Kingdom imports into this country were 41·3 per cent. of our total imports in 1933-34; they were 40·6 per cent. in 1934-35, 38·8 per cent. of our total imports in 1935-36, 38·41 per cent. in 1936-37 and 29·9 per cent. of our total imports in 1937-38, so that while we have secured a progressively larger share in the United Kingdom imports, in spite of the preferences they have enjoyed under Ottawa,—and those are going to be drastically cut down for the future,—the United Kingdom percentage in our total imports has progressively declined, and it is certainly not a matter for dissatisfaction for Honourable Members here.

Now, Sir, here is a country with a settled currency and free foreign exchanges, free markets with which our trade under these arrangements is continuously on the increase. The improvements made on our side, the modification of drawbacks, getting rid of the Supplementary Agreement, scheduling of fresh preferences, are bound to increase the United Kingdom's share in our exports. They might, on the other hand, increase their exports to this country in piecegoods under these arrangements, but even then assuming that the average level reached will be 425 million yards, let us see whether that will have a very disturbing influence upon our markets. In 1935-36 we took 440 million yards from them, so that the figure will still be below the figure taken in 1935-36, and if that figure did not then occasion any particular disturbance in our industry here, surely, their attaining that figure now will not have any disturbing influence on our industry. Our industry now produces four hundred million yards, and an increase of a couple of hundred million yards in Lancashire imports is surely not going to upset the markets considering also that the pressure from Japan has slackened very considerably, at least in respect of artificial silk goods which are in competition with our cotton piecegoods. I would, therefore, urge that, taking everything into consideration,—after all there can be no agreement between two countries conferring benefits only on one side,—the House should give its approval to the agreement.

Mr. T. S. Avinashilingam Chettiar (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): May I ask one question, Sir? May I know whether the Government are in a position to say whether they are going to accept the verdict of this House in this matter.

The Honourable Sir Muhammad Zafrullah Khan: That question has on several occasions been put during question hour, and I have always replied that Government will not come to a decision as to whether they should or should not ratify this agreement without paying the most careful consideration to the views expressed on it by the House.

Mr. President (The Honourable Sir Abdur Rahim): Motion moved:

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

There are a number of amendments of which notice has been given. The amendments are nine in number, and they fall into three classes. Some ask for an adjournment of the consideration of the motion till the next

Simla Session, some are for substituting certain words for the motion before the House, and there are others which seek to add certain words at the end of the motion before the House. What the Chair proposes to do is to ask the amendments to be moved one after another, and then there will be a discussion on the main motion as well as the amendments.

Mr. S. Satyamurti: In order to save time, I may say I do not propose to move any of my amendments.

Mr. K. Santhanam: Nor do I.

Mr. Akhil Chandra Datta (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I move:

"That the consideration of the proposals contained in the Trade Agreement be postponed till the next Simla Session pending an investigation as to their probable effect on the agricultural, industrial and commercial interests of India by a Committee consisting of the following members of the Assembly, namely:

- (1) The Honourable the Commerce Member.
- (2) Leaders of the different parties.
- (3) One elected non-official member representing commerce.
- (4) One elected non-official member representing industry.
- (5) One unattached member."

Mr. K. Santhanam: On a point of order, Sir. The motion is very vague as there is no precise description of the three representatives mentioned in items (3), (4) and (5), and there is no method of election laid down in the amendment. Owing to vagueness, it is not in order.

Mr. President (The Honourable Sir Abdur Rahim): There is no point of order. The Honourable Member can take that into consideration in dealing with the amendment.

Mr. A. Aikman (Bengal: European): Sir, I move:

"That the consideration of the motion be adjourned till the Simla Session pending the report of a Committee of the House, consisting of a majority of elected members, elected by the single transferable vote, which Committee shall examine the probable effect of the Agreement on the agricultural, industrial and commercial interests of India."

Seth Govind Das (Central Provinces Hindi Divisions: Non-Muhammadan): Sir, I do not move my amendment.

Sardar Sant Singh: Sir, I move:

"That for the original motion, the following be substituted:

'Having considered the Trade Agreement made between His Majesty's Government in the United Kingdom and the Government of India this House is of opinion that the enforcement of the Agreement be postponed till His Majesty's Government agrees to modify the same by guaranteeing purchase of 6,50,000 bales of Indian cotton in the first year rising to one million bales within three years with a proportion of 30 and 70 between the long and short staple.'"

Mr. President (The Honourable Sir Abdur Rahim): Three amendments have been moved. Now, there will be a debate on the main motion and the amendments.

Mr. Akhil Chandra Datta: Sir, in support of my motion for an adjournment of the consideration of the Agreement, I may only refer to the Honourable the Mover's explanation for the long delay in coming to this agreement. It is a vast and complicated subject and there had been many,

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many meetings. If they have taken three years to come to this agreement, is it fair that we should not be given even three weeks to examine the terms of this agreement and its effects on the interests of India? While giving his half-hearted support to this agreement, Sir Edward Benthall said:

"We are bound to confess that *prima facie* there is a good case for asking the Cotton Textile Industry to make this sacrifice, and consider it only fair that we should give our reasons for coming to this *prima facie* conclusion, . . ."

Then, he says this. Mr. Chapman-Mortimer is not here, I wish he were here:

"... although we should have liked time and opportunity to carry out a more searching enquiry."

He was one of the unofficial advisers who had devoted a long time to this matter, and still he felt the necessity for a more searching enquiry in order to give a decision as to whether it was really in the interests of India. Besides, the Government can have no reasonable objection, because, under Article 16, it is laid down that pending the coming into force of the present agreement the two Governments will apply its provisions as far as may be possible. In view of this, I think it is only fair that we should be given some time to examine the terms of this agreement, on an objective basis, in order to ascertain as to how far these different provisions will actually benefit India and to what extent they will go against the interests of India. This is all I have to say in support of my motion for an adjournment of the consideration of the agreement.

On the merits of the agreement itself, this agreement is intended to substitute the Ottawa Agreement. On the 30th March, 1936, when this House passed a Resolution terminating the Ottawa Trade Agreement, the suggestion that was made was this. I shall read only the material portion, that the Government of India should immediately examine the trend of trade of India with various other important countries and the United Kingdom and investigate the possibility of entering into such bilateral trade-treaties with those other countries whenever and wherever possible, the object being the expansion of the export trade of India in those markets. In support of this agreement, the Honourable the Commerce Member has given his reasons but we have not been told one word as to whether there was any investigation made according to the recommendations of the Resolution about the trend of trade with various other countries and whether it is possible to enter into bilateral trade agreements with them and whether there is room for expansion of the export trade of India in those markets. The official report is absolutely silent on this point, as well as the speech of the Honourable the Mover of this motion. I must admit that they have examined the trend of trade of some countries. That they have done but, in doing so, they confine themselves only to the trade development with the United Kingdom and, more particularly, with the trend of trade of Lancashire.

The most important article of the whole agreement is article 10 which relates to cotton and very naturally the Honourable the Mover dwelt at very great length on that article. He has very fairly drawn our attention to one important aspect of the whole question. It is that during the last ten years two things were happening simultaneously. I am giving the figure of ten roughly. On one side there was the decline of Lancashire imports and the decline was going on with startling rapidity and, at the

same time, there was an increase of mill production in India and that in spite of the reduction of duty in 1936. Therefore, Sir, we are told in the official report that it became necessary to devise a scheme for meeting the demand of Lancashire for lowering the duty. In fact, the whole cat is out of the bag in the pages of the official report. The whole problem was the problem of the Lancashire industry. They demanded that the duties on Lancashire piecegoods should be reduced. We have been told by the Honourable Member that duties were increased from 11 per cent. to 25 per cent. in 1931 and the whole case of the Lancashire industry was that this duty should be reduced. Something stood in the way because one of the principles which was followed in the Ottawa Agreement was that so far as protected industries were concerned, they should not come within the preferential scheme, the Indian textile industry being a protected industry. There was that difficulty. The whole question was a case of protection *versus* protection, protection of the Indian mill industry against the protection of the Lancashire textile industry, the two competing and conflicting industries at the same time. In view of that demand made by Lancashire, it was decided that one of these must be sacrificed and in order to protect the Lancashire industry it has been decided to sacrifice the Indian textile industry. I am not using my language. This is the word used to a certain extent by the Honourable the Commerce Member in his speech this morning and it was amplified by no less a person than Sir Edward Benthall in his dissenting note. He says (after having said that Lancashire was bent upon increasing her sale of piecegoods in India) the Indian cotton textile industry must make a sacrifice, that is, must voluntarily give up a portion of her trade in Indian piecegoods. That, it is suggested, could be done in two ways: either by the actual reduction of the present production of Indian mills or by giving to Lancashire a share of her increasing market. That is a sacrifice which the Indian industry was called upon to make. That was the demand of Lancashire and that demand has been granted in this draft agreement. So that principle of protected industry has been thrown to the winds and the scope of the agreement was extended. In the language of the official report, the duty has been lowered and this is an important departure from the old agreement and a new concession given to Lancashire. This is a departure in favour of Lancashire. So, I feel justified in saying this, that the change from the Ottawa Agreement to this agreement is a change from the frying pan into the fire, so far as this particular article of the Agreement is concerned and this is the most important question. I shall not go into details. The quotas fixed are minimum 350 million yards, medium 425 million yards and the maximum is 500 million yards, although as a matter of fact the actual position in 1937-38 was an import of only 267 million yards. So, the net result is, that now under the new Agreement the import is nearly double of what was there before. The difficulties and anomalies were pointed out by Sir Edward Benthall. He says:

"There are of course difficulties in the way, notably the fact that the Industry is operating under the protection afforded by Government as the result of the last Tariff Board Enquiry. The object of the Tariff Board Enquiry is to give the industry adequate protection by which is meant the imposition of duties which will equate the prices of imported goods to the fair selling prices of similar goods produced in India. It can be argued that the tariff protection is given for the purpose of stimulating the industry, that it is fixed for a certain period and should not, without the consent of the industry, be taken off before the expiry of that period; also that fresh rates should not be fixed without enquiry by the Tariff Board. This is a sound theory in general and was put forward in the Committee's unanimous report dated the 9th July 1937."

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So, Sir, in spite of these fundamental objections protection of our textile industry is proposed to be undermined for the benefit of the Lancashire industry. What is the effect? The effect is the dumping of the Lancashire goods into India; there will be an inevitable fall in price, particularly, in the printing industry, and, coupled with the increase of cost of production in these days resulting from provincial legislation and administrative action, we say, Sir, that the burden on the Indian industry will be intolerable. Then, we are told that in return for all those concessions that we are asked to make in favour of the Lancashire industry, we are given the concession of the export of raw cotton to the United Kingdom. But what is the extent of that concession? Now, the unofficial advisers made a unanimous recommendation that there should be a guarantee of 7½ lakhs of bales, rising to ten lakhs by graduated steps in five years. That was the recommendation originally made. But when the Lancashire Delegation was adamant, because, as has been pointed out here, the whole thing was at the point of the bayonet, Lancashire said, "accept this, or there will be no agreement at all". When that was the position, as a matter of compromise, the unofficial advisers reduced their demand. They agreed to 6½ lakhs, with an objective figure of ten lakhs, to be reached within five years, with a guarantee of a specific quantity of short staple cotton. Their demand was for 65 per cent. short and 35 per cent. long staple cotton. That was the demand of the unofficial advisers. But what is proposed in the agreement is five lakhs in 1939, 5½ lakhs in 1940, and six lakhs in the following years, although the actual position was this. The actual consumption was 2½ lakhs of bales before Ottawa, in 1935-36, it was 5½ lakhs, and in 1936-37, 6½ lakhs. That being the actual position, what is the amount of concession we are granted? Less than the normal quantity. We are given 5½ lakhs in 1940. As a matter of fact there were 5½ lakhs in 1935-36, and 6½ lakhs in 1936-37.

In regard to the sanctions, may I draw the attention of the House to the position as explained by the Federation of the Indian Chambers of Commerce:

"Regarding the question of the purchase of an agreed quantity of raw cotton by the United Kingdom, the Committee feel that the stipulated quantities do not mean any special sacrifice on the part of the United Kingdom to absorb additional quantities of Indian cotton and thus give the promised relief to the Indian cotton grower. During the last two years, the exports of Indian cotton to the United Kingdom were in the neighbourhood of 5½ lakhs of bales in 1935-36 and 6½ lakhs of bales in 1936-37. It would be clear from these figures that even the maximum amount which the United Kingdom promises to buy falls short of the normal offtake of Indian cotton by the Lancashire cotton industry during 1935-36 and 1936-37. On the other hand, it is surprising to find that India is asked to guarantee, with the aid of effective sanctions, the intake of 425 to 500 million yards of cotton within the course of three years,—a quantity which is far in excess of the actual quantity of United Kingdom imports into India for the year 1937-38, which is 267 million yards. It is also significant to note that while provision is made to put definite sanctions into operation in the form of reducing duty on cotton imports by 2½ per cent. over the basic rate, as soon as the Lancashire cotton imports fall below the stipulated quantity during the first year, there is no provision for any definite sanctions if the United Kingdom fail to import the stipulated quantity of raw cotton; and it is merely mentioned that the Government of India may take steps in consultation with His Majesty's Government to increase the duties above the basic rates.

On the other hand, it is stipulated that if the United Kingdom intake of raw cotton exceeds 7,50,000 bales, the United Kingdom will automatically receive further concessions in the form of a reduction of 2½ per cent. duty over the rate of duty then prevailing in respect of printed goods and an additional increase of 25 million yards in the medium and maximum limits."

Sir, my time is exhausted. I am sorry, I cannot assess the actual value of the general preferences given to India in the United Kingdom market. The cotton article of the Agreement has practically sounded the death-knell of the Indian textile industry. One of the first fruits of British rule in India was the destruction of our textile industry. There was some protection given in a lucid interval. It was not disturbed even in the otherwise very bad Ottawa Agreement. Lancashire, however, is out again to destroy our industry. So far as this industry is concerned, the signing of the cotton article will be tantamount to signing our own death warrant. Sir, in fact this is no agreement. An agreement presupposes two parties. Who are the two parties here? India opposes it tooth and nail and yet there will be the seal and signature of some *benamdar* over this agreement. With these observations, I support the motion for the adjournment, and oppose this agreement on the merits.

Mr. A. Aikman: Mr. President, on the 30th March, 1936, this House passed a Resolution in the amended form moved by Mr. Jinnah. It has already been referred to by the Honourable the Deputy President, but I propose to read it out *in toto*:

"That this Assembly recommends to the Governor General in Council that the Ottawa Agreement dated the 20th August, 1932, be terminated without delay and a notice of denunciation be given in terms of Article 14 thereof. The Assembly further recommends that the Government of India should immediately examine the trend of trade of India with various other imported countries and the United Kingdom and investigate the possibility of entering into such bilateral trade treaties with them, whenever and wherever possible to bring about the expansion of export trade of India in those markets and submit such treaty or treaties for the approval of this Assembly."

The vital importance of liberalising trade all over the world as a means of creating higher standard of living cannot be too strongly emphasised. Enslaving barter arrangements are not the way to raise the standard of living. In fact, in countries which have embarked upon that course in recent years there has been a decline in the standards of the life of the people. The markets and resources of the whole world should be thrown open as far as possible, so that international trade can increase unfettered by too many restrictions.

Great Britain and India have one common objective in the economic field, and that is the maintenance of their export trade, in the one case of manufactured goods and in the other case of agricultural produce and semi-manufactured goods. Indeed, India is also beginning to export manufactured goods as well. There is, therefore, an opportunity for safeguarding the trade between the two countries and for increasing it to the fullest extent possible by a policy of mutual co-operation, which involves a policy of give and take.

The Party for whom I speak dissent from those who endeavour to minimise the importance of India's foreign trade and advocate a policy of self-sufficiency. Apart from the question of India's external obligations, a constant and expanding overseas trade is essential for the welfare of India's producers.

There is no doubt that the outstanding feature in any consideration of India's foreign trade is the importance of the United Kingdom market. In spite of the shrinkage of imports into India from the United Kingdom there has been maintained throughout the years a large degree of mutual dependence between the economic systems of both countries, though, as

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far as merchandise is concerned, the importance of the United Kingdom market to India is perhaps more obvious than the importance of India's market to the United Kingdom. The spread of economic nationalism which has closed or restricted other markets both to India and to the United Kingdom has in recent years increased this mutual dependence. Unfortunately, rivalries in the textile trade in particular have tended to overshadow other factors in the situation. Further the schemes for the regulation of exports of tea and rubber have diminished the importance of these articles as bargaining counters in trade negotiations.

A factor in considering India's overseas trade policy is her external obligations, for the fulfilment of these is made easier by a favourable trade balance. (India's sterling commitments amount approximately to Rs. 40 crores per annum, Rs. 16½ crores of which represent interest charges on sterling loan). We, therefore, consider that a satisfactory agreement with the United Kingdom to replace the present Trade Agreement reached at Ottawa is important.

The agreement which we now have to consider does not give India everything; but neither, I understand, is Great Britain satisfied. India has not obtained additional preferences for tobacco or coffee. The preference on wheat is withdrawn. The actual margin of preference on chrome leather is reduced, but it is guaranteed, and that is of very great importance. On the other hand, the removal of the drawback on groundnuts, the retention of the free entry into the United Kingdom for jute manufactures, leather, woollen rugs and carpets and other commodities is of great value to India. Furthermore, the number and the value of the United Kingdom goods entering India which receive preference have been substantially reduced.

The guarantee with regard to the offtake of cotton is a great advance upon the present agreement. The figures may not be as high as we should have wished, but the fact of the guarantee introduces a valuable principle and is a valuable safeguard to the cotton growers. This guarantee, however, has been linked to corresponding or consequential adjustments in the tariff rates for cotton piecegoods. I will not go into the detail of this rather complicated arrangement which has been fully expounded by the Honourable the Commerce Member but content myself with saying that the agreement which contains so many valuable features should not be sacrificed merely because of the opposition of a section of the textile industry. If this arrangement does involve some slight sacrifice on the part of this industry, we consider that there is a *prima facie* case for it. In any case, coupled with the reduction of duties is the fixation of quotas which limit the amount of piecegoods which may be imported from the United Kingdom and make that conditional upon the offtake of raw cotton.

As far as imports into India are concerned, these have been strictly limited. We have, on more than one occasion, pointed out that the level of some of the revenue duties has fostered the indiscriminate growth of uneconomic industries. The registration of the ten per cent. preference to a small range should now give the Government of India an opportunity of affecting some scaling down of existing revenue duties, with resultant benefits to the Exchequer and the consumer, but in doing this, regard will of course have to be paid, to the effect of such action on certain industries.

Part of the Ottawa Agreement provided for reciprocal preferential tariff treatment between India and certain parts of the Colonial Empire. It is

satisfactory to note that as far as Ceylon is concerned, the provisions of the old Agreement remain substantially the same, pending the negotiation of a fresh agreement. We should like to emphasise the importance of such a new agreement and express the hope that it will be concluded before long. As far as the remaining Colonies, Protectorates and Mandated territories are concerned, the schedules of preference remain unchanged. These preferences in the Colonial Empire have been of great value to India in recent years, particularly, as far as the export of cotton yarn and piecegoods is concerned.

I would just say one word, Sir, on the amendment formally moved by me earlier in the day. I feel I must make it quite clear what my Group had in mind when they did so. We strongly and unanimously feel that this new agreement is overwhelmingly in India's interest. Obviously, every Party cannot be fully satisfied by any agreement that covers such a vast number of separate items. But we believe that time will show how valuable this agreement is to the great masses of the people of this country and to the industries of this country. If it will help to satisfy Honourable Members that this is in fact the position, we believe good may come from the setting up of a Committee of this House to examine the agreement from that point of view. We believe that the work of such a committee might be useful if its members approached their task in the right spirit—an examination of the agreement from the point of view, not of this or that industry, but of the interests of the peoples and industries of India as a whole.

On balance, we believe, the Agreement deserves support, and the Honourable the Commerce Member deserves warm congratulations on the success of negotiations, which have been difficult and prolonged. It is doubtful whether any other negotiator could have secured such advantageous terms. Obviously, he has not been able to satisfy all the non-official advisers, but those who are called in to represent trade and industry in this country naturally must advise the maximum concessions that in their view are desirable. An agreement, however, is a bargain between two parties and, if concluded, means that neither party has been able to secure everything it wanted. This agreement, however, is certainly better than no agreement—much better than the old one. It is in the interests of India, and although conditions in the world are not yet favourable for any great increase in international trade, the agreement between the Governments of the United Kingdom and the United States of America and this agreement do indicate a way in which the Governments of great countries can, by mutual adjustment, assist in freeing those channels of trade which are blocked by political uncertainties, economic nationalism, and the mistaken doctrine of self sufficiency.

Mr. S. Satyamurti: Mr. President, in the long and informing speech of my Honourable friend, the Commerce Member, there are just two or three points which he did not answer or elucidate. Firstly, what will be the result of the vote on this motion in this House? He said that the Government would carefully consider it. With reference to past history, we know that the vote of the House will not be binding on the Government. Secondly, with regard to the amendments which have been moved recommending the adjournment of the consideration of this question pending the consideration of the various recommendations by a Committee of the House, I should like to know what the Government's reaction to it is. As at present advised, we are against the Resolution

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moved by the Government and also against all such amendments. We think we have waited long enough—three years—after the passing of the Resolution of the House asking the Government to give notice of termination and it is time this House came to some conclusion on the matter one way or the other.

The Government are pledged to terminate the agreement by the 31st 1 P. M. March this year. If this committee were appointed, there will be an interregnum of three or four months or it may be a year, God knows, and I do not think it is in the best interest of this country that this matter should be kept hanging fire for any further time. The Resolution moved by my Honourable friend, Mr. Jinnah, on the last occasion, which was accepted by the House, wanted the Government first, to bring about the expansion of the export trade of India by means of bilateral trade agreements and the first test will be whether these proposals will bring about the expansion of the export trade of India, apart from and in addition to normal economic and trade factors. I want the House to bear that in mind. Apart from the agreement, England cannot afford not to take cotton from India, and we must remember that normal trade factors operate in such matters. Secondly, he wanted that the Government should negotiate and the House accepted his motion that they should explore by bilateral trade agreements our possibilities of trade with other countries. So far, nothing has been done on the plea that this agreement must first be out of the way. As my Honourable friend reminds me nothing may be done. Therefore, let us examine the agreement from the supreme and only test of permanent and lasting benefit to the interests of India. I want to say at once that the agreement differs from the opinions and the recommendations of the majority of unofficial Advisors whom they themselves chose. They are the nominees of the Government of India, and yet the Government have not been able to accept the recommendations of the majority of their own unofficial advisers. In their report, dated the 5th September, 1938, they have pointed out a few facts which I want to bring very prominently to the notice of the House as relevant matters to be borne in mind in judging of the effects of this agreement on the interests of India and on her industrial and economic future. One factor which has clouded the agreement is that Lancashire has been the dominant party, so far as England in concerned in negotiating this trade agreement. They make, in paragraph 8 of their report of 5th September, the point that regarding India's export to the United Kingdom, His Majesty's Government are not prepared to accept their recommendations in respect of wheat, rice, coffee and Indian cigars:

"We find that the present proposals of His Majesty's Government do not give us any assurance in respect of these items, while what is proposed in respect of linseed is not of full value."

I want the House to bear that in mind. Moreover, as regards the point made by my Honourable friend that the preference enjoyed by the United Kingdom goods in this country has been reduced in value to the tune of eleven crores, the non-official advisers by a majority recommended that the preference should not go beyond three crores, and they said that, that is the utmost to which they can go. As for preference for our own goods in the United Kingdom, they have pointed out by a careful

analysis in their report dated the 10th October, 1936, that the value of this preference is considerably reduced by the fact that they are goods in respect of which either the preference enjoyed is not very much more than what they would get by the working of normal trade conditions, or that they have not given us any exceptional treatment. So far, as the actual proposals are concerned, the preferences enjoyed by our own country in England are not very important or very useful for us in respect of, as admitted by my Honourable friend, wheat, rice and tobacco manufactured. No doubt the main part of the agreement, apart from the preferences with regard to other articles, is cotton; the other articles are comparatively less important. I want to say to this House that, so far as preferences for United Kingdom goods in our country and preferences for our goods in the United Kingdom are concerned, we cannot judge them on the same standards. Are these two countries equal? We are an agricultural country producing agricultural products and are interested in the freest possible trade between this country and other countries, and we are not concerned, as England undoubtedly is as a highly manufacturing country, somehow or other to find an outlet for her manufactured goods to be exported to other countries. Therefore, I suggest—I have not got the time to go into the relevant figures—that the Government have departed from or have been compelled to depart in their final agreement, from the advice of the majority of their own unofficial advisers, who wanted first, that preference for United Kingdom goods in our country ought not to be more than three crores, whereas, it is 7½ crores. Secondly, their own advisers wanted special treatment in respect of wheat, rice and tobacco and on all these matters they have not been able to get the concessions they wanted. The House will be interested in, and I am sure the ultimate vote on this motion will depend upon the reactions in several parts of this House to, the clauses of the agreement relating to export of cotton from India and the import of Lancashire textile piecegoods and yarn into this country.

Now, Sir, I want to say at once on behalf of the Congress Party and myself that, if this agreement secures now and in the immediate future for the Indian cotton grower an expanding market which he would not otherwise get, we should be prepared to make the requisite sacrifices in order to see that the cotton growers get more for their goods and that they find a ready market for their goods. But I want to say that the benefit proposed to be conferred by this agreement is not at all proportionate to the sacrifices demanded of the Indian textile industry. My Honourable friend, the Commerce Member, paid a well-deserved tribute to the textile industry in this country, and he said that the Indian textile industry is finding markets even in Lancashire and outside. Why not, I say? Speaking for the Congress Party, our ambition is that the Indian textile industry should capture the entire Indian market and capture the markets outside and should beat Lancashire at her own game. Lancashire does not produce an ounce of cotton, England does not produce it, it purchases our raw products and then dumps its manufactured goods on us. At one time, England did not even know what cotton cloth was. India was dominant in the cotton field. Therefore, it seems to me that before we ask the Indian textile industry to make any sacrifices, we must not think at all of the sacrifices of Lancashire. I regret to have to say this.

Throughout the Honourable the Commerce Member's speech, it seemed to me that Lancashire loomed very large before him. What does it

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matter, if Lancashire closes down all her mills? All the time the idea in my Honourable friend's mind was that Lancashire must have some quota or other. The sole test by which we should examine this agreement is whether it secures to the Indian cotton grower an offtake of cotton by British textile mills, more and sufficiently more than they would normally get apart from this agreement. Secondly, does this agreement secure or not secure to Lancashire textiles a larger market in the Indian markets than they would have got otherwise? The figures which are available here show that England went up to the extent of 658,388 bales in 1936-37 of cotton imported to England; no doubt it came down to 392,000 next year. But I suggest that, if ordinary economic factors are allowed to function, England is bound to buy some cotton at least from us and the cotton growers and their representatives who were chosen to advise the unofficial advisers wanted 7 lakhs 50 thousand bales as the minimum to be purchased to be increased to one million bales on an annual stipulated increase, in the course of five years. I am taking the opinion of the cotton growers and not the textile mills. They themselves wanted the basic figures, 7 lakhs 50 thousand. When they were threatened by Lancashire they said it should be at least 6 lakhs 50 thousand minimum, whereas the minimum of the Government is only five lakhs. Even, Sir, with regard to the actual cotton to be consumed by Great Britain, the Indian cotton growers wanted that there should be a minimum percentage of short staple cotton, which particularly grows in this country, being consumed by Lancashire. My Honourable friend said by means of figures that they are consumed, but my charge against him is that, in the agreement there is no provision for a minimum percentage of short-staple cotton being purchased and consumed by Lancashire. I think, from the point of view of the present Indian cotton grower, that is an important lacuna in this agreement. What is the use of saying, as Lancashire says, "Try and grow long-staple cotton, we will buy more"? After all, this agreement is only for three years, and I can say without fear of contradiction that during this period of three years it is not possible for any one to contemplate the growth of long-staple cotton adequate to provide for sufficient purchases by Lancashire. Therefore, it seems to me that from the point of view of the present cotton grower there is no immediate benefit contemplated. Compare this agreement with the Indo-Japanese Trade Agreement. Japan has to take one million bales, as against an import of 288 million yards. It seems to me that judged from the point of view of the offtake of cotton, there is absolutely no advantage to the Indian cotton grower immediately and the probable advantage is very problematical.

So far as the import of Lancashire goods into this country is concerned, the fact of the matter is that the official advisers wanted 200 million yards as minimum limits, 300 million yards as medium limits and 400 million yards as maximum limits. The terms proposed are 350 million yards as minimum limits, 425 million yards as medium limits and 500 million yards as maximum limits. The tariff reductions, which the unofficial advisers wanted, was five per cent. all round, 20 per cent. on prints, 15 per cent. on other goods; if the imports go below 200 million yards final reduction of 2½ per cent is to be made; if the imports go above 300 million yards, then the reduction of 2½ per cent. made is to be restored. But, Sir, the rates now are, 17½ per cent printed goods, 15 per cent. or two annas 7½ pies

grey goods and the same on other goods; if the imports go below 350 millions yards, the basic rates to be reduced by $2\frac{1}{2}$ per cent. and if they exceed 425 million yards, then the basic rates to prevail. Therefore, it comes to this that up to 425 million yards they will get an immediate benefit of 15 per cent. and 5 per cent. reduction, and so long as they do not exceed 425 million yards the earlier rates will not be increased. Therefore, Lancashire gets an immediate benefit much beyond her average imports. Her average imports of piecegoods into this country in the last five years has been 365,709,000 yards. Therefore, it seems to me that judging the agreement and taking this fact that the medium limit will be the minimum limit year after year,—it is not 350 but it is 425 before the sanctions can come into force at all,—Lancashire gets an immediate benefit over her average of 375 of 50 million yards, whereas the Indian cotton grower will get little or no benefit. It seems to me from that point of view, therefore, that this agreement deserves to be condemned, as not being in the best or the permanent interests of India.

So far as the other preferences are concerned, I have already said that the unofficial advisers have pointed out that Government have not accepted their recommendations with regard to wheat, rice, coffee or Indian cigars. So far as the textile industry is concerned, I want to say one word more. It is a very important industry; it is a growing industry, and we want the textile industry to make some sacrifices. And for whom? For the Indian cotton grower, for the handloom industry and for the *charkha*. And the Indian textile industry cannot make these sacrifices, if it is asked to make these sacrifices for the benefit of Lancashire. Throughout the provinces, Congress and non-Congress, there is a drive in order to help the handloom weavers. It is a proper drive and I think every section of the House will agree that the handloom weaver should be protected against the ruthless competition of mills, either indigenous or foreign. And the time has come when all the Provincial Governments will join in order to bring pressure on the Government of India that the Indian textile industry must make sacrifices in order to earmark a particular market in this country for handloom productions.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

Mr. S. Satyamurti: Sir, I shall sum up my arguments against this agreement in respect of cotton by drawing the attention of the House to the following three facts. First, according to the unofficial advisers' report of the 5th September, they say:

"The present proposals amount to an additional offtake of only three lakhs of bales per year, on an average, over the pre-Ottawa takings by the United Kingdom of Indian cotton. We are unable to agree that this small quantity could, in any way, really help the agriculturist, or compensate the industrialist and the country in general for the concessions which are asked for in other directions.

Further we find that this quantity is not guaranteed in any sense of the term. The suggested sanctions, in practice, are more illusory than real. While by the proposed arrangement, Lancashire will reap the benefit of the reduction in the duties and, thereby, increase her exports of piecegoods, the suggested sanctions will leave her entirely unscathed."

[Mr. S. Satyamurti.]

They illustrate this by figures which I have not the time to quote now. Lastly—and this is the point which I want to impress on those who want to appeal on behalf of the cotton growers—they say:

"In coming to this conclusion, they were influenced by the fact that it is the short-staple cotton which is in need of a stable market, and any agreement for cotton offtake which does not take note of that fact will bring comparatively little relief to that section of cotton growers in India which needs the same. We find that Lancashire is disinclined to give any assurances on this point, and that no such assurances are included in the present proposals of His Majesty's Government."

We thus find that the proposals regarding Raw Cotton do not secure any points which we had recommended, and which the representatives of the cotton growers had put forward unanimously."

Therefore, Sir, it seems to me that on that matter we have got no corresponding advantage to the cotton growers, for the sacrifices which the Indian textile mills are asked to make.

On the other preferences, I shall make just this brief reference. I shall refer to pages 7 and 8 of the Unofficial Advisers' report of the 3rd October, 1937. They divide the categories of goods for which we have got preferences into three, and they say with regard to the first category:

"In asking for preference for the above commodities, we were virtually asking for a favoured-nation treatment lest preference be imposed against us—a treatment we are already according to the United Kingdom."

As regards the second category, they say:

"Thus a total of Rs. 27,57,57,000 trade is such in which preference is only of insurance value. This leaves the following items on which preference is of actual value to India. (The total of this comes to Rs. 5,96,07,000.) But the advantage to India in the items above has also to be qualified. There has been no expansion in our trade of vegetable oils under preference. Linseed preference is circumvented by drawback which was introduced after Ottawa India's consent and we were informed that the drawback would not be abolished though it may be modified."

My friend, the Honourable the Commerce Member, also spoke about this matter. In referring to the sacrifices they were willing to make, they add this significant sentence:

"We, therefore, took as liberal a view as possible, and to go beyond this would, in our opinion, be against the vital interests of the country."

Sir, Government have gone much beyond their recommendations. I, therefore, submit that the House has no option but to denounce the agreement as not being in the best interests of India. Suppose this agreement were denounced, what would happen? There would be ordinary trade relations between England and India and other countries. It does not mean that the flow of trade will not be there. England and India traded before Ottawa and the balance of trade was very much more in those days than it has been in recent times. If my friend sees the figures of the pre-Ottawa years, he will find that the balance of trade was much more; although there has been some sort of recovery later, but whether it is permanent or adequate, I do not know. I would refer to the previous motion that this country ought to be able to negotiate and conclude bilateral trade agreements with other countries. I want to know how far Government have considered the possibility of our entering forthwith into trade agreements with other countries like Germany, United States of America and, so on, with everyone of whom we have trade relations.

Again, Sir, the textile industry is a protected industry. Whether that protection ought to be reduced, and whether something ought to be done for ensuring the consumers' interests and the Indian cotton growers' interests are all matters of vital concern, but I do suggest that a matter of that kind ought not to be subjected to a trade agreement.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Mr. S. Satyamurti: I am finishing, Sir. It ought to be the result of a real tariff board enquiry. Then, I suggest that we can develop trade between the two countries on terms of mutual advantage. The unofficial advisers, in their report of the 10th October, 1938, have also referred to various other interests which must be protected in any agreement entered into between this country and Great Britain. After all, there are the interests of Indian banking, Indian insurance and Indian shipping. These recommendations have not been considered at all; and it does seem to me that in order that we may develop our industry on our own lines and keep our industry under control for the benefit of our own country-men, this agreement will have to be denounced; and, as soon as we have done that, we can evolve and conclude a fresh agreement, after some time. After all in effect the Ottawa Agreement has been allowed to subsist for seven years. Let us have two or three years of no agreement and see how things go on.

One last question I should like to ask; what is the exact position? Are these terms the last word of His Majesty's Government? Is there any chance of His Majesty's Government going back or modifying those terms, because the vote of the House will depend, with regard to the amendments about committees and so on, on whether there is any chance at all of His Majesty's Government changing these terms, in order to meet India's legitimate demands? It seems to me that in voting on this motion the House has got to consider the doubling of the duty on raw cotton, the provisions of the Government of India Act, the fact that the preferences given to the United Kingdom cost $2\frac{1}{2}$ times the highest figure which our unofficial advisers wanted to give. The preferences we get are not of substantial value and the sacrifices of the Indian textile mills are much too great for the problematic consumption of more raw cotton than they would otherwise take. For all these reasons, I commend to the House that in the highest and permanent interests, not only of our cotton growers, but others also, this agreement ought to be rejected and we should conclude bilateral trade agreements with all countries, in the interests of all Indian interests concerned. I, therefore, suggest that this House should vote against this agreement.

Dr. Sir Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, the original agreement we discussed in 1932 was ratified by this House after careful scrutiny by a committee appointed by the House itself. My friend, Mr. Satyamurti, gave an amendment practically to the same effect but the majority of his Party thought it reasonable to ask him to withdraw the amendment and to deal with the whole problem within two days straightaway. At the very outset I should like to say that the crucial test of every trade agreement is whether the exports of our country are likely to increase. In all agreements there is give and take. The

[Dr. Sir Ziauddin Ahmad.]

only problem to consider is whether it has benefited our country. The crucial test of the success of an agreement is the balance of trade. I have before me the figures of the balance of trade between India and England from 1923 onwards and I notice that in 1923 the balance of trade was against India to the extent of Rs. 41.2 crores: this unfavourable balance rose to Rs. 44.25 crores in 1926-27. After the Ottawa Agreement the position began to improve immediately. In 1936-37 we had a favourable balance of trade of Rs. 18.45 crores and in the next year it was Rs. 12.47 crores. In the current year the balance of trade is likely to be equally good.....

An Honourable Member: Including gold?

Dr. Sir Ziauddin Ahmad: We have always got a favourable balance of trade in merchandise, treasure does not count. Gold and silver are used to make up differences.

Now there are three points which I would like to impress and we must take them into consideration in every trade agreement. The first is that India is a debtor country. She has to pay 50 crores every year in order to fulfil her obligations. This she can only do by exporting her merchandise. In case our balance of trade is not equivalent to 50 crores, then we shall have to part with our gold to meet our obligations. Then the second thing I should like to point out is that the export of raw materials and agricultural products raises the price level of agricultural products. Now, if the export diminishes or stops altogether, then the price levels will certainly go down, as we have seen in the case of wheat and other articles of export. Therefore, the stimulation of export trade always helps the raising of the price levels of a particular commodity. Then the third point is that whenever the demand for a particular article increases, it is certain that the supply also will increase, and everybody interested in such supply will be benefited, I mean the petty agriculturists, the tradesmen, the railways, shippers and so on. The balance of trade which I have just pointed out, which was in our favour after the Ottawa Agreement, clearly shows that it is very desirable that we should have some kind of trade agreement with the United Kingdom, and it is impossible for this country to get along without any trade agreement. The only thing now before us is whether we should leave it to the Executive to execute an agreement or we should give any definite suggestions one way or the other as to what they should do or content ourselves only with a negative proposition that we do not express our opinion. Unfortunately, we look upon this trade agreement only from the viewpoint of the mill-owners of Bombay. They are experts in the art of propaganda, and they can afford it, because of 40 crores which consumers of cotton goods put into their pockets. But we should consider the viewpoint of Bengal with its free entry of manufactured jute to the extent of 8.71 crores, the viewpoint of Northern India which is interested in tobacco, seeds, groundnuts, cotton and other agricultural products, the viewpoint of Assam which is interested in tea, and the viewpoint of Madras which is interested in tanned leather. These are articles which we cannot altogether afford to ignore and concentrate our attention only on the Bombay textile industry. The mill-owner of Bombay is really very unkind to his Punjabi friends. The Punjabees are their best customers, because the amount of cloth which a

Punjabee spends on his *Pugree* and *Salwar* will be enough for a Gujrathi for a whole year. In spite of the fact that the Punjabees are their best customers, they are treated by millowners with patronising contempt like third class passengers in our Railways. When we consider this question, we ought to look at hard facts.

Looking into the details of few problems, I was rather surprised that the Honourable the Commerce Member managed to secure the concessions for this country, and I was, particularly, surprised at the free entry of manufactured cotton and manufactured jute, because, after all, there was a very hard competition between Bengal and Dundee, and it is to the great advantage of Bengal that they succeeded to have free entry of jute. Free entry into United Kingdom of our manufactured cotton is a very significant point. Now, looking into the exports to United Kingdom and confining our attention only to those articles which enjoy preferences, and taking all these articles together for which there is free entry in Statements Nos. 1, 2 and 3, we find that in 1935-36 our export was 38.47 crores; it rose in 1936-37 to 46.2 and in 1937-38, it was 50 crores. Therefore, the preferences we now have got have a definite value. They have not got an insurance value, but they have a definite value, because the quantities of all these export articles are definitely increasing.

There are six points in the agreement to which I should like to make a passing reference. One is Article No. 1 in which it is stated that India will continue to enjoy all the benefits of free entry as she has enjoyed them in the past, then in Article No. VIII it is stated that the self-governing Colonies and Protectorates will accord to India the same preferences as are accorded to other parts of the Empire, and so the Government of India is empowered after the conclusion of this agreement to enter into a fresh agreement with Ceylon. Then Article No. XIV says that the British Government will give the same preference to India as it may at any time give to other dominions like Canada, Australia and so on. Then the most important article is that this agreement will be in force for only a period of three years when we can see how it works and whether we should continue it or cancel it at six months' notice on either side. Lastly, the most important point mentioned by the Honourable the Commerce Member this morning is, that it lays no obligation whatsoever to fix any duty. We can raise or lower the customs duty at our pleasure.

Now, Sir, coming to the export of cotton, I find that from 1930 to 1932 the export of cotton was at an average of 215,871. During the next six years, the average has been 4.532. No doubt, in this year 1936, it touched the high figure of 569,000 bales. The agreement provides that England will purchase 500,000 bales this year, i.e., up to December, 1939, and 550,000 and 600,000 bales in the coming two years. The Commerce Member has introduced a new calendar what is called the cotton year, which was not known to astronomers before. I should have very much liked, as pointed out by the non-official advisers, and also by Sardar Sant Singh, in his amendment that Britain should purchase at least one million bales from India, and if possible more. We should put our maximum demand and try to get as much as we can from them, and considering the amount of cotton which they have been purchasing, we could not succeed in getting more.

An Honourable Member: Why not?

Dr. Sir Ziauddin Ahmad: As was pointed out by Mr. Satyamurti, there is no guarantee in this agreement that England will fulfil even this moderate demand of 500 to 600 thousand bales. If she fails to fulfil her obligation, then there is nothing in the agreement by which we can force the United Kingdom to buy this particular quantity.

Coming then to the question of import of cloth from the United Kingdom to this country, the figures have already been given in the printed Report, that is to say, Britain used to export to this country before the war something like three thousand million yards. Now, this was reduced after the war to the figure of 1,599 million yards. Even after the Ottawa Agreement these things continued to diminish, and they could not check this downward tendency of Manchester articles in spite of the preference she enjoyed. It has now come down to 267 million yards.

Mr. S. Satyamurti: 176 million yards for the first ten months of this year, as the Honourable the Commerce Member has said.

Dr. Sir Ziauddin Ahmad: It means that it will go down further, and the preference has not been of any value to Lancashire. At the same time we see that the production of the mills is continuously rising during the same period, and it is now over 4,000 million yards. Taking all these factors into consideration it is very difficult to say whether Lancashire will be able to increase her import into this country substantially. Our mill industry is rapidly increasing under the heavy protection which we give, and it is now in a position to export its articles from this country to other places. At page 30 of the report we find that our cotton piece-goods have free entry into United Kingdom and our export to the United Kingdom is increasing:

"Margin of preference: ten per cent. *ad valorem* on cotton yarns, unbleached, up to No. 40 count; 20 per cent. *ad valorem* on cotton manufactures. Free entry for Indian products."

The result of this is that India is now importing into the United Kingdom cotton goods worth Rs. 4.57 crores. The jute manufactures has also got a free entry into the United Kingdom and it is equivalent to 2.71 crores. Therefore, while fixing and determining our import from Lancashire we should also consider this fact that all our piecegoods from this country, made of either cotton or jute, enjoy free entry into the United Kingdom and they are a substantial total of about eight crores, and the quantum is constantly increasing.

Mr. S. Satyamurti: They cannot get jute elsewhere.

Dr. Sir Ziauddin Ahmad: I am now talking of manufactured jute and not raw jute which is competing with Dundee. There is one point on which I have not got sufficient figures before me, and that is, how this reduction of the duty from 25 to 17½ or 15 per cent., or from four annas to two annas and 7½ pies will effect the price level of Lancashire goods in British India. I have not sufficient data, I could not possibly get them from the printed books, but from the Review of the Trade of India, I find that the index level of Indian mill cloth has come down to 93, and in the case of cloth from the United Kingdom, it has gone up to 113. If we allow this reduction of duty from 25 to 15 per cent., then this index will

come down from 118 to 107. Even after this there is a great margin and they will not be able to compete with our mill industry where the index is 98 as compared with 107.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has just two minutes more.

Dr. Sir Ziauddin Ahmad: I will finish. There is one other thing which we should also consider. The value of the articles on which we get preference is 50 crores. The preference that we give to the United Kingdom is on Rs. 8.87 crores only, and looking into the figures of the first six months, it is not likely to be over 6.28 crores. Therefore, the preference is preponderatingly in our favour. Again, I am sorry that the Government and the Committee in fixing the preference on a particular article did not consider the condition of industry; they did not examine the dividend which the companies engaged in the manufacture of that article are giving. I have got before me the dividends of the various companies dealing with the articles specified in this agreement, and some of the companies are giving very high dividends like 30, 25 and 20 per cent. Such dividends ought to be divided between the shareholders and the Government of India and should not go exclusively to shareholders. That should be the case with each industry here. Preference should only be given in cases where the dividend is moderate. If we apply this test, several articles will be taken out from preferential list. In the end I would appeal to the textile industry, especially the millowners of Bombay, that they should take into consideration in all economic problems not only themselves, but other people of India as well. If they do not do so, the other people of India will follow their own methods of propaganda. Just as they started the propaganda of boycotting British goods for their benefit of their mills, we can preach, boycott the mill industry and buy only cloths made in our cottage industry. If this cry is started, I am sure the backbenchers of all the Parties on this side of the House will support it. If the millowners are not considerate to us, they will find that we will start a counter-propaganda in which we will preach the boycott of the mills of this country. . . .

Mr. S. Satyamurti: And of Lancashire.

Dr. Sir Ziauddin Ahmad: Boycott mills, and wear only cloth manufactured by our cottage industry.

Sardar Sant Singh: An agreement which is very complicated has been given to us very recently and sufficient time was not allowed to examine all its implications. A number of reports have been referred to in the documents supplied to us and have been withheld. A yellow slip attached to these documents informs us that references to confidential matters have been omitted or re-worded in the report. What those confidential matters are, or how they bear on the present agreement and why they were withheld are a mystery to us. Sir, we have to depend only on the papers that have been supplied to us.

In the speech of the Honourable the Commerce Member, a very lucid speech, we were told that the present agreement was much better than the agreement entered into at Ottawa. The whole of his reasoning is based upon showing what advantages the country derived from the present

[Sardar Sant Singh.]

agreement as compared with the agreement at Ottawa. I need hardly remind him and the House that the Ottawa Agreement was universally condemned by the country, though it was passed in this House in that Assembly where the Opposition was in a minority. Even then certain suggestions which were the maximum we could secure from the Government at that time were secured, and the life of that agreement was reduced from five years to three years. If we are to judge this agreement we must judge it on its merits, and merits alone without going into comparative advantages.

The Government of India made a wise concession to popular demand by associating non-official advisers in the present negotiations with the United Kingdom. Those unofficial advisers were the nominees of the Government and it is a tragedy that even the report and the recommendations of these advisers were not adhered to when the agreement was signed. However, let us come to the agreement itself. I would request Honourable Members to judge it on its merits alone and consider the balance of advantages and the sacrifices which each of the bargaining country is called upon to make under this agreement. The unofficial advisers laid down five tests or considerations which would govern the completion of this agreement:

- (1) Balance of gains and sacrifices of each country. This should be based not merely on an arithmetical estimate of the value but also upon the character of the trade of each country.
- (2) The position of India as a debtor country which requires a continued favourable balance of trade.
- (3) The necessity of avoiding any agreement which might hinder the expansion of India's trade with other countries, or provoke retaliation.
- (4) The importance of avoiding any agreement which might impair the existence and development of Indian industries.
- (5) The effect of such a pact on the revenues of India.

These consideration did not carry much weight with the Government of India giving rise to justifiable grievance to trade. I will not go into each of these considerations about all the items which are covered by this agreement. I will confine myself to cotton alone and, if possible, to wheat and linseed if my time permits. It is but right that both the Government spokesmen and the Opposition have tried to take their stand on the principle of the welfare of cotton growers in this country, and have pleaded that the agreement confers the maximum benefit on the growers of cotton in this country. I wish to examine this claim, according to the figures given by the Commerce Member. The average export of cotton to the United Kingdom from the year 1930 to 1932—(three years)—was 2,15,871 bales and again from the year 1933—38—(six years)—the average import of cotton in the United Kingdom was 4,15,532 bales. He quoted Lancashire imports of piecegoods into India in the year 1937-38 as amounting to 266 million yards and in nine months of 1938-39 as about 176 million yards. From those figures the Honourable the Finance Member tried to show that there was continuous decline in the imports from Lancashire goods and a continuous rise in the export of cotton to the United Kingdom and he drew the inference that no country would be prepared to enter into any bargain on these terms. This contention of the Honourable the Commerce Member cannot stand scrutiny. He is probably judging the whole thing from the point of view of mere quantity. Judging from the point of view of

the values of two commodities, namely, import of piecegoods and the export of cotton we find the difference to be so great as to call for a good deal of comment. I will try to give the profits which accrue to India by the export of cotton and to Lancashire by the import of cotton piecegoods from the United Kingdom into India. I have taken my figures from those who are competent to speak about this and from the report on the cost of production of crops, published by the Imperial Council of Agricultural Research. An investigation was carried on and the result appears in this report by Mr. R. D. Kapoor of the Imperial Council of Agricultural Research. The value of this data derived from these reports is unquestionable. Taking liberal figures for showing the comparison in the best light in favour of this agreement, the position is this. I take the cotton first. The price per pound of cotton is four annas. The cloth manufactured from one pound of cotton, I am told, and I speak subject to correction, is a minimum of four yards and of finer count six yards. I will take four yards per pound. The price on an average of one yard of Lancashire cloth is three annas. That is a low figure. I am adopting the lowest figure for the comparison. Thus the price of four yards comes to twelve annas. Out of these twelve annas, deduction of four annas as the price of cotton, three annas as wages per pound of cotton (which is a very high figure) and then three annas for other miscellaneous expenses, such as manufacture, depreciation of machinery interest on capital, freight, etc. Deducting these ten annas out of twelve annas there is a net profit to Lancashire of two annas on four yards of cloth. According to this agreement, the United Kingdom will get 500,000 bales of cotton from India, each bale being of 400 pounds. Though it is 392, I will take the round figure of 400. Now, according to the cost of production of crop prepared in the two typical centres in India, namely, East Khandesh in Bombay and Lyallpur in the Punjab, we find this. Taking Khandesh first the report states average yield of cotton per acre in the three years 1933-36 was 3.8 maunds. The average profit per acre was Rs. 5/3/4 as given in these reports. This works out at three pice per pound of net profit to the cultivator. Taking this basis of profit to the cultivator, 500,000 bales of 400 pounds each, it will bring 81,25,000 rupees approximately as profit to the cultivator, while the profit to Lancashire millowner on the basis of two annas for four yards of cloth will work out thus—Lancashire will import 350 million yards of cloth in the first year. The profit on 350 million yards will be $\frac{350,000,000 \times 2}{4 \times 16} = 1,09,37,500$ rupees. The Indian cultivator will get 81,25,000 rupees as profit for the cotton of 500,000 bales.

The Honourable Sir Muhammad Zafrullah Khan: Has the Honourable Member any idea of what a bale is?

Sardar Sant Singh: About 400 pounds or a little less.

Mr. M. S. Aney: He is referring to the profit that he will make.

The Honourable Sir Muhammad Zafrullah Khan: I see.

Mr. M. S. Aney: On the question of profit, I do not agree with you. It is very much less.

Sardar Sant Singh: I have said I am taking the figure most favourable to the agreement.

The Honourable Sir Muhammad Zafrullah Khan: May I ask the Honourable Member one question? Is he willing to accept an arrangement under which Lancashire should take from India say twice as much cotton as is necessary to manufacture the piecegoods that she exports to India?

Sardar Sant Singh: That is not the point. The point is this,—that Rs. 81,25,000 will be the profit to the cotton grower while over one crore will be the profit to Lancashire. I am not taking the cost. Similarly, with Lyallpur cotton, it will bring Rs. 52 lakhs to the Lyallpur cotton grower as profit, against over a crore to Lancashire. Now, let us compare the terms given to Japan under Indo-Japanese Trade agreement—Japan agreed to purchase one million bales of cotton against import of 283 million yards of cloth working out the profits on the same data as applied to Lancashire, the profits to the cultivator is 62,50,000 rupees against profit of 88,43,125 rupees to Japan. Now these are figures which speak for themselves. Thus, when we consider the value of the gain to each country.

An Honourable Member: What about the other gains?

Sardar Sant Singh: That you will calculate for yourself; I am confining myself to cotton alone,—we find that with the value of the gains and the sacrifices required to be made by each country, in respect of intake of cotton and piecegoods, that is quite disproportionate. I wish to draw the attention of the House to one thing and that is why the figure which was unanimously agreed to by all the unofficial advisers was not adhered to. Even the two members who wrote the minority report were very clear in making this demand, and they said as follows at page 10 of their report dated the 5th September, 1938:

"We reiterate our opinion that a definite guarantee is preferable to the proposals now under consideration and as the Commerce Member has indicated that a guarantee may yet be possible, we desire to urge the Government to endeavour to obtain such a guarantee from His Majesty's Government in the United Kingdom as, in our view, this will give greater assurance that the quantities scheduled will be taken . . ."

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has got two minutes more.

Sardar Sant Singh: On page 11, they say:

"We would still like to press for an increase of 7,50,000 bales in the last year, i.e., to 650,000 bales, but if this is a crucial point of the agreement, we would not reject the scale on that account alone because the present proposals, coupled with an undertaking to increase the use of the lower grades, are clearly a very great advance upon the position under the present agreement. . ."

What I want to say is this, that this extract from the report of the minority report which I have read out clearly indicates that even two members of this unofficial body of advisers were clearly of opinion that under no circumstances less than 650,000 bales should be taken. Why then they agreed to the lesser amount is due to the fact that, probably, some pressure was brought to bear upon them and under that pressure they yielded.

An Honourable Member: What pressure?

Sardar Sant Singh: The nature of it I do not know.

The Honourable Sir Muhammad Zafrullah Khan: Then, why do you allege it?

Sardar Sant Singh: Therefore, Sir, my submission is that this pretence to help the cotton grower on that point is a very superficial one. Going deep into the matter we find that the Government of India could have easily insisted upon at least 650,000 bales being taken by Lancashire but they did not insist on that.

As regards wheat, I will say only one word and that is that wheat is an important primary product of India. It's not being included in the preferential list goes to show that the Government of India do not care much for the wheat-growers of this country. Lately I put some questions

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Sardar Sant Singh as to whether any purchases of wheat from Roumania were being made by His Majesty's Government and I got the reply that no such wheat was purchased, even in those days when the Ottawa Agreement was still on,—and next day we read in the papers that wheat had been taken possession of by Franco while passing near Gibraltar. This treatment was being meted out to us while the Ottawa Agreement was still on. May I ask whether any guarantee has been taken under the agreement which will prevent such breaches on the part of His Majesty's Government?

The Honourable Sir Muhammad Zafrullah Khan: What was the breach?

Sardar Sant Singh: The breach alleged was that the wheat was purchased by the United Kingdom from the United States of America and Roumania instead of purchasing it from India.

The Honourable Sir Muhammad Zafrullah Khan: Which article of the Ottawa Agreement is the Honourable Member referring to?

Sardar Sant Singh: If that was so when there was no guarantee,—is there any guarantee in the future?

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

Seth Govind Das: Sir, I know that this trade agreement is the outcome of the Honourable the Commerce Member's three years continuous efforts but I am afraid that after digging a big mountain only a small rat has come out. The Honourable the Commerce Member had appointed certain unofficial advisers to help him in his negotiations. He has paid a great compliment to them this morning but

[Seth Govind Das.]

may I ask whether it is not a fact that all the major recommendations made by these non-official advisers have been turned down as far as this trade agreement is concerned? My Honourable friend, Sardar Sant Singh, quoted from the report of the unofficial advisers five of the principles on which they consented that India should enter into a trade agreement with the United Kingdom. Now, Sir, to put these principles into practice the un-official advisers submitted as many as 14 reports to the Honourable the Commerce Member. It is regrettable that only three out of these fourteen reports have been published and even the recommendations contained in these three reports have not been given effect to. Sir, much has been said here about the textile industry and cotton growers. I shall deal with this question later on. But may I ask the Honourable the Commerce Member whether the recommendations of the unofficial advisers with respect to wheat, rice, linseed, tobacco, groundnuts and coffee, any of them, have been given effect to?

The Honourable Sir Muhammad Zafrullah Khan: What was the recommendation with regard to groundnuts?

Seth Govind Das: So far as the recommendations about groundnuts are concerned, a certain portion of those recommendations has been given effect to; but not the whole.

The Honourable Sir Muhammad Zafrullah Khan: What portion has not been given effect to?

Seth Govind Das: Is it not a fact that the major recommendations about groundnuts also have not been given effect to? (Interruption.) As I have very little time at my disposal, I am not going to deal with this question in detail. I am only saying that as far as these commodities are concerned, the main recommendations of the non-official advisers have not been given effect to.

It is said, Sir, that the present agreement is more beneficial to India because in general preferences while Indian exports get preferences to an extent of 45 crores in the United Kingdom market the imports from the United Kingdom get preferences in the Indian market only to the extent of eight crores. Now, Sir, first of all, I would like to mention that this figure of 45 crores is an illusory figure. If from this 45 crores we deduct firstly, tea worth about 22 crores which, according to the International Tea Agreement, this country is bound to sell whether there is a trade agreement with the United Kingdom or not, secondly, if we deduct the three crores worth of our jute manufactures for which we have practically a monopoly and which the United Kingdom is bound to purchase from us whether there is a trade agreement or not, thirdly, if we deduct goat skins worth about one crore, because there is no other country in the world which is exporting raw goat skins.....

Mr. Muhammad Nauman (Patna and Chota Nagpur *cum* Orissa: Muhammadan): The Honourable Member does not know. Goat skins are produced in Africa also.

Seth Govind Das: But they are not being exported.

Mr. Muhammad Nauman: They are being exported from Africa.

Seth Govind Das: Fourthly, if we deduct articles like lac, jute, mica and hemp worth about four crores which have a free entry, irrespective of the country from where they come and, fifthly, if we deduct the unscheduled articles like barley, pulses, etc., worth about four crores then this figure of 45 crores goes down practically to the same figure for which the United Kingdom is going to get preferences in our market, according to the present trade agreement.

Then, Sir, the Honourable the Commerce Member said that under the Ottawa Agreement preferences in this market were given to 106 items of imports from the United Kingdom. Now, Sir, I have seen the schedule in the Ottawa Agreement and I want to mention that if we set aside the sub-heading and only take the main headings of the items, then the number is not 106 but it is only 42. At present, also, only main headings are taken into consideration when it is proposed that the preferences will be given only to 20 items. Therefore, the comparison should not be between 106 items and 20 items but the comparison should be between 42 items and 20 items. And then, Sir, on the remaining items also preferences have not been given up in the interest of India but because, in spite of the preferences which these commodities got in our market, they could not make any headway here. Therefore, it is wrong to say that as far as the general preferences are concerned, the present trade agreement is in any way better than the Ottawa Agreement as far as India is concerned.

Roughly speaking, there are two parts of this agreement. One deals with the general preferences and I have tried to prove that as far as general preferences are concerned, we do not get any great advantage over the Ottawa Agreement. The second part deals with the Lancashire textile goods and the sale of our cotton to United Kingdom. Now, so far as the sale of Lancashire textile goods as against the sale of our cotton is concerned, I want to point out that it is definitely injurious to our textile industry as well as to our cotton growers. Sir, the Honourable the Commerce Member this morning said that the textile industry in this country is a well-established industry. He paid a great tribute to our textile industry and said that when the textile industry of this country is producing three to four thousand million yards of cloth, what difference would it make if about 250 millions yards of cloth is more imported from Lancashire? It is not a question of 250 millions of yards of cloth being imported but it is a question of the equilibrium of prices. If more cloth is exported from Lancashire, the production of the mills here will not only go down but it will affect the prices. Sir, if we see the history of the British rule, we find that on practically every occasion when an Indian industry thrived, something was brought in its way. Before the British rule, it is known that India used to produce such cloth that no other country in the world had produced. At the time of the East India Company's regime it is known that the thumbs of our weavers were cut down. When our sugar industry made a progress, then an excise duty was brought in. And now when our textile industry is progressing, it is asked that they should sacrifice something in the interests of Lancashire. I want that not a single yard of Lancashire cloth should be imported into this country. That is the object of Congressmen. I am in entire agreement with Dr. Sir Ziauddin Ahmad when he says that in the interests of handloom industry or *charkha*, we should even boycott mill cloth. But before we boycott our mill cloth, we shall certainly like to boycott the

[Seth Govind Das.]

mill cloth which is imported from Lancashire or any other foreign land into this country. It will be remembered that when negotiations for a fresh trade agreement had begun, there was no question of offering more protection to Lancashire industry. There were rumours after some time that the Honourable the Commerce Member is being pressed to give some more protection to Lancashire industry and this rumour was confirmed by two very significant statements in Manchester and Lancashire of Lord Derby and Mr. Inges D. Campbell respectively.

Lord Derby said that:

"while we are doing our best to help her (*that means the Indian*) agricultural population by taking her cotton goods, they must do their best to buy an increasing amount of finished goods they take from this country."

Mr. Inges D. Campbell said:

"The British Government clearly has the opportunity during these negotiations for securing a solution for the problem of the persistent decline of Lancashire trade."

When we read these statements we tried to know from the Honourable the Commerce Member, not once but many times, on the floor of the House whether the rumour current that the Lancashire industry is going to be supported and that the Indian textile industry is going to be sacrificed is correct? He kept mum and on the fine morning on the 21st of this month we read that the Indian textile industry has been sacrificed for the interests of Lancashire. During the last six years ending 1937-38 the imports from Lancashire to India fluctuated between the maximum of 542 million yards in 1932-33 to 267 million yards in 1937-38. The Honourable the Commerce Member said this morning that this year during the last ten months it has been still reduced to 167 million yards. Our cotton exports to Lancashire in 1935-36 were 5½ lakhs bales and in 1936-37, they were 6½ lakhs of bales. Now, Sir, we are asked that in place of 267 million yards of 1937-38 and about 200 million yards of this year, we must take from Lancashire goods worth about 350 million yards increasing to 500 million yards and that also on reduced duty. And in place of 6½ lakhs of bales of our cotton which were purchased by Lancashire in 1937-38, they would purchase only about 4½ lakhs of bales. The non-official advisers in one of their reports said:

"In view of the fact that Lancashire was on an average already consuming 2½ lakhs of bales of our cotton before the Ottawa agreement, it actually consumed in 1935-36 and in 1936-37, 5½ lakhs and 6½ lakhs of bales respectively, our proposals were calculated only to assure at least this consumption. While we were in London we had also the benefit of a detailed note of the Indian Central Cotton Committee which confirmed our belief that Lancashire could consume this quantity of Indian raw cotton without any hardship or modification in the existing production."

Now, Sir, this is what the non-official advisers, who were appointed by the Honourable the Commerce Member himself, had said. I cannot understand why then should the United Kingdom not be pressed to take 6½ lakhs bales of cotton from us and why should this figure remain at 4½ lakhs bales?

I have said, Sir, that this trade agreement is not going to hit only our textile industry but it is also going to hit our cotton growers. In 1938, the representatives of the cotton growers were called in Simla to advise our non-official advisers and they said that 65 per cent. of the cotton consumed in Lancashire should be of short staple like Umrao, Bengal, Central Provinces and Berar. This recommendation was endorsed by the unofficial advisers. But we find in the trade agreement only a

pious wish as far as the consumption of this short staple cotton is concerned. The demand of cotton growers representatives was only for 65 per cent. and I cannot understand why, when even the unofficial advisers supported that demand, it was not fixed in the trade agreement that 65 per cent. short staple cotton should be purchased by the United Kingdom.

Sir, in conclusion I want to place only one matter more before this House. My Honourable friend, Mr. Avinashilingam Chettiar, asked a very pertinent question from the Honourable the Commerce Member as to what is he going to do if this Assembly rejects his proposal? Whether he is going to abide by the verdict of the Assembly or not? Times without number Government Members have said that as far as the fiscal policy of the Government is concerned the Government is going to abide by the decision of this House. Speaking on the 16th February, 1923, Sir Basil Blackett said:

"I accept whole-heartedly the doctrine that it is India's right to decide what fiscal policy she shall have, and so long as I remain a Member of the Government of India, I shall whole-heartedly attempt to assist in the introduction of the policy which India has chosen."

Sir George Schuster said at the time when preference import duty on non-British textiles was discussed:

"We made it clear to the British Government that in a matter of this kind, giving a preferential treatment to the British goods by putting an additional duty of five per cent. on non-British cotton textiles after frankly stating our conclusions we should desire to put our carefully considered views before the Legislative Assembly with whom the final decision must rest."

Sir Joseph Bhore speaking on the Indo-British Trade agreement said:

"The conclusions of the enquiry of the Tariff Board are to be our conclusions and if the substantial level of protection is to be reduced, it is the Legislature that will reduce the level of protection."

The present Commerce Member, Sir Muhammad Zafrullah Khan said with regard to the Ottawa Agreement:

"Having regard to the proceedings that have been taking place previously in connection with the Ottawa agreement and having regard to the undertaking given by the Government that the House is responsible so far as the question of this trade agreement is concerned, and that the Government is responsible to the House with regard to this trade agreement in a sense that the Government have undertaken that in case the House comes to a decision after reviewing the working of this agreement for the first three years that the agreement is not in the interests of India and if it calls upon the Government to give notice of termination under Article 14, the Government would be bound to give such notice."

I hope, Sir, that the final verdict in this respect will rest with this House and that whatever we decide would be given effect to. Sir, I oppose the Resolution moved by the Honourable the Commerce Member.

Sir Bryce Burt (Government of India: Nominated Official): Sir, I feel sure that if one examines this agreement impartially from an agricultural point of view, one will be struck by the fact that India has obtained a larger range of preference than in the Ottawa Agreement, but at a smaller cost in the way of reciprocal preferences. We have retained practically everything we had before and we have made several valuable additions. There is very substantial improvement in the raw cotton arrangement, improvements under linseed and under groundnuts, a guarantee of the continuance of tobacco preferences with an undertaking to assist the marketing of Indian tobacco in the United Kingdom.

[Sir Bryce Burt.]

Sir, if I may first of all say a word about cotton, I think no Honourable Member of the House will deny the fact that the Indian cotton grower does need assistance at this juncture. Moreover, he needs it quickly. If we look at the course of world production, there is the fact that America, in 1937, produced a crop of 18 million bales or about 1½ times the world consumption in a full year of American cotton. Apart from that, the Russian production has gone up since 1931 from 1,850,000 bales approximately to 3,782,000 bales in 1937-38. That is a new factor. Brazil's production has gone up in the same period from 575,000 bales to 2,282,000 bales. These are two new competitors in the world's cotton market at a time when we are faced with the biggest stock of American cotton that the world has ever known. The reason why I quote these figures is that I feel that whatever we can do for the Indian cotton grower we should do it and that very quickly. Apart from the world surplus of cotton we are up against another danger and that is the substitution of artificial fibres for cotton. We know that this is taking place in Japan, so far as goods for home consumption are concerned, and we do not know how permanent that change may be. We know that it is taking place in Italy and in Germany. In other words, our old outlets for raw cotton are gradually diminishing. Now, Sir, the United Kingdom undertakes in this agreement three distinct things; first of all, to use all efforts in co-operation with commercial interests to stimulate the consumption of Indian cotton in the United Kingdom, in all possible ways—including technical research, commercial investigation, market liaison and industrial propaganda. That, in short, means the continuance and development of the organisation which has been successful in the past. Secondly, there is a new undertaking to devote special attention to encourage the consumption of Indian short-staple cotton; and thirdly, we have the new cotton link clause under which the United Kingdom must take certain specific quantities of cotton. Now, Sir, one word about this organisation the continuance of which we have secured, I really look upon that as the most important part of the whole cotton Article, because as a result of that organisation, set up in 1933, the consumption of Indian cotton in the United Kingdom, whether the parity has been good or has been bad, has gone steadily up.

Mr. M. S. Aney: Last year it had fallen.

Sir Bryce Burt: Yes: in the calendar year 1937 the United Kingdom imported 577,000 bales and in the calendar year 1938 it was 436,000. Now, Sir, it is perhaps not well-known that the organisation set up in the United Kingdom cost the English cotton trade a considerable sum of money, not one penny of which was met by India; it was met entirely from United Kingdom trade funds. A special Indian Cotton Commissioner was appointed and the two gentlemen, who occupied that post in turn, were both men with long commercial experience of cotton in India. They spent part of their time in this country and part of their time in England going round and seeing spinners, explaining to them how to use Indian cotton to better advantage and what kinds of cotton would suit particular purposes. At the Shirley Institute, which is maintained by British Industry Research Association, work was carried out on all sorts of technical problems connected with the use of Indian cotton in manufactures for the United Kingdom market. Different mixings, different methods of spinning,

different machinery, the behaviour of Indian cotton when it was dyed, bleached and finished,—all these technical details received the attention of this institute and spinners were kept posted with the results from month to month. Finally, on the Indian Lancashire Cotton Committee there was representation of every one of the Lancashire cotton interests—including the merchants, who, in the present state of organisation of the Lancashire cotton industry, are an essential link in the chain. As a result of that team work we have seen the progressive increase in the use of Indian cotton in the United Kingdom to which reference has already been made.

Now, Sir, the second clause is a new one. It is not a quantitative undertaking but it states that special attention will be given to encouraging the use of short-staple Indian cotton. That result can only come by research, investigation and propaganda and the supply of information to mills. It means, in many cases, that the mills have got to change their methods of working entirely and very often it means a change of machinery. It is impossible to expect that any mill could state that it will take so much cotton of short staple. Indian mills themselves could not say that—with all the knowledge that they have of Indian cotton.

Now, Sir, if we look at the details of imports of cotton in the United Kingdom it will be seen that practically the whole of the cotton under 7/8th inch staple, 294,000 bales, in 1938 comes from India. The next big class is 2,280,000 bales, which is cotton of 7/8th inch to 1½ inch in staple, and includes 733,000 bales which I can identify as Uganda, African, Egyptian and Brazilian—all cotton which is far longer in staple than anything we produce in India. Then on top of that you have roughly half a million bales of over 1½ inch staple. So, it is quite obvious that it must take time to develop the use of Indian cotton, and the organisation, which is already doing it successfully, is I think the best way of pushing more short-staple Indian cotton into use. It is important to see the progress which has been made already. In 1937, the United Kingdom took 345,000 bales of short-staple cotton, i.e., cotton under 7/8th inch, as compared to 232,000 bales of medium staple cotton. Now, Sir, it is sometimes said that, owing to the different way in which we measure staple in India and in the United Kingdom, this is not all really short-staple Indian cotton. But the Indian Central Cotton Committee have published figures which show that this offtake is almost entirely of the truly short-staple, i.e., Bengals, Oomras, Khandesh, etc. Only a very small quantity of it is cotton that trembles on the 7/8th inch line. Already considerable progress has been made in increasing the use in the United Kingdom of the shortest staple cotton.

If I may turn to the cotton link clause, and the quantities of cotton which have to be taken in order to fulfil the agreement, the first thing that strikes one is this that one must compare like with like when using statistics. When we are considering the guaranteed minimum we must compare it with the absolute minimum of previous years. Speaking this morning Mr. Satyamurti asked what quantity of Indian cotton the United Kingdom would take in the ordinary way of trade, quite apart from any agreement. The answer to that, I think, can only be found in what has happened in the past. The quantity would probably be between 130,000 bales and 260,000 bales. That is the record of the pre-Ottawa five years or so and that is what we may expect in the ordinary course of trade, the quantity each year depending on parity. The link figures represent the absolute minimum to be taken if the United Kingdom is not to suffer penalties. Whether the parity is good or whether it is bad, whether

[Sir Bryce Burt.]

the season is good or whether it is bad, whether prices are high or low, whether the average quality of Indian cotton is good or bad, these quantities have to be taken. When there are penalties attached you will see these are not unreasonable figures to take. The operative figure in this agreement is 750,000 bales because clause 8 is the clause which will give Lancashire the greatest benefit. They are out to try and increase their export trade of cotton piecegoods and I am quite confident it will be the upper figure that will be aimed at and not the minimum below which they incur penalties. A good deal has been said about Lancashire taking a million bales of Indian cotton. I believe myself that given time, given the continuance of the organisation that is in existence, that increase might take place and that it will take place. The Central Cotton Committee is quoted as having said that Lancashire can easily take nine lakhs of bales. Well, Sir, I happen to be the President of the Central Cotton Committee and that statement was never made in any meeting of the Committee. It was a calculation supplied by the Secretary of the Committee at the request of one of the unofficial advisers, based on the amount of yarn under 20 counts manufactured in the United Kingdom in a particular year. And one of the unofficial advisers' own comment on it,—I remember it quite well,—was that sometimes one had to use even Egyptian cotton, for 20s counts. We cannot base anything on that opinion.

Sir H. P. Mody (Bombay Millowners' Association: Indian Commerce): What does the Indian Central Cotton Committee say about this particular provision? What is its view?

Sir Bryce Burt: The Indian Central Cotton Committee made no recommendation. I wanted to explain that there has been no such thing as an official recommendation on the committee on this point.

I myself feel that the undertaking to increase the United Kingdom consumption of Indian cotton to the greatest possible limit is what really matters.

Now, to come back to the cotton link. As I have said already, if one takes the minimum figure, one must compare it with the previous minimum. The previous minimum is about 1½ lakhs bales: that is what you can expect to get without this agreement. Cotton is not the only important agricultural export from India, but before I leave it I would like to make one other point. Mr. Satyamurti, this morning, and another Member, this afternoon, compared the quantity of cotton to be taken by the United Kingdom with the quantity taken by Japan under the Indo-Japanese Trade Agreement. There are two very big differences. I was connected with the first Indo-Japanese trade negotiations and I well remember the circumstances. We made that link then because Japan had boycotted Indian cotton completely. Contrast that position with that of a country which for the last five years has done its best to increase Indian cotton consumption. Secondly, Japan takes practically nothing in the way of agricultural produce from India except cotton, whereas the United Kingdom takes a large range of agricultural products.

I would now like to refer to one or two of those products. The big oil-seeds group which is now fifth in the list of our exports deserves attention. The groundnut preference has proved, during the last three years, not merely to be an insurance preference but to be a really active and valuable

preference. Here are the figures: the United Kingdom provides a growing market for groundnuts and takes the bulk of its supplies from empire countries. India has the largest share, 63 per cent. of the whole in 1936, 56 per cent. in 1937, and 80 per cent. in 1938. The actual quantities taken from India during those three years were 110,000 tons, 138,000 tons and 253,000 tons respectively, compared with 90,000 tons in 1935. In 1935, we were uncertain whether that preference was really working well and the unofficial advisers in their first report drew attention to the fact that the soya bean duty had not been in operation long enough to show whether it would be valuable or not. The duty on soya bean, an oilseed which the United Kingdom obtains mainly from non-Empire sources has proved of value. It has sent up the total imports of groundnuts into the United Kingdom and the figures I have just given show roughly speaking that imports from India are now three times what they were in 1935. The soya bean duty has now been scheduled under the agreement, so we have that important protection for the future. Then the drawback on groundnut oil is, as the Honourable the Commerce Member reminded us, to be withdrawn, further fortifying this preference. This preference from the agricultural point of view has improved.

Mr. Deputy President (Mr. Akhil Chandra Datta): The Honourable Member has got two minutes more.

Sir Bryce Burt: Groundnut is an expanding crop; it is an important cash crop and it is a crop which helps to maintain soil fertility especially when grown in rotation with cotton, and, therefore, anything that we can do to encourage a larger export of groundnuts is to the benefit of our agriculturists; I would like to point out that, in addition to this quantity of groundnuts, the United Kingdom has also given us a preference on groundnut cake which works out to a preference on about another 400,000 tons of groundnuts, if we convert exports of cake into terms of seed. The oil is used in the country because, as you know, the manufacture of hydrogenated oils is increasing and there is a bigger outlet for oil than there is for the cake.

Now, we come to the next important oil seed, linseed. Again here is a preference which has steadily increased in value. There has been only one temporary set back, namely, in 1935. In 1936 the United Kingdom's imports were 222,000 tons from India out of a total of 278,000 tons; in 1937 they were 192,000 out of 286,000 tons; and in 1938 they were 223,000 tons out of 276,000 tons. It is of interest to note that during the present shipping season, that is from April, 1938, to the end of February this year, India has practically monopolised the English market for linseed. The United Kingdom has taken 251,000 tons from India in that time and only 12,000 tons from Argentina, completely reversing the position of 1932.

Sir, I see that my time is going and I will not attempt to deal with any more commodities. I would simply say this. After a very long experience of Indian agriculture I do feel that this agreement is immensely in the interests of the Indian cultivator and worth a very considerable sacrifice, if indeed any sacrifice be involved.

(Sir Abdul Halim Ghuznavi and Mian Ghulam Kadir Muhammad Shahban stood up to speak.)

Mr. Deputy President (Mr. Akhil Chandra Datta): The Chair is prepared to give a chance to either of these two gentlemen, Sir Abdul Halim Ghuznavi and Mr. Shahban. . .

An Honourable Member: It is for you to choose.

Mr. Deputy President (Mr. Akhil Chandra Datta): It is certainly for the Chair to choose, but at the same time the Chair wishes to make it clear that all Parties should go by the list they have handed over to the Chair.

Mian Ghulam Kadir Muhammad Shahban (Sind Jagirdars and Zemindars : Landholders): Sir, when any measure adopted by Government is generally opposed either as a matter of fashion or conviction to support that measure appears like playing the part of a Government apologist. In purely political matters it may be permissible to sacrifice the cold neutrality of an impartial judge to the demands of general prejudice, but the analysis of economic questions requires the scientific dignity of an ethical neutrality. The Indo British trade agreement has been attacked as is but natural on the ground of there being a considerable divergence of the terms of the agreement from the proposals of Government's non-official advisers. Every agreement is in essence a compromise between extremes, for a similar divergence will be found to exist between the terms of the agreement and the original demands of the British Government. The fact of this divergence therefore can hardly be accepted as a convincing argument for rejecting the agreement. More urgent than that however is the concentration of criticism on the cotton article. In general terms the complaint is that whereas the advantages to the United Kingdom have been given definite quantitative values, the advantages derived by India are merely qualitative and as such may never materialise. In the form in which the agreement is made the complaint is intelligible, but not justifiable, for, a close examination of the terms reveals that gains and sacrifices are reciprocal and the United Kingdom in its self-interest has the incentive to increase the offtake of Indian cotton.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

Thus the United Kingdom in its efforts to have the duty on printed cotton piecegoods reduced to 15 per cent. or 12½ per cent. as the case may be must strive to buy as much as 7½ lakhs bales of cotton. On the other hand the United Kingdom imports stand to suffer as a result of the failure of the United Kingdom to absorb less than four lakhs bales in 1939 and 1940 and less than 4½ lakhs bales in 1941. The penalty for this failure is an increase in the basic duties. Thus we may be sure of an offtake of at least 4½ lakhs bales by 1941. It is unfortunate that the increase in the basic duties resulting from the above failure is not specified. The same objection is applicable to the case in which our imports of British textiles exceed 500 million yards. But if Government could give an undertaking that the opinion of this House would be consulted in case the raising of basic duties becomes necessary, public opinion would, I am sure, be assured. To me, Sir, it appears that the prospect of Indian cotton in

the immediate future is no less favourable than the retrospect of its immediate past. For consider the export of cotton to the United Kingdom since 1933-34.

342,000	bales in	1933-34
347,000	..	1934-35
456,000	..	1935-36
610,000	..	1936-37
395,000	..	1937-38,

giving an average of 430,000 bales per annum for the last five years. In the present agreement we are assured of an immediate minimum offtake of 4 lakhs bales rising to 4½ lakhs in 1941 with every prospect of further increase. It is unfair to compare these figures with the maximum offtake of 610,000 bales in 1936-37 and lament the reduced purchases. The minimum offtake of cotton by the United Kingdom by 1941 will exceed the average offtake between 1933-34 and 1937-38. This is a real advantage which the country cannot afford to under-estimate. It acquires moreover a particular significance when we take into account the fact that the offtake of our cotton by the principal consumer of Indian cotton, Japan, in 1937-38 declined by as much as one third compared with the average offtake in the three years 1934-35 to 1936-37. This emphasises the urgent necessity of our securing an expanding market in the United Kingdom. The position of our cotton is vulnerable and the terms of the agreement constitute the best defence of this position in the circumstances. How can then the contention of the Committee of the Indian Merchants' Chamber in their telegram to the Commerce Department, dated the 24th instant, that the element of a *fuir quid pro quo* is mainly lacking in the new agreement be accepted?

Just as the advantages to India have been under-estimated, the advantages to the United Kingdom have been exaggerated by the opponents of the agreement. The Agreement enables the United Kingdom to export cotton piecegoods to India in amounts the minimum of which, namely, 350 million yards is just below the average of the years 1934-35 to 1937-38, i.e., 370 million yards and the maximum of which, namely, 500 million yards is below the figure for 1934-35 by 15 million yards. How then can it be maintained as has been done by the Committee of the Indian Merchants' Chamber that "The offtake of cotton stipulated for the United Kingdom is even less than what has been the normal figures in recent years while the minimum import of cotton piecegoods is much more than the normal in recent years"? Evidently, Sir, the term "normal" with reference to export of cotton means the year in which this export was at its maximum; and with reference to imports of piecegoods, it means the year in which the imports were at their minimum. This terminological inexactitude, Sir, is hardly conducive to an analysis of the intrinsic virtues of the agreement. I am not suggesting that we should be grateful to the United Kingdom. The question does not arise because the exchange of obligations and favours is mutual. Looking at the agreement from an entirely selfish point of view, I conclude that at the worst we are not penalised in any way and at the best the position of cotton has been strengthened and the

[Mian Ghulam Kadir Muhammad Shahban.]

number and value of preferential items on the import side considerably reduced leaving unaltered the existing preferences on our exports.

It will be seen that in some respects the new agreement constitutes a striking improvement on the agreement which has preceded it:

(1) The preferences granted to India cover 82 per cent. of India's export to the United Kingdom and the Ottawa Scheme of preferences remains substantially unchanged. On the basis of a three years average, the value of trade with the United Kingdom in preferred commodities is Rs. 44.89 lakhs.

(2) The import preferences have been greatly reduced and only 16 per cent. of imports from the United Kingdom are subject to preference under the new agreement. On the basis of 3 years average the value of the trade in preferred commodities is Rs. 16.54 lakhs in 1985-86. The number of preferential tariff items has been reduced from 106 to 20 on which only one item, namely, motor cycles, is new. The preferences are confined to products which do not compete with Indian manufactures and the margin of preference is sufficiently low to permit the continuance of foreign competition. The object is to keep prices at a reasonably low level so that the interests of the consumer may be fully safeguarded. Moreover, the agreement only guarantees a margin of preference and there is nothing to prevent Government from raising the level of duties in the interests of the revenue or of Indian industries.

(3) The provisions of the Cotton Article constitute a departure from the old agreement. The duty on United Kingdom piecegoods has been reduced but (a) there is a maximum yardage limit to imports from the United Kingdom and (2) a stable market has been secured for Indian raw cotton. A concession of great importance has been obtained for the Indian cotton grower without jeopardising the interests of the domestic industry.

(4) The preference secured on groundnut and linseed under the Ottawa agreement was to some extent nullified by the drawback concession allowed in the United Kingdom. This concession has now been withdrawn from groundnut, and has been substantially modified in the case of linseed. The value of this important preference has thus been greatly enhanced.

The question may be raised whether the new scheme of preference is of substantial value to the Muslim community. It is difficult to apply such a criterion to this agreement, as no clear distinction can be made between the interests of one communal group and another. Thus the preference on exports, e.g., oil seeds, rice, vegetable oils, etc., will benefit all producers whether Muslim or non-Muslim. There are certain preferences, however, which are of special value to Muslims as they have a larger share in the production of these commodities. A summary of such preferences is given below.

1. One of the most valuable export preferences is that on jute manufactures. The value of export to the United Kingdom in 1987-88 was Rs. 2.79 lakhs. This preference will not only benefit the millowners who are mainly non-Muslim, but also the Muslim agriculturists of Bengal and Assam.

2. Another important export preference is that on woollen carpets and rugs. Exports to the United Kingdom are expanding and the trade in

1937-38 represented a value of Rs. 76 lakhs. As the great majority of carpet makers are Muslims, this preference is of special value to the Muslim community.

3. A new preference has been secured for raw goat skins and chrome leather and the old preference on leather, dressed and undressed, has been renewed. The value of exports to the United Kingdom in 1937-38 under each head was as follows:

Raw goat-skins	Rs. 96 lakhs.
Chrome leather	Rs. 58 lakhs.
Hides and Skins tanned	Rs. 5.98 lakhs.

These preferences will benefit all communities, but, as is well known, Muslims have a special interest in this trade.

4. The market secured for raw cotton under the Cotton Article is likely to increase the demand for fair staple cotton, the bulk of which is grown in the Sind-Punjab cotton area. The provisions of this Article will greatly benefit the agriculturists of these provinces the majority of whom are Muslims.

Mr. B. Das (Orissa Division: Non-Muhammadan): My Honourable friend, Sir Bryce Burt, who periodically makes his appearance in this House as the agricultural expert, spoke on behalf of the agriculturists for some time, but his allegiance was divided between the Lancashire manufacturers and the Indian agriculturists, and, in the end, he gave his casting vote to the Lancashire cotton manufacturers. He was eulogising the fact that Lancashire has agreed to buy 500,000 bales this year and increase the same to 750,000 bales, but he himself quoted figures from which it appeared that Lancashire has already exceeded that limit of 500,000 two years ago, and in the end he challenged my Honourable friend, Mr. Satya-murti, and said that if the agreement is denounced then Lancashire will confine its consumption to 125,000 bales. Let Lancashire do it. The conclusion I draw from Sir Bryce Burt's speech is this that he eulogised the Indo-Japanese trade agreement as giving a fillip in order to give his blessings to the unholy Indo-British Trade Agreement which we are now considering. Sir, I was one of those who opposed tooth and nail the unholy Ottawa Pact which has brought India to its present humiliating position. India does not want to be tied down to the chariot wheels of England in everything, particularly, in the matter of trade agreements.

My Honourable friend, Sir Muhammad Zafrullah Khan, concluded that the present agreement does not affect wheat, so also my friend, Mr. Shahban. My Honourable friend, the Commerce Member, enthused as if he has secured something very bright for India, and yet he pleaded that wheat,—which was grown in very large quantities in the Punjab and Sind, over which he brought a Bill last year and put an extra tariff so that Australian wheat could not come into the Indian ports—did not need any preference in the United Kingdom. I was looking into the figures of the export of wheat into the United Kingdom and I found that in 1937-38 United Kingdom

[Mr. B. Das.]

imported from India 290,000 tons, India exported to Germany, 146,000 tons; the total exported from India was 459,850 tons. In the previous year 1936-37 it was 231,500, and in 1935-36 it was 9,500 tons. I ask the Honourable the Commerce Member and also the Agricultural Expert and adviser of this House and the Government of India, Sir Bryce Burt, why the Government of India did not put in a special case for wheat. It is only from these documents that we are provided with, that we knew that the United Kingdom and the United States of America have entered into an unholy pact as regards wheat in the new Trade Agreement. Did the Commerce Member take this House into his confidence that the Government of India had been a party to this that the preference on wheat should be abolished, also that the preference on rice should be reduced by a third? Everything was kept secret. But if one got foreign journals and went through them, one would have found details of this trade agreement and that the United Kingdom and the United States of America had entered into a pact in November, 1938. I would like to ask the Commerce Member one question, whether the Government of India has got independence to negotiate trade agreements with any foreign country. It has not.

The Honourable Sir Nripendra Sircar (Leader of the House): More independence than you have got in your camp.

Mr. B. Das: There is no need of the Commerce Member feeling eloquent and waxing eloquent and saying that I have secured the best bargain by this Indo-British Trade Agreement, because the United Kingdom controls every trade agreement that India is bound to enter into with any foreign country. And yet the Resolution that this House passed in 1936 wanted bilateral trade agreements, and it was also in line with the recommendation of the joint note which you, Sir, and Mr. K. C. Neogy appended to the report of the Assembly Committee in 1934. The Government of India has no power to negotiate any trade agreement with any foreign country unless United Kingdom sanctions it, and yet when I was going through Article by Article of this trade agreement, I found that Burma was excluded. May I know why it is excluded? Is not Burma a possession of the British Empire? It may be a protectorate if it is not a colony. Why is Burma excluded from this, and why does it foreshadow trade relations with all the British Dominions and British possessions?

Sir Abdul Halim Ghuznavi (Dacca cum Mymensingh: Muhammadan Rural): You will have a separate trade agreement with Burma.

Mr. B. Das: The Indo-Burma Trade Agreement is going to expire in March next. This House has already passed a Resolution that it should be ended. Because Burma is the Kalimpong Home of the British Empire, just as we have to give a subsidy to Anglo-Indians, we are giving a subsidy of 3½ crores to Burma, so that Burma can be exploited by Britain and thereby the Burma Government has a surplus budget and our Finance Member a deficit budget. If 8½ crores be added to our budget, it will increase the invisible and visible prosperity of this country. Yet, not even the non-official advisers have said a word about Burma. Why have they mentioned Ceylon? Why should Ceylon and Burma be treated differentially? While South Africa enters and can enter into a trade pact with

Germany, over the head of England or with any other country—and it has received the most-favoured-nation treatment under this agreement—it does not consult the Commerce Member when it negotiates a treaty with another country. When Canada writes a note to the United States of America does it consult my friend, the Honourable the Commerce Member? Why bring in these Dominions into these trade agreements, when they do not care for India and India is treated as the bond slave of England.

The Honourable Sir Muhammad Zafrullah Khan: Has the Honourable Member been contending that the Dominions are also parties to this trade agreement?

Mr. B. Das: Yes, indirectly they are under the most-favoured-nation clause. Some of these schedules will apply to the Dominions and Colonial possessions.

The Honourable Sir Muhammad Zafrullah Khan: Colonies, yes.

Mr. B. Das: May I ask the Honourable the Commerce Member how many agreements he has entered into with the Dominions after the Ottawa Agreement? Did you enter into any agreement separately?

The Honourable Sir Muhammad Zafrullah Khan: The Honourable Member and some of his colleagues have been putting questions to me on this subject. There is an arrangement with South Africa. There are conversations awaiting with Canada. If it is the Honourable Member's point that India cannot enter into direct negotiations with the Dominions, that is absolutely and entirely wrong.

Mr. B. Das: In theory you have got that right, but . . .

The Honourable Sir Muhammad Zafrullah Khan: No. It is a fact.

Mr. B. Das: My Honourable friend will lay down the Commerce portfolio in a fortnight's time, but during the last five years the Government of India have not entered into any agreement with any of the Dominions and yet the Dominions have gone over the head of the United Kingdom and entered into agreement with foreign nations. It is no use saying that linseed and chrome leather have got half a per cent. advantage. India has been treated as a slave. We want the freedom to think and enter into our own trade agreements. We have lost most of our foreign markets. If there were no Ottawa Agreement which was the creation of my friend, Sir Abdoola Haroon and other Knights of Ottawa, we would not have lost our trade with Germany, France and Belgium. The Honourable the Commerce Member may say: 'What is the use of talking? England is buying more'. My answer is that the Government of India have been treated as a slave.

When I was listening to the Commerce Member I felt that he treated us like the neglected *harem* in a Maharajah or a Nawab's palace. When the Maharani comes anew he gives a present of Rs. 5,000 per mensem. Later on when five thousand women enter the *harem*, they are all pensioned off with Rs. 20. I have heard four or five Commerce Members and they have all said: 'You have got this and that'. Sir, we are not satisfied with that. We want freedom to think this matter for ourselves.

[Mr. B. Das.]

You do not allow even commercial magnates like Sir Homi Mody and Sir Cowasji Jehangir to think freely and the Government even accuse the Federation of Indian Chambers of Commerce, when they express their views on the question of trade and commerce of India. As regards the non-official advisers may I ask why their recommendations in paragraph 28, page 7 of the 1938 report were not given effect to about the invisible export and the invisible balance of trade. They suggested that Indian insurance companies, Indian banking and Indian shipping should get certain facilities. British shipping experts, while they talked of bilateral agreements with Dominions, talked of the trade being carried in British bottoms. Have the Government of India at all addressed themselves to this question? If so, what is the reply? I find that non-official recommendations have been turned down. Why should not Indian insurance companies handle the trade insurance between the United Kingdom and India? Why has not Indian banking received its due share of bills of trade? It has also been mentioned that Indian firms and merchants should have equal opportunities of admission to the commercial bodies in London. Nowhere has the Board of Trade treated the Government of India as an equal in these trade negotiations. The Honourable the Commerce Member tells us that if we make any change in this trade treaty, then the treaty goes. Nowhere in these documents is mentioned anything about the advantage United Kingdom gets from the ratio. In 1931, the rupee was linked to sterling and thereby this United Kingdom trade in India got 25 per cent. advantage. That advantage through the ratio is nowhere mentioned in these documents. The Government of India have been servile and supine in this matter. Nowhere has my Honourable friend said that he has got the freedom of trade with foreign countries. Germany, Italy and Japan had their exchange restrictions. What did the Commerce Department do? What did the Government of India do to fight with those countries about these exchange restrictions? I have tried to show that there is no chance of advancing India's trade with United Kingdom. I shall speak one word to the European group. My friend, Mr. Aikman, talked of bargains, guarantees, international trade agreements and so on. Sir, when my friends have got everything, they talk of international agreements and they talk in international terms. My friend advised us to be international in outlook and then we can get everything. He told us that this is a satisfactory trade agreement. We think otherwise and our position is that we must oppose this agreement.

Mr. N. M. Joshi (Nominated Non-Official): Mr. President, I do not wish to go into the details of the trade agreement. I shall only deal with some general considerations. I feel that India is at a disadvantage at present from the political and constitutional point of view in negotiating any treaty with Great Britain, and I feel that that disadvantage provides objections to our approving a treaty being made with Great Britain unless the advantages given to us are so outstanding and special that we may be persuaded to waive those objections. Sir, the Government of India are a subordinate Government under the authority of the British Government. The Government of India are not free to negotiate a treaty. It may be said that on this occasion the British Government have not used their authority over the Government of India. But we do not know whether they have used their authority or not. I therefore, think that we cannot escape a feeling that the Government of India in negotiating this treaty

may not have obtained the best terms from the British Government. Similarly, Sir, it may be said that this treaty was negotiated by an Indian Member of the Executive Council, assisted by an Indian member of the Secretariat. Here again the Government Honourable Member in charge of the Department is no doubt an Indian and I have no doubt that he is very patriotic. At the same time we must remember that he is a Member of a "United" Government. There is a joint responsibility within the Government of India.

An Honourable Member: Is there any responsibility?

Mr. N. M. Joshi: They are responsible to each other in any case. There is a joint responsibility in the Government of India. The Honourable Member might have done his very best, but we do not know whether his colleagues have not come in the way of his securing the best terms he could have got from the British Government. It may be said, on account of this peculiar position of the Government of India and of the Honourable Member who negotiated this treaty, that the Honourable Member took a body of people as his advisers. Sir, I thought that the Government of India did not believe in the patriotism of big business, but somehow or other they were persuaded to take as their advisers men only from big business. Leaving aside the fact that the big business men do not form the whole of India and they do not represent the whole of India, although the advisers were consulted by the Government of India, they are not prepared to take the advice of their advisers. Well, Sir, I would also like to examine the position of the Legislature in this matter. The Government of India no doubt have placed this agreement before the Legislature as they did on some other occasion for discussion but the Government of India have never promised that they will place all the trade treaties before the Legislature for their approval and that they will abide by the decision of the Legislature. When it suits the Government of India to place the agreement before the Legislature, they do so; when it suits them to say that they will abide by the decision of the Legislature, they do so. But in 1935, the Legislature refused its approval to a trade agreement with Great Britain. The Government of India, however, all the same ratified that agreement. Similarly, the voice of the Legislature does not prevail with the Government of India in many important matters. When they ought to consult the Legislature they do not consult it. We remember that two years ago the Tariff Board recommended a reduction of duties. The Government of India should have placed their proposals before the Legislature. The Government of India used their power to give effect to the proposals of the Tariff Board without consulting the Legislature. The Legislature decided that the Ottawa Agreement should be terminated in six months' time. The Government of India, however, kept the Ottawa Agreement in existence for three years. Sir, the Government of India also possess the power to legislate against the wishes of the Legislature. They may approve of a trade agreement today, but is there any guarantee that the Government of India will not do anything without the consent of the Legislature? Further preferences may be given to Great Britain.

While the Honourable Member in charge of the Department was negotiating a treaty with Great Britain, perhaps when he had negotiated a treaty, his colleague the Honourable the Finance Member imposes a heavy duty on Indian cotton thus changing the preferences given to Great Britain. That heavy duty on cotton certainly gave a sort of additional

[Mr. N. M. Joshi.]

preference to Great Britain. Sir, what is, therefore, the guarantee under the present constitution that, if we approve of this treaty today, the Government of India will not do something by which they give further preferences to Great Britain without consulting the Legislature? Sir, under the present constitutional position, unless we are quite sure that we are getting outstanding and special advantages, we cannot approve of a trade treaty with Great Britain. Sir, from the political point of view also I feel that a treaty with Great Britain is a disadvantage. I know if there is the greatest objection to India's freedom in Great Britain, that objection comes from Lancashire. Lancashire objects to freedom being given to India because Lancashire has got vested interests in this country and in order to protect their vested interests they every time oppose India's freedom. Before this treaty Lancashire was losing its trade. The Honourable Member himself said that during the last ten months Lancashire imports into this country have dwindled down to one hundred and seventy million yards. Sir, Lancashire is losing its vested interests. Is it right for us, from the political point of view, to prop up Lancashire's trade in this country and enhance the vested interests of Lancashire in this country? From the political point of view. Sir, it is a sad mistake for India to further prop up Lancashire's trade in this country and allow vested interests to be created which will go against India's freedom.

Then, Sir, consider the agreement from the point of view of the economic relationship that exists between India and Great Britain. India is a debtor country. We have to pay every year to Great Britain more than Rs. 50 crores. How is Great Britain going to take that money from us unless Great Britain gives us trade? If Great Britain does not give us trade, and if all the countries in the world try to become as self-sufficient, how is Great Britain going to recover the money? Therefore, it is in the interest of Great Britain to give us trade whether we make a treaty with Great Britain or not. If Great Britain does not take our goods in a few years' time the stores of gold in India will be exhausted; and how is Great Britain going to recover the money from us? India will become bankrupt. It is to prevent India becoming bankrupt that Great Britain is bound to take our goods. Moreover, we have also to remember the nature of the trade which we have with Great Britain. Great Britain no doubt takes our goods, but the chief part of the goods consists either of food supplies or raw materials. As regards tea, my Honourable friend, Seth Govind Das, has told us that the competition within the tea industry is much restricted on account of the international tea agreement. Moreover, is Great Britain going to levy a heavy import duty on tea which is an article of food? I am sure the British Parliament is not going to allow its Government to levy such a duty which will increase the cost of food for the people of Great Britain. Then, Sir, as regards the raw material, the same consideration applies. Great Britain cannot increase its duty on its raw material. So, to the extent to which Great Britain is bound to take our goods, the duties cannot be increased. On account of these considerations, I examined this treaty and tried to find out whether India is going to get any special and outstanding advantages, as I have said. For that purpose I examined the treaty which we have made with Japan and compared it with the treaty with Great Britain. The figures have already been given that while Japan takes one million or more bales of our cotton, we import only 288 million yards of Japanese cloth in addition to some

million yards of fents. While negotiating a treaty with Great Britain, we are content with 600,000 bales which is the quantity of Indian cotton that Great Britain will take.

The Honourable Sir Muhammad Zafrullah Khan: 600,000 bales is the minimum.

Mr. N. M. Joshi: That minimum is to be reached after some years and not from next year. For 600,000 bales of cotton we are going to permit Great Britain to import into India 500 million yards of cloth. If you compare the trade agreement concluded with Japan with that of Great Britain, it will be clear that we are giving very favourable terms to Great Britain. It was said by my Honourable friend, Sir Bryce Burt, that Great Britain takes our other goods. It is true, but Great Britain takes our raw materials and we too take British manufactured goods. Therefore, if Great Britain takes our raw material in return for the manufactured goods which we take from her, there is no special merit on the side of Great Britain but we are giving them a special advantage. Therefore, if this trade agreement is to be approved of by us let it be at least as good as the trade agreement with Japan. I feel that judging this trade agreement from the point of view of our special political and constitutional position and judging the merits of this agreement, it does not deserve to be approved by the Legislature.

Mr. H. Dow (Secretary, Commerce Department): Sir, I do not propose to roam over the whole field of this agreement, but to confine my remarks almost entirely to a consideration of the advantages which India is offered in respect of its exports to the United Kingdom, and even within that restricted area, I propose to deal mainly with manufactured or semi-manufactured materials, because Sir Bryce Burt has already dealt with most of the agricultural commodities. There is, however, one important agricultural commodity with which he did not deal, because he was shut out by the rigid application of the time-limit, and that is, manufactured tobacco. The unofficial advisers in their report included unmanufactured tobacco in the list of items in which they considered that preference had been "of actual value to India". But they went on to say that it could not be said that tobacco had gained any appreciable ground in the United Kingdom market. Now, Sir, there has been a very considerable difference in the position of tobacco since the unofficial advisers wrote that in 1937 and I do not think they would write that today. There have been great improvements in curing methods here, and also in marketing methods, and the preference on unmanufactured tobacco, which has been retained under the new agreement, has now become really one of the most valuable of our concessions. In 1935-36, the value of the trade was 45 lakhs, and, in 1936-37, it was no more than 50 lakhs. In the next year the value of that trade had gone up to 75 lakhs, and, in the ten months of 1938-39, for which we have figures, it has gone up to not less than 133 lakhs. In addition, there is a special article (Article 5) of the new agreement under which the United Kingdom undertake to use all their efforts to popularise the use of Indian tobacco in England; and although, I suppose, there will be some who will say that it is only a pious hope, as they have said about the cotton clause, I think that full reliance can be placed on it and that it is an undertaking of very considerable value.

[Mr. H. Dow.]

Now, Sir, to go to other matters. I should like to acknowledge assistance of a kind received from the Federation of Indian Chambers, whose committee proceeded to give Government with very commendable promptitude their views on the agreement almost as soon as it was published. I am going to ask you, first of all, to consider this statement made by the Federation, and as it was the only part of the whole of their statement which was put in leaded type in the *Hindustan Times*, I think we may rightly assume that a good deal of importance is attached to this statement in some quarters. The statement is as follows:

"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."

This is the main charge against that part of the agreement and I shall proceed to show you that there is not a single word of truth in it.

First of all, let us take the statement that the only commodities in which India secured effective benefit under the agreement are chrome leather, woollen carpets and rugs and jute manufactures. I do not very much quarrel with this statement, because after all it is a matter of opinion, even if one may hold that that is a perverse opinion. But I want to point out that it is flatly contradicted by the unofficial advisers themselves. If Honourable Members will turn to the second one of their reports, which is dated the 3rd October, 1937, they will find that the unofficial advisers give a list of 13 commodities, the total exports of which to the United Kingdom amount to 6 crores, regarding which they give their opinion that the preference is of actual value to India. Further, they give a list of 15 items, totalling 27 crores, with reference to which they say that the preference has an insurance value. Last of all, there are only 8 items, totalling less than one crore of rupees, regarding which the unofficial advisers argue that the preferences have been of no special advantage. Now, in the face of this opinion of the unofficial advisers even, it seems to me astounding that the Federation should assert that the only preferences in which India has secured benefit are these three items, amounting to about 3 crores. Still, as I have said, that is a matter of opinion even though the opinion be perverse. The Federation then go on to say that even in these three items, the margin of preference enjoyed under the old scheme has been reduced. Now, Sir, that purports to be a statement of fact, and it is entirely untrue.

I will take these three commodities separately. First of all jute manufactures. About our jute manufactures I heard today the astonishing statement from Seth Govind Das opposite this was a thing in which India had a monopoly. That I think must have surprised a great many Honourable Members of this House. What does the Federation say? They say that the unofficial advisers recommended the maintenance of the present preferential margin of 20 per cent. in this commodity. Nothing of the sort. What they recommended was the maintenance of the existing rates of preference, and that is exactly what has been maintained. The existing rates are 15 per cent. on cordage, cables, ropes and twine and 20 per cent. on sacks and bags. These are the rates which are being continued under the new agreement. We are also continuing to get the

privilege of duty free entry, which, as the Federation says, does not change India's position in the United Kingdom *vis-a-vis* the United Kingdom industry. Does India want a change? Obviously if there were a change, it could only be a change for the worse. I do not suppose that even the Federation expect the United Kingdom actually to protect the imports against her own manufactures.

Similarly the statement that the margin of preference on chrome leather has been reduced is entirely without foundation. I might perhaps give the history of this preference to the House. Before the Ottawa Agreement, there was hardly any finished leather sent by India to the United Kingdom. In 1932 a duty of ten per cent. was imposed by the Import Duties Act on foreign finished leather, and by a Treasury order a little later the duty was raised from 10 per cent. to 15 per cent. India by virtue of the free entry clause under the Ottawa Agreement got this preference, an unscheduled preference of 15 per cent. which was in no way guaranteed to her. In 1936, on representations from British manufacturers of leather, the duty on foreign chrome leather was raised to 30 per cent. Still as a result of India's position under the free entry clause, India got the additional preference, so that her unscheduled preference actually became 30 per cent. That is the position at present. At present India has an unscheduled preference of 30 per cent. on chrome leather. Now under the new agreement, 15 per cent. of that preference is scheduled, and cannot be taken away. But she still enjoys the whole of 30 per cent. preference. So, so far from India having lost anything, India has improved her position because half of the preference which she at present enjoys becomes a scheduled preference which is guaranteed to her. It has been of very great value to India. The pre-Ottawa imports of chrome leather into the United Kingdom were in value under two lakhs of rupees. The trade had always remained almost entirely in the hands of Germany, Austria and Czechoslovakia, and that trade is now almost entirely in the hands of India, and has already reached the figure of 58 lakhs.

Now I will take the remaining articles, carpets and rugs. Here again the statement that preference has been reduced is entirely untrue. In 1932, the preference on woollen carpets and rugs imported into England was 10 per cent. duty and India was entitled to free entry. In 1934, these duties were raised, the rate of duty imposed being a specific duty of 4/6d. on a square yard on hand-knotted carpets and 20 per cent. *ad valorem* on others. Now this change took place in 1934, and it is the position today. The Federation appear to think that this specific duty of 4/6 per square yard is being introduced by the new arrangement, and that it constitutes a reduction of the duty. Neither of these things is true. India is mainly concerned in hand knotted carpets, and her chief competitors are Turkey, Iran and China. If Honourable Members will work out from the export figures which they have before them, the average value of these carpets, they will find that the average *ex-duty* value of Indian carpets is about 8/9 per square yard. The average *ex-duty* value of carpets from Turkey, Iran and China comes to 19/4 per square yard. Therefore the House will see that actually the duty of 4/6 per square yard works out to an *ad valorem* preference of about 50 per cent. and it actually gives India a price preference, which of course is to some extent offset by difference in quality, of something like 150 per cent. in dealing with her competitors.

[Mr. H. Dow.]

So much for the criticisms of the Federated Chamber. I do not attribute them to deliberate misrepresentation. But I think that one cannot get away from the conclusion that they must at any rate be due to gross carelessness, and considering the position which the Federation occupies, I am sure that this is very much a less damaging charge. The truth is that with comparatively unimportant exceptions, we have succeeded in maintaining intact all the concessions and privileges which were secured to India under the Ottawa Agreement. We have also gained additional concessions of considerable value.

The exceptions are wheat and rice. The Honourable the Commerce Member has already explained that the preference to wheat has from time to time been of value to India, but that under conditions prevailing at present and likely to prevail in the near future, its loss is not of very great importance. As for rice, the preference on which has been reduced by one-third of a penny per lb., you will notice that the unofficial advisers themselves included it in their list of preferences which had no special value. Purely Indian export is very small, and consists of a few superior varieties of rice for which the lower rate of preference will be adequate. At any rate it is clearly not possible to maintain that a preference of no value and then to regard a very slight reduction in it as a serious grievance.

Against this we have to put the acquisition of a number of new scheduled preferences. Under the existing agreement, by virtue of the free entry clause, India has been enjoying certain preferences which were not guaranteed to her by the Ottawa Agreement, and which were therefore liable to be withdrawn without notice. Some of these have proved of great value to India and their transfer to the schedule of guaranteed preferences has now been secured. One of these is chrome leather, with which I have already dealt. The other important ones are bones, gram, and goat skins (raw). The most important by far is goat skins. I notice one of the Honourable Members opposite giving a little extra curl to his aristocratic nostrils, and I must apologise for bringing so unsavoury and unhandsome a subject as goat skins "between the wind and his nobility". But goat skins are a subject of very great importance to a large section of the people of this country, and a guaranteed preference of 10 per cent. *ad valorem* is likely to prove extremely valuable. The United Kingdom is taking a larger and larger share of Indian goat skins, and in the last two years the value of this has gone up from 71 lakhs to 95 lakhs.

Now, Sir, I want to say just a few words on the subject of insurance value. There are 27 crores of Indian exports on which the unofficial advisers have said that the preferences have merely an insurance value. These include such important things as tea, hides and skins and groundnuts. Now, to be fair to the unofficial advisers we must remember that, in the early stages of a negotiation such as this, each side is likely to minimise the value of the concessions it hopes to gain or retain, and to exaggerate the value of those that it thinks it may have to give up. That is a very natural attitude, and I do not think it would be fair to the advisers to say that because they did not lay a great deal of stress on the value of these preferences therefore they attached very little importance to them. "Men are much more influenced by the hope of gain than by

the fear of loss, because loss is never expected until it is very apparent, while gain, although it be far distant, is always hoped for",—these are words of a political philosopher of the 14th century. So I do not myself believe that the unofficial advisers attached no importance to insurance. They pointed out that India's main competitors in these articles were empire countries which enjoyed the same preferences. But to lose these preferences while other Empire countries retained them would have been a most serious matter for India, and that has been fully realised both by Government and by all of Government's advisers. I may refer particularly to one item which they say has insurance value and that is trade in tanned skins. I have before me a letter from one of the largest Muhammadan dealers from Madras written to Sir Purshotamdas Thakurdas. He says in that, speaking of tanned skins:

"Under these circumstances the smallest burden on tanned skins and hides in Great Britain will prove a knock-out blow to the industry, and such a contingency is simply unthinkable."

That trade alone is one which amounts to 8 crores of rupees per annum.

Well, Sir, I have not attempted to deal with the whole agreement, and I have had the comparatively easy task of dealing with what I admit is one of its most favourable features. But I am now going, in the few moments that are left to me,—to make what I think is a fair summary of the problem with which the House has to deal:

Firstly, in the matter of preferences granted to India we have retained practically all the advantages which we had under the old agreement.

Secondly, we have secured valuable additional guaranteed preferences which were not secured to us under the old agreement.

Thirdly, we are getting these advantages at a greatly reduced price, paying in preferences to the United Kingdom less than half of what we paid under the old agreement.

Fourthly, we have in addition secured valuable guarantees for our cotton-growers at a time when, apart from this agreement, the outlook before them is very dark indeed.

And fifthly, in return for all these solid advantages we are asking the cotton industry to make some small sacrifices in order to improve the position of British piece-goods in Indian markets.

Sir, we do not pretend that this is not a sacrifice, but we do maintain that it is not an unreasonable one to ask from the cotton industry in the interest of India as a whole. This point you will find admirably set out in Sir Edward Benthall's minute of October, 1937, which deserves the very careful study of this House.

And I would remind Honourable Members that the whole body of the advisers have in their first report stated categorically that in their view a trade agreement should be concluded between India and the United Kingdom. It has been known throughout that this would be impossible without some adjustment of the present position in favour of Lancashire. To refuse to make such an adjustment, and also to demand that the United Kingdom preferences should be reduced to the impossible figure of 3 crores, in the face of this improvement in India's position, is virtually to go back on that statement and to render any agreement whatever impossible.

[Mr. H. Dow.]

The philosopher Hobbes has said that "when men have once acquiesced in untrue opinions and registered them as authenticated records in their minds, it is no less impossible to speak intelligibly to such people than to write legibly upon a paper that had already been scribbled over". I am well aware that in addressing the gentlemen opposite through you, Sir, I am not writing on a clean sheet of paper, and that their minds have been fairly well scribbled over already. But I am not entirely without hope that I may have been able to make very large and legible marks in spite of that disadvantage. I should not like to think that the impercipiency of any Member of this House is so marmoreal that it has taken no impression from the array of facts and arguments which have been brought forward by the Honourable the Commerce Member and other speakers. It should be now quite clear that on the whole this agreement as a whole is very much in favour of India. Is it too much to expect, Sir, that an industry, whose greatness and prosperity has been largely built up on the sacrifices willingly made by India's poor cultivators, should now be prepared to make some small abatement of its own claims in the larger interests of those masses of their fellow-citizens, on whose well-being their own prosperity must ultimately depend?

Sir Abdul Halim Ghuznavi: Sir, at this fag-end of the day, after hearing so many speakers on this Agreement, it is difficult for me to bring forward fresh arguments, either in favour of, or against, this Agreement. Taking this Agreement as a whole, it will be found that it is really to the advantage of India. I will take one of the few items.

Take, for instance, jute. India is an agricultural country, and we must look to the interests of the agriculturists first and then to the interests of the Bombay and Ahmedabad industrialists who supply the sinews of war to my Honourable friends sitting on my right to put up a battle against the Muslim League and my Leader and the Government. I see the Deputy Leader of the Congress Party shaking his head in this way. I shake it the other way. Therefore, if anything touches the millowners' pockets, the Congress is ready to fight whether otherwise it helps India or not. The millowners must be protected as their protection means the protection of my friends here. Take the question of jute. My friend, Seth Govind Das, says: "Oh, jute is a monopoly of India. It must be taken by the United Kingdom, and so on". His colossal ignorance of the jute trade makes him say that.

Seth Govind Das: Do you deal in jute?

Sir Abdul Halim Ghuznavi: Yes; that is my big business. . . .

Mr. President (The Honourable Sir Abdur Rahim): Honourable Members must not carry on conversation like that.

Sir Abdul Halim Ghuznavi: Where is it grown? In Bengal. What is the population of Bengal? Muslims much more than Hindus. How does it benefit the growers? Because of the concession of free entry. How? Because it gives a higher price to the growers of jute. . . .

Mr. Suryya Kumar Som (Dacca Division: Non-Muhammadan Bural): Never: 2½ to 3½.

Mr. Abdul Halim Ghuznavi: Take this concrete instance. If there was no free entry, the price would not go up. . . .

Seth Govind Das: It has not in spite of free entry.

Mr. President (The Honourable Sir Abdur Rahim): There really ought not to be any interruption. The Honourable Member has a limited time at his disposal, and he must be allowed to make his speech in his own way.

Sir Abdul Halim Ghuznavi: If prices do not go up, it does not help the growers. My Honourable friend, Seth Govind Das, forgot that there is Dundee, and Dundee does not want this concession to be given to India, repeating day in and day out that the Indian jute mills are killing their trade in Dundee. As a matter of fact, because of the preference which jute gets, Dundee cannot compete with the prices at which Indian mills sell. How does it go to the growers? If the Indian jute mill produces more hessian, sacking and cloth bags, if they can sell it at a competitive price which Dundee cannot do, it helps the growers by setting up a larger demand for raw jute and thus a better price. I, therefore, welcome this concession. It is a very big concession.

Then, take hides and skins. What was the position ten years ago? Hide merchants were going to bankruptcy owing to German competition. It has been saved by this concession that has been given by the Ottawa and the existing preferences.

Take, again, tobacco. What was the position of tobacco? Nothing at all in this country. What has happened today? There is a big amount that the Indian tobacco growers are getting for their tobacco which nobody would have touched ten years ago.

Now, about cotton. Our friends of the Congress say "Oh, it is only five lakhs bales or six lakhs bales as against so many hundred million yards of cloth. That will not do". Why? What have the so-called national industry, the cloth mills of Bombay and Ahmedabad, done? In 1905, when my then Guru, Mr. (afterwards Sir) Surendra Nath Banerjee. . .

An Honourable Member: Guru?

Sir Abdul Halim Ghuznavi: Yes; he was my political Guru.

An Honourable Member: A bad disciple!

Sir Abdul Halim Ghuznavi: A very good disciple. I then fought the Government by his side. (Interruption.)

Mr. Badri Dutt Pande (Rohilkund and Kumaon Divisions: Non-Muhamadan Rural): *Jaisa guru aisa chela!*

An Honourable Member: Who is your present Guru?

Sir Abdul Halim Ghuznavi: You have seen my present Guru and you wait and see what my present Guru will do for you. Have a little patience and give him a little time; it will soon be shown what sort of Guru I have got now.

[Sir Abdul Halim Ghuznavi:]

As I was saying, Sir, what have the mills done? Cotton is grown in India. They buy cotton here cheap and still they cannot compete with the foreign cloth. Japan buys the cotton from this country, takes it to Japan and brings back the finished goods into this country and sells it below the local price, and then, my millowner friends come before us with a beggar's howl saying "Give us protection, give us protection". Protection at whose cost? At the cost of the consumers. How many crores of money have we given to the millowners of Bombay, because they said it was a national industry! Because they supply the Congress with the sinews of war, that is the reason why the Congress has a soft heart for the Bombay and Ahmedabad millowners. Nothing short of that. Take away that supply tomorrow, and I would like to see how many Honourable Members sitting on those benches will come before us and say "You must not do this, and you must not do that, because the mills will suffer".

Mr. K. Santhanam: Does Lancashire supply you with the sinews of war?

Sir Abdul Halim Ghuznavi: Cut off that concession, and the profits dwindle. My friend, Sardar Sant Singh, is not here. He said "What is this 30 lakhs that the Indian growers of cotton will get as against the crores that the other party will get!" Funny mathematics: peculiar mathematics, and peculiar arithmetic. I am myself very weak in mathematics. Anyhow, I could not follow his mathematics. . . .

Sir H. P. Mody: Logic was not your strong subject either!

Sir Abdul Halim Ghuznavi: All the objections levelled against the Agreement have been directed not against the other provisions but against cotton: they do not agree as regards cotton and piece-goods. Cotton must be shown some concession, because crocodile tears are shed for the cotton growers! What have these mills done? Honourable Members are not aware of the whole story. By combines they have reduced the price of cotton. See, what is the prevailing rate today of cotton as compared with the rate last year. The price of cotton has gone down to Rs. 145 from Rs. 250 or Rs. 300 last year. These millowners don't want that the growers should make money, because, if the prices of cotton go up, the millowners cannot make those huge profits which largely go into the pockets of the managing agents,—thanks to this House,—that has been stopped in future. Now, Sir, if this Agreement goes through, tomorrow the prices of cotton will jump up, and the growers will benefit. . . .

Mr. Bhulabhai J. Desai (Bombay Northern Division: Non-Muhammadan Rural): Have you learnt nothing from Sir Bryce Burt?

Sir Abdul Halim Ghuznavi: Sir Bryce Burt has said all that. He said something about American conditions, but that is not so exactly. That may be so according to their Administration Report. But if this Agreement goes through today, the cotton prices will shoot up tomorrow, because this Agreement, so far as the cotton purchase is concerned, begins from the 1st of January of this year. There are only nine months left, and they will have to take the whole of the five lakhs within the next nine months. Surely, that indicates that the prices of cotton must go up, and that will benefit the growers.

Now, Sir, a question was asked—what is the guarantee that they would take five lakhs bales this year and 5½ lakhs bales next year, a mere statement will not do: To this, I say, Sir, it is a gentleman's agreement. . . .

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Oh, oh.

Sir Abdul Halim Ghuznavi: Sir, my friend, Sir Cowasji Jehangir, says "Oh, oh" before listening to my next sentence. I say, it is a gentleman's contract first. It is not a contract with Hitler. Supposing they do not carry out their part of the contract, then give them six months' notice and terminate the agreement then and there. . .

An Honourable Member: Wait for three years.

Sir Abdul Halim Ghuznavi: No, no, the agreement provides for the termination within three years.

Sir Cowasji Jehangir: Have you read the agreement?

Sir Abdul Halim Ghuznavi: I am sorry, I am wrong there. I was under the impression that it could be terminated within three years.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member can correct it afterwards.

Sir Cowasji Jehangir: At the end of 2½ years, the notice may be given.

Sir Abdul Halim Ghuznavi: I withdraw that statement. I was under the impression that we could give six months notice. . . .

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member must address the Chair.

Sir H. P. Mody: And on the subject!

Sir Abdul Halim Ghuznavi: Some undertaking may be got from the Honourable the Commerce Member that if they do not carry out their part of the Agreement, he will see that this Agreement is terminated before three years.

Now, Sir, I will conclude by making one more observation with regard to the so-called national industry, the textile industry of Bombay. It was the late Sir Surendra Nath Banerjee who first started the Swadeshi movement in Bengal in the year 1905, and whatever measures he adopted then, are being copied by Mahatma Gandhi today. ("Oh, oh," from the Congress Party Benches.) There is nothing new. Encouragement of Swadeshi goods, boycott of British goods,—all that had been done by

[Sir Abdul Halim Ghuznavi.]

us in Bengal,—and Mahatma Gandhi today is simply following what we did years ago. Sir, when the late Sir Surendra Nath Banerjee started the Swadeshi Movement and boycotted the foreign goods, I was one of his followers. We then gave up use of foreign cloth, we started a Swadeshi Stores and lost tons of money in the enterprise, because the national industry of Bombay provided us with goods, as we had discarded the use of foreign stuff. But, do you know what they did then? They bought all the Manchester and Japanese goods, tore off one yard of cloth and put a stamp on every piece of cloth as "Made in India" and sold it at four times the price. That was their national spirit to help the Swadeshi movement.....

Mr. S. Satyamurti: Can you prove it?

Sir Abdul Halim Ghuznavi: Yes, most certainly, I am prepared to give you evidence of it. I was a sufferer. What else did they do then? Now, these contracts for foreign goods used to be made in the name of their managing agents, and they used to make profits, and so these people used to import cloth, cut off a yard from every piece, stamp it with the mark 'Made in India', and quietly pass it on to Bengal, because then we were Swadeshi minded. Sir, a yard of cloth used to be sold at Rs. 1-8-0. I have repeated it several times before in this House. I have got records still, and I can produce them if necessary.

Mr. M. S. Aney: You sold it from your Stores?

Sir Abdul Halim Ghuznavi: Because they supplied it to us as Swadeshi. The fraud was committed by them in the first instance, and not by us, we were only sellers of goods, and we are called upon today to protect the interests of these millowners.....

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member's time is up.

Sir Abdul Halim Ghuznavi: One more minute, Sir.

Mr. President (The Honourable Sir Abdur Rahim): No.

Mr. Manu Subedar: Mr. President, my Honourable friend, Mr. Dow, gave more than one sign of his having been translated from the other place to this House. He spoke as if he was in the upper regions quoting a 14th century philosopher and then came out with the question of paper and ink. If the Treasury Benches had clean hands in this matter, we would know where we are, but it is no use fulminating, as the Honourable Mr. Dow did when he spoke. Sir, when I read some of the speeches of the Honourable Sir Muhammad Zafrullah Khan at the Round Table Conference, I knew that he was possessed both of patriotism and very great critical faculty, which he used to scrutinise British proposals from Indian stand point. As a non-official I know that he still possesses these virtues, but as I have to differ from him I hope he will not misunderstand me. When I ask myself whether the very able speech which he made—an advocate's speech, an able advocate defending a very bad case—whether

that was his personal conviction or whether that is the best of an official case, I know it is difficult for him to say anything to us in reply, it is difficult for us to know. This must remain a permanent secret.

The Honourable Sir Muhammad Zafrullah Khan: I shall give you a reply on the point.

Mr. Manu Subedar: But what I would like to know is this. When three new Members were admitted for presumably this occasion, new official Members were admitted, I would like to know why some of the non-officials who had made their reports were not called. Why were they not nominated here so that they could say what they had to say in defence of the case which they made in the name of India and for India? I would like to know why they had been gagged so far, and whether that gag has been removed. Out of 14 reports, three attenuated ones have been put forward with plenty of corrections and censorship. What is all this secret which you are trying to conceal from us and in which you are not giving a fair opportunity to those non-official advisers of your own selection and nomination to place their case? We have heard much of the official case, and of those who feebly echo like my Honourable friend, Sir Abdul Halim Ghuznavi, and Dr. Sir Ziauddin, everything which the officials put forward from the front Benches. We have heard all this. Why, may I ask, is not India's case put forward by the non-officials, or has not been allowed to be put forward here?

Dr. Sir Ziauddin Ahmad: I have no master. Your master is the Federation.

Mr. Manu Subedar: These non-officials further have not been told by Government after they had made up their mind to come here. No doubt, a courtesy acknowledgment has been made by the Honourable Sir Zafrullah Khan, but why were they not called by Government for a consultation before this matter was put before this House? Why were they not, after such a consultation, given an opportunity of saying what they had to say, and why have they been repudiated completely? These are conscientious men. They served to the best of their lights, they gave much of their time to the subject, and they said with regard to some of these matters words of earnest men. They said:

"We now recommend to the Government that nothing should induce them to go beyond this limit which we set as the furthest limit to which India can go."

These were not words spoken lightly by them. In further reports they have equally made it clear that after close calculation they are not satisfied that the terms offered by the United Kingdom were fair and proper terms. May I know why we have not been told what was the maximum demand of Lancashire, to what extent the Honourable the Commerce Member and his advisers went to Europe and negotiated in this country, and to what extent they have succeeded in scaling it down in favour of India. We do not know it. There is the question of comparing like with like. With regard to the United Kingdom, whenever there is a question of reciprocity I always prick my ears and also I look round to find where the catch is. It is not the instinct formed from the negotiations with regard to the Indo-British agreement. This is the instinct formed in this

[Mr. Manu Subedar.]

country after close association with England historically and having regard to almost every measure which has been taken in this country. We are always told, as Mr. Dow talking in upper regions tried to say, that the monopoly of knowledge and monopoly of the welfare of the masses is always on that side, that nobody on this side, not even my Honourable friend, Sir Abdul Halim Ghuznavi, nobody on this side has anything to do with the Indian masses. It may be possible that those who are receiving thousands of rupees monthly for doing what is considered by them as their life's work may love those from whose interests they are receiving this money, but those of us who live with them or are part of them or are of one being,—those of us must necessarily claim that we know better where the real interests of the masses of this country lie.

Now, with regard to reciprocity. I would say that we had a standard case in the Government of India Act, sections 111 and 113, where we were told that full reciprocal arrangements would prevail. We had a discussion in this House with regard to section 49 of the double income-tax relief, where we give relief to the United Kingdom to the tune of 1½ crores, the United Kingdom gives to us reciprocally on equal terms and on the same basis to the tune of about two lakhs. That is the basis of reciprocity. Therefore, if we look a little more sceptically into what is offered and what is taken, we must not be blamed. We have been told by the Commerce Member that the amount of all preferences has been reduced from 18 crores to 11 crores. May I ask whether he has calculated in this the preference which is given to the textile industry and the steel industry? No. Further, may I point out that preference is more valuable to the United Kingdom than it is to us? Theirs are goods produced in factories and subject to the law of increasing returns. Ours are goods produced in the fields which are subject to the law of diminishing returns. We can transfer the fields to produce something else, but they cannot turn a textile mill in Lancashire to the production of anything else. Therefore, it is no use suggesting to us that we do not understand anything, and that these experts on Government side, having dropped the pilot in the form of the non-official advisers,—that these experts understand fully and they want us to believe that what England gives is more valuable.

My Honourable friend, Mr. Dow, almost wanted us to believe that Lancashire or the United Kingdom was with both hands freely giving things away and we, on this side, representing the people of this country, were so foolish as not to appreciate, not to understand, and not to hold out our hand to accept those generous terms from the United Kingdom. Sir, the boot is on the other leg. India is being made to pay once more as India has been made to pay before.

Then, Sir, on a few manufactured articles going from India to the United Kingdom, I understand that the preference may be real, may be of importance, and something which is comparable with the preference which we offer to them. But with regard to agricultural commodities, it is not so; my Honourable friend, Sir Bryce Burt, spoke for agriculture. He spoke with knowledge of agricultural conditions, yes, but he cannot speak for Indian agriculture. He is a foreigner, he remains a foreigner, and he cannot speak for Indian agriculture as against the popular representatives sitting on this side. Then, Sir, we are told what the supreme

test of this should be India's interest. We have heard the phrase India's interests from the mouth of officialdom today several times. I begin to think whether their conception of India, of economic India, of political India, is the same as our conception. I am sorry I find that it is materially different. It being so, according to them, this country must remain perpetually a market for the United Kingdom. According to them, our industries must remain dwindling, always suffering and begging from Government. According to them, we must continue to produce raw materials and supply them to the United Kingdom. That is not our conception, and if they think that the agreement is in favour of India as they conceive it, they are welcome to this agreement.

Then, Sir, I have heard much with regard to the cotton growers and I must say something which is very relevant to this subject. Sir, I am not disclosing any confidence when I say that a few days ago, the Chairman of the East India Cotton Association and Vice-President of the Cotton Committee came over to me and said that they had made very clear stipulations in their report when giving their advice that the advice was conditioned by consideration of other taxation, that if there were no other taxes placed on those industries then alone they gave that advice. In view of the cotton duty, he said that he was not now prepared to go as far as he was prepared to go at that time, therefore the non-official advice stands completely modified. Then, Sir, with regard to the appeal in the name and on behalf of the cotton growers made by Sir Bryce Burt. May I say—since when has Lancashire been a friend of the Indian cotton grower? Lancashire had opportunity during the last 50 years to take Indian cotton. Was any effort made at any time? Since when has Lancashire become suddenly a friend of the Indian cotton grower? I maintain again that the best friend of the Indian cotton grower is the Indian textile manufacturer. He increased his consumption from one million (Laughter). My friends there may laugh. They have been sent here to laugh us out, so that Lancashire and the United Kingdom may get their purposes. Well, Sir, as I said, the Indian textile manufacturer was taking one million bales. He has increased his consumption and in the last year he has actually taken 400,000 bales more than he was taking, reaching a total of three million bales, that is 30 lakhs of bales. Take Japan. Japan is another genuine friend in the sense that she is an important customer of the Indian cotton grower. Having stipulated for a million, Japan went up to a million and a half. I do not understand the logic that by weakening the most important customer of the Indian cotton grower you can increase and advance his interests. I do not understand the logic which seeks to say that bale purchased by the United Kingdom gives very much more valuable custom than a bale purchased by somebody else. To the Indian cotton grower it is the same thing whether the bale is purchased in one quarter or in another quarter. The surest and the most valuable support to him is the Indian textile manufacturer and the handloom worker of this country.

Then, Sir, with regard to textiles, we were told many things which it is impossible to deal with in the limited time at my disposal but I will say this that on account of the duty on machinery, on stores, on dye stuffs and various other items and on account of the increased costs in respect of capital equipment and some stores, if you were trying to put the Indian textile industry right on a par with industry either in Japan or in Lancashire you would have to make allowance of about eight per cent. That is the

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calculation made by the Indian Tariff Board and I consider it an authoritative calculation. Then we are sacrificing in the deal with Lancashire over this pact. We are sacrificing a very great principle. One is that we have not fixed Lancashire to any quota. That is to say, there is no maximum for Lancashire regarding the amounts of cotton cloth which she sends here. All we can do is to raise the duty to the maximum basic duty which has been allowed.

The Honourable Sir Muhammad Zafrullah Khan: Oh, no. To the extent necessary to bring them down below the maximum.

Mr. Manu Subedar: There is no quota fixed. My point is not so much the privileges as the quota. Lancashire can send in any amount of cotton cloth into this country that it can sell in competition. That is my point. Am I correct?

The Honourable Sir Muhammad Zafrullah Khan: Not beyond the quantities laid down except in one single year after the end of which duties would, if the maximum has been exceeded, be raised by such amount as would bring them down again below the maximum.

Mr. Manu Subedar: You may raise the duty but no quota is fixed—the principle of quota which you have insisted upon in the case of another very important customer—the Indian cotton grower. The other thing is this. On previous occasions United Kingdom was content with a particular range of preferences. That is to say, give us ten per cent. preference, but you can levy any duty you like. Now, Sir, the power and privilege of fixing the standard rate of duty is also taken away from us under this pact. This to my mind is a very serious injury and there are some constitutional aspects to this, to which I should like to draw the attention of the House. You cannot raise the basic duties beyond that provided for, except under conditions which are provided for. In other words, Lancashire now claims that she should have a 35 per cent. preference under the present conditions and this preference may, conceivably, be increased to 37½. As a range of preferences it is considerable but if the British shipping companies reduce their freights or if Lord Nuffield makes a gift of half a million to help Lancashire or if anything else happens under the export credit scheme or any other situation develops in Lancashire itself, then they are enabled to come here to such an extent that even if all of us are convinced that it will prove a very serious and unfair inroad into this market and during the pendency of this agreement, we are tied down to a rate which cannot be increased.

I would deal with only one more point before I close. Sir Edward Benthall has made an appeal in one of his reports. He says that this will be a very good thing for India to give to the United Kingdom as it will be a gesture of goodwill and might bring in its return some other goodwill from the United Kingdom. I do not appreciate the sequence in which he said this. We are all waiting for some gesture of goodwill from the United Kingdom in so many directions. In this House we have been asking, day after day, for so many things. Have we ever received a gesture of goodwill from the other side in respect of legitimate things which we plead in the

interests of this country and its taxpayers? The Honourable the Commerce Member said that if an agreement is worth while with any country, it is worth while with the United Kingdom who is the biggest customer and it is worth while on the terms which have been put in the agreement. I regret I must quote a proverb

"Tayne gayae put, kho aye kha-sum."

I think the position here is like this. I am not sure whether we are not going to lose more than we gain by this and, as my Deputy Leader put it, we should like to make an experiment for a few years when there is no agreement. The preferences, Sir, reduced as they are to twenty articles, are still going to penalise us; they are going to be a burden on the revenues of this country because they are going to reduce the amount of duty and they are going to be a hardship to Indian industry, which is seeking in these directions, to my certain knowledge in several cases, a development, and I say it is not right for this House to do anything knowingly which will destroy this opportunity for the local industry, which will be a burden to the revenues of India and which will prejudice the chances of this country making a reasonable agreement with her other important customers who purchase from her her agricultural produce and what she has got to export to them. Sir, I oppose this motion.

Mr. Muhammad Nauman: Mr. President, the agreement presented before this House for sanction has been subjected to strong criticism from different commercial quarters. Opinions are free gifts of God and as such we cannot make out the reason as to why divergent views some people have taken of this particular matter. I do not desire to read those opinions here. Sir, the Honourable Member, Sir Muhammad Zafrullah Khan, has put the whole case in the most lucid manner and I have no doubt in my mind that the Honourable Member has achieved great success in making His Majesty's Government agree to what he thought was the best in the circumstances. It is certainly true. Sir, that in negotiating an agreement we have to stick to the policy of "give and take". However much we may desire to have everything to ourselves, that is not possible. The whole question now is whether an agreement of this nature is at all necessary for this country and whether it is at all desirable. If we agree that we will be better off by an agreement, then we have to satisfy ourselves with the best possible and practicable terms and should have the satisfaction of saying that we have been able to make the best of the worst. I am making this observation, Sir, absolutely in my personal capacity, as my Party, the Muslim League, has not as yet decided what view we are going to take. Of course I am certain that our votes would be guided by the decision that we may take tomorrow.

Now, I come to the first great criticism of the Opposition that the opinions of the majority of the unofficial advisers has not been accepted. This has been one of the arguments put forward by many of my Honourable friends but I think that this is no argument, as these advisers were not chosen by us but they were nominated by the Government and we have to say that as it is, we can only give them this credit that, so far as the commercial knowledge of those persons is concerned, they have tried to place the case in the manner in which they thought best, but that is no argument for giving that our sanction. So far as my personal feelings are concerned, I am not going to attach any importance to or lay any stress

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on the fact that the unofficial advisers were our representatives and have reported things so valuable that we ought to be guided by their opinions. In this particular connection I have some grievance with the Government that the personnel of the advisers did not include Muslim representation as much as it should have. The Muslim Chambers of Commerce, including that of Calcutta, was not consulted and other Muslim commercial bodies were equally not consulted. This is, of course, my personal feeling and my personal view; I may be wrong but the Honourable Member will no doubt tell us how and why this happened. Now let us see the implications of this agreement, whether we have got any substantial advantages out of it, or whether it will expand our trade, apart from normal trading factors.

Sir, whether we have an agreement or not, England has to buy some commodities from us. England and India were trading together without any agreement, whatsoever, and so the position we have got to examine is this,—what advantage are we going to have by this agreement, and whether we would be able to expand our export trade more than what in the normal course of things we would have done. Sir, England as a manufacturing country has to buy raw materials from some country. Whether she is buying from India at a certain disadvantage, at a certain sacrifice or not, and whether she can get the same raw materials or the same quality of commodities at a cheaper and better rate elsewhere—that is the point. Sir, it has been stressed that particularly for goat skins we have been given some advantage. The trade has increased from Rs. 71 lakhs to Rs. 91 lakhs. I do not know whether His Majesty's Government have done any favour to us in that matter. Have they made any sacrifice? Were any quotations coming from Madagascar or Australia or from any other part of the Dominions or other raw material producing countries cheaper than from India? The point is whether that increase is a commercial factor only, because they wanted a certain amount of goat skin and they got that from India and they paid for them. We got ten per cent. preference or free entry, by which I mean about ten per cent. preference. But what has been the substantial position? The position in substance has been that the buyers in France and Germany are buying from England. It is not England which is consuming these goods worth Rs. 91 lakhs for "Home consumption". Can the Government convince us on that?

An Honourable Member: Why are they not buying direct?

Mr. Muhammad Nauman: Because Germany has got different rates of exchange, it has fixed a certain quota, and has got certain advantages from English banks which we cannot offer them from India. Sir, for these reasons Great Britain is buying stocks from India and storing them in English warehouses and are selling them to Germany, France and other countries, with the result that our trade with Germany, France and few other countries has deteriorated. Now I shall be glad to know whether some favour has been shown to us and whether any sacrifice has been made by England. If she has done that, then I am for them. Then comes the question of carpets. Mr. Dow, the Honourable the Secretary for Commerce, has just explained that carpets from India have free entry and he has said that Indian carpets work out at an average rate of eight shillings per square yard whereas Persian carpets and Turkish carpets work out at

nineteen shillings per square yard, but he has not quoted the rates of the carpets manufactured in England. I mean X-minister carpets—whether we have got any preference in competing with carpets manufactured in England. An *ad valorem* duty of course gives some preference as compared with Persian and Turkish carpets but do Honourable Members realise that there is a difference between the qualities of the Persian and Turkish carpets and of Indian carpets? Indian carpets have been sold at less than one-tenth of the value that is being paid for the same size of English make. For illustration, I may say that Persian carpets are worth twenty pounds and Indian carpets of the same size would be worth three or four guineas. So, the advantage of fifty or 150 per cent. is not on account of certain preferences being given to them—advantage may be attributed to a certain extent but not at all wholly for this reason. Sir, a lot of things has been said about cotton. Honourable Members have given their views. So far as cotton goes, that has not been my line but I would just offer a few remarks as to what I felt from the arguments which have been advanced on the floor of the House.

Mr. President (The Honourable Sir Abdur Rahim): The Honourable Member may continue his speech tomorrow.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 28th March, 1939.