

Monday, 17th April, 1939

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THE
COUNCIL OF STATE DEBATES

VOLUME I, 1939

(23rd January to 18th April, 1939)

FIFTH SESSION

OF THE

FOURTH COUNCIL OF STATE, 1939

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COUNCIL OF STATE.

Monday, 17th April, 1939.

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

QUESTIONS AND ANSWERS.

NUMBER OF EUROPEANS, ANGLO-INDIANS AND INDIANS IN PORT TRUSTS IN RECEIPT OF RS. 500 AND OVER.

291. **THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Will Government lay on the table a statement showing the number of Europeans, Anglo-Indians and Indians on the 31st December, 1938 in each of the Port Trusts in India whose monthly salaries were (i) between Rs. 500 and Rs. 999, (ii) between Rs. 1,000 and Rs. 1,999, and (iii) Rs. 2,000 and over but excluding in class (i) the holders of posts the initial monthly salaries of which are below Rs. 500 ?

THE HONOURABLE MR. A. D. GORWALA : I lay on the table a statement giving the information required so far as concerns the Ports of Chittagong, Madras, Bombay and Karachi. Information regarding the Port of Calcutta is being collected and will be laid on the table in due course.

Statement showing the number of Europeans, Anglo-Indians and Indians in the employ of the Chittagong Port Commissioners and the Madras, Bombay and Karachi Port Trust on the 31st December, 1938 who were receiving salaries of Rs. 500 and over.

Name of Port.	(1)			(2)			(3)		
	Initial salary of Rs. 500 to Rs. 999.			Rs. 1,000 to Rs. 1,999.			Rs. 2,000 and over.		
	Euro-peans.	Anglo-Indians.	Indians.	Euro-peans.	Anglo-Indians.	Indians.	Euro-peans.	Anglo-Indians.	Indians.
Chittagong . . .	3	...	1	8	...	...	...	...	...
Madras . . .	5	...	1	4	...	...	1	...	...
Bombay . . .	84	11	11	23	1	8	5	...	1
Karachi . . .	6	1	3	9	...	8	1	...	...

NUMBER OF EUROPEAN AND INDIAN TRUSTEES IN PORT TRUSTS.

292. **THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Will Government lay on the table a statement showing the number of European and Indian Trustees in each of the Port Trusts in India on the 1st January, 1939 and on the 1st January, 1929 ?

THE HONOURABLE MR. A. D. GORWALA : I lay a statement on the table, giving the information required by the Honourable Member.

*Statement showing the number of Indian and European Trustees or Commissioners of the major ports of Madras, Bombay, Karachi, Calcutta and Chittagong on the 1st January, 1929 and the 1st January, 1939. **

	1st January, 1929.			1st January, 1939.		
	Indians.	Europeans.	Total.	Indians.	Europeans.	Total.
Madras . . .	4	11	15	5	10	15
Bombay . . .	8	13	21	12	10	22
Karachi . . .	6	8	14	7	8	15
Calcutta . . .	5	13*	18*	5	14	19
Chittagong . . .	4	8	12	4	8	12

* Excludes one vacant seat to be filled by the Bengal Chamber of Commerce.

NUMBER OF EUROPEANS, ANGLO-INDIANS AND INDIANS APPOINTED IN NEW APPOINTMENTS BY THE PORT TRUSTS ON RS. 500 AND OVER.

293. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Will Government lay on the table a statement showing how many new appointments have been made by the different Port Trusts in India since January, 1929 to posts with initial monthly salaries of (i) Rs. 500 to Rs. 999, (ii) Rs. 1,000 to Rs. 1,999 and (iii) Rs. 2,000 and over of persons who at the time of such appointment were not already in Port Trust employ, and the number of Europeans, Anglo-Indians and Indians separately in each of the three classes for each Port Trust ?

THE HONOURABLE MR. A. D. GORWALA : I lay on the table a statement giving the information required.

Statement showing the number of Europeans, Anglo-Indians and Indians appointed in new appointments by the different Port Trusts since January, 1929 on initial monthly salaries of Rs. 500 and over.

Name of Port.	Initial monthly salaries of Rs. 500 to Rs. 999.			Initial monthly salaries of Rs. 1,000 to Rs. 1,999.		
	Europeans.	Anglo-Indians.	Indians.	Europeans.	Anglo-Indians.	Indians.
Calcutta . . .	13	1	2	2		
Chittagong . . .	4		1			
Karachi . . .	4	..	1	2		
Madras . . .	5	..	1	2		
Bombay . . .	22	..	5			

NOTE.—There were no new appointments to posts carrying an initial salary of Rs. 2,000 and over.

SALARY OF LETTER DELIVERY CLERKS.

294. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: With reference to question No. 290 of the 4th April, 1938, will Government state whether the salary of the Letter Delivery Clerks referred to in the question has been raised to the old level? If so, have they been paid according to the old rates for the period during which the names of their posts had been altered and their pay was reduced?

THE HONOURABLE SIR GUTHRIE RUSSELL: The reply to the first part is in the affirmative: as regards the second part, instructions are being issued for the men to be given the old rates to which they were entitled before their designation of "Letter Delivery Clerks" was altered to "Sorters".

ENROLMENT IN EACH CLASS IN OAKGROVE SCHOOL AND INDIAN HIGH SCHOOLS MAINTAINED BY THE E. I. R.

295. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Will Government state:

(a) The enrolment in each class on 31st March, 1939 in (i) the Oakgrove School, and (ii) each of the Indian High Schools maintained by the E. I. R.; and

(b) The number of teachers including the Principal, Headmaster, Headmistress and assistant teachers holding gazetted officers ranks, honorary or ordinary in (i) the Oakgrove School, Jharipani, and (ii) the Indian High Schools?

THE HONOURABLE SIR GUTHRIE RUSSELL: (a) I am laying on the table a statement giving the information required except as regards the school at Sahibganj for which information is being obtained and a further reply will be laid on the table in due course.

(b) (i) Five.

(ii) One.

Statement.

Number of pupils on the 31st March, 1939.

School.	Kinder- garten.	Class I.	Class II.	Class III.	Class IV.	Class V.	Class VI.	Class VII.	Class VIII.	Class IX.	Class X.	Class XI.
Oakgrove School, Jharipani.	29	31	33	48	53	52	42	36	32	31	25	
H. E. School, Asansol.				42	60	82	83	82	83	75	108	...
H. E. School, Jamaipur.	...	...	...	...	38	34	37	47	68	61	41	35
H. E. School, Khagaul.			...	...	59	35	81	78	50	61	37	19
A. V. High School, Tundla.	...	...	...	32	51	52	48	54	49	37	32	...

LEAVE RULES APPLICABLE TO THE TEACHING STAFF OF OAKGROVE SCHOOL.

296. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Will Government state whether in the leave rules applicable to the staff of the Oakgrove School there is a provision for leave on average pay even for such members of the staff as are allowed full vacation and whether there is any corresponding provision for leave on average pay to the teachers employed in Indian schools, in the leave rules applicable to the Indian schools? If not, what is the reason for this?

THE HONOURABLE SIR GUTHRIE RUSSELL : The leave rules applicable to the staff of the Oakgrove School appointed on or after the 1st April, 1930 and the staff employed in Indian schools on the E.I.R. are uniform. The provisions in these rules relating to the grant of leave on average pay in a year in which full vacation is availed of were explained in the answer I gave to the Honourable Member's question No. 259 on the 1st April, 1938.

LEAVE RULES APPLICABLE TO THE TEACHING STAFF OF SCHOOLS MAINTAINED BY THE GOVERNMENT OF THE UNITED PROVINCES AND BIHAR.

297. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : (a) With reference to the answer given to question No. 114 on the 20th February, 1939 in the Council of State, do Government propose to inquire what are the leave rules applicable to teachers in schools maintained by the Governments of the United Provinces and Bihar?

(b) Do Government propose to apply the same rules regarding leave on average pay to teachers in Railway Schools in the United Provinces and Bihar as are enforced in schools belonging to the local Governments in these provinces?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) No such inquiry is in contemplation.

(b) The leave rules applicable to teaching staff in railway schools were framed after careful consideration of all relevant factors, and there does not appear to be any justification for differentiating between schools in the United Provinces and Bihar and that in Bengal.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Will the Honourable Member tell us why Government object to getting the necessary information from the Governments of Bihar and the United Provinces with regard to the terms on which leave is given to their teachers?

THE HONOURABLE SIR GUTHRIE RUSSELL : The teachers in railway schools are railway servants. Railway servants have certain privileges which the other teachers in the provincial schools have not got and every man has got to take the privileges of his service as well as its disadvantages. No man can have the best of both worlds.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Will the Honourable Member say what are the privileges accorded to the teachers in railway schools in the United Provinces and Bihar?

THE HONOURABLE SIR GUTHRIE RUSSELL : I believe they enjoy the privilege of free passes.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Is that the only privilege given to them ?

THE HONOURABLE SIR GUTHRIE RUSSELL : There are various railway privileges. I cannot detail them. I should think that of free passes is the main privilege.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : But is that any ground at all for refusing these teachers the leave which teachers are getting in Government schools in the United Provinces and Bihar when the Government of India treat these teachers as Government servants ?

THE HONOURABLE SIR GUTHRIE RUSSELL : I have already explained, Sir, that the present rules were framed after taking into consideration all the relevant facts and these people are railway servants.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Does it mean that when a teacher has availed himself of the vacation, he will not be entitled to any privilege leave for illness or for any other sufficient cause, either on full pay or on half pay ?

THE HONOURABLE SIR GUTHRIE RUSSELL : I have explained that in the answer I gave to the Honourable Member's question on the 1st April, 1938. If a man has leave standing to his credit, he can avail himself of this leave so long as he does not exceed the maximum.

NUMBER OF I. C. S. AND MILITARY OFFICERS LENT TO INDIAN STATES.

298. THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Will Government state the number of (i) I.C.S. and (ii) military officers lent to Indian States ?

THE HONOURABLE KUNWAR SIR JAGDISH PRASAD : The information is being collected and will be supplied in due course.

STATEMENTS LAID ON THE TABLE.

COMMERCIAL TREATIES AND NOTES AFFECTING INDIA.

THE HONOURABLE MR. H. DOW (Commerce Secretary) : Sir, I lay on the table a further list of Commercial Treaties and Notes affecting India and also a copy of the Agreement mentioned in item 2 at Part II of the list.

PART I.

Agreement under which the products and manufactures of India receive most-favoured-nation treatment on terms of reciprocity.

Countries which are parties to the Agreement.	Date of Agreement.	Nature of Agreement.	Description.	Remarks.
1. United Kingdom and Egypt.	14th and 16th February, 1938.	Exchange Notes.	of Commerce	These Notes provide for the prolongation until February 16, 1939, of the provisional Commercial Agreement concluded between these Governments by the Exchange of Notes dated 5th and 7th June, 1930.

PART II.

Agreement to which India is a party.

Countries which are parties to the Agreement.	Date of Agreement.	Nature of Agreement.	Description.	Remarks.
1. United Kingdom and India and Muscat.	5th February 1939.	Treaty	Commerce and Navigation.	The Treaty came into force on 11th February, 1939 and is for a period of 12 years.
2. Inter-Governmental (France, the United Kingdom, India, the Netherlands and Siam).	6th October 1938.	Declaration	Regulation of the Production and Export of Rubber.	This Declaration prolongs the Inter-Governmental Rubber Agreement of 1934, as amended by the Protocols of 1935, 1936 and 1937, with certain amendments. The revised Agreement is to continue until 31st December, 1943.

PART III.

Denunciation of Agreements.

Country.	Date of Termination.	Nature of Agreement.	Description.	Remarks.
1. Muscat	10th February 1939.	Treaty of 1891	Friendship, Commerce and Navigation.	This Treaty was prolonged up to 10th February, 1939 and has now been replaced by a new treaty to which India is a party.

DECLARATION BY HIS MAJESTY'S SECRETARY OF STATE FOR FOREIGN AFFAIRS, RECORDING THE ACCEPTANCE OF A RECOMMENDATION BY THE INTERNATIONAL RUBBER REGULATION COMMITTEE BY THE STATES PARTIES TO THE AGREEMENT OF MAY 7, 1934, REGARDING THE REGULATION OF THE PRODUCTION AND EXPORT OF RUBBER.

London, October 6, 1938.

DECLARATION.

WHEREAS paragraphs (b), (c), (d) and (e) of Article 3 of the Agreement to regulate production and export of rubber, signed in London on the 7th May, 1934,¹ and amended by the Protocols signed in London on the 27th June, 1935,² and the 22nd May, 1936 and the 5th February 1937³ provide as follows:—

- (b) The said regulation shall come into operation on the 1st day of June, 1934 and shall remain in force until the 31st December, 1938, as a minimum period.
- (c) Not more than twelve calendar months and not less than nine calendar months prior to the 31st December, 1938, the International Rubber Regulation Committee shall make a recommendation to the contracting Governments as to the continuation or otherwise of the regulation. The recommendation, if in favour of continuation, may suggest amendments to the regulation and include proposals relating to the other provisions of this Agreement.
- (d) Each contracting Government shall signify to the international Rubber Regulation Committee and to the other contracting Governments its acceptance or rejection of the recommendation referred to in the immediately preceding paragraph within three calendar months after the date of the receipt of such recommendation.

¹ "Treaty Series No. 12 (1934)," Cmd. 4583.

² "Treaty Series No. 20 (1938)," Cmd. 5236.

- (e) If the said recommendation is accepted by all the contracting Governments the contracting Governments undertake to take such measures as may be necessary to carry out the said recommendation. The Government of the United Kingdom shall in this event draw up and communicate to all the other contracting Governments a declaration certifying the terms of the said recommendation and its acceptance by all the contracting Governments.

And whereas, at their meeting in London on the 29th March, 1938, in accordance, with paragraph (c), the International Rubber Regulation Committee made a recommendation ;

And whereas all the Governments parties to the said agreement—namely, the Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland, India, the Netherlands and Siam, have signified their acceptance of the recommendation :

Now, therefore, I, the Undersigned, Principal Secretary of State for Foreign Affairs of His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India, in accordance with the provisions of paragraph (e) of Article 3 of the said Agreement, hereby declare that the terms of the said recommendation are those, set forth in the Annex hereto and certify that the recommendation has been accepted by all the contracting Governments.

Witness my hand this 6th day of October, 1938.

Given at the Foreign Office, London.

HALIFAX.

Recommendation of the International Rubber Regulation Committee as to the Continuation or otherwise of the Regulation.

Whereas paragraphs (b), (c), (d), (e), (f) and (g) of Article 3 of the Agreement to regulate production and export of rubber signed at London on the 7th May, 1934, and amended by the Protocols signed at London on the 27th June, 1935, and the 22nd May, 1936, provide as follows :—

- “(b) The said regulation shall come into operation on the 1st day of June, 1934, and shall remain in force until the 31st December, 1938, as a minimum period.
- (c) Not more than twelve calendar months and not less than nine calendar months prior to the 31st December, 1938, the International Rubber Regulation Committee shall make a recommendation to the contracting Governments as to the continuation or otherwise of the regulation. The recommendation, if in favour of continuation, may suggest amendments to the regulation and include proposals relating to the other provisions of this Agreement.
- (d) Each contracting Government shall signify to the International Rubber Regulation Committee and to the other contracting Governments its acceptance or rejection of the recommendation referred to in the immediately preceding paragraph within three calendar months after the date of the receipt of such recommendation.
- (e) If the said recommendation is accepted by all the contracting Governments the contracting Governments undertake to take such measures as may be necessary to carry out the said recommendation. The Government of the United Kingdom shall in this event draw up and communicate to all the other contracting Governments a declaration certifying the terms of the said recommendation and its acceptance by all the contracting Governments.
- (f) If the said recommendation is not accepted by all the contracting Governments, the Government of the United Kingdom may of its own motion, and shall, if requested by any other contracting Government, convoke a conference of the contracting Governments to consider the situation.
- (g) Unless a recommendation to continue the regulation is accepted under paragraphs (d) and (c) above, or unless an agreement for continuation is concluded between the contracting Governments at the conference referred to in paragraph (f) above, the regulation and all the obligations arising out of this agreement shall terminate on the 31st December, 1938. If at the conference referred to in paragraph (f) above an agreement for continuation is concluded between some but not all of the contracting Governments, the regulation and all the obligations arising out of this Agreement shall terminate on the 31st December, 1938, in respect of any contracting Government not a party to the agreement for continuation.”

and :

Whereas it is desirable that the International Rubber Regulation Committee shall make a recommendation to the Government parties to the said Agreement as provided in paragraph (c) of the Article :

Therefore the said Committee at a meeting at London on the 29th day of March, 1938, adopts the following resolutions :—

(1) The Committee recommends that the regulations shall be continued until the 31st December, 1943, as a minimum period.

(2) In making this recommendation, the Committee suggests the amendments to the regulation and submits the proposals relating to the other provisions of the Agreement, which are set out in Annex I ⁽¹⁾ to this resolution, and recommends that they should come into force on the 1st January, 1939. A copy of the Agreement, as amended in accordance with the amendments and proposals contained in Annex I is set out in Annex II.

(3) The Committee submits this recommendation, including the amendments and proposals set out in the Annexes to this resolution, to each of the contracting Governments with the request that they will, in accordance with paragraph (d) of Article 3 of the Agreement, signify to the Committee and to the other contracting Governments their acceptance or rejection of the recommendation within three calendar months after receipt of this recommendation.

(4) The Committee further requests the Government of the United Kingdom to take the action prescribed in paragraphs (e) and (f) of Article 3 of the Agreement in accordance with the circumstances.

(5) In view of the fact that, in the case of a conference having to be convened in accordance with paragraph (f), it is essential that the aforesaid conference should meet without delay, the Committee requests the Government of the United Kingdom to convoke the conference as soon as possible after the expiry of the three months, referred to in paragraph (d), and requests all the contracting Governments to take the necessary steps to render it possible for their plenipotentiaries to attend a conference convoked at short notice.

Annex I to the Recommendation of the International Rubber Regulation Committee of March 29, 1938.

(Not printed.)

Annex II to the Recommendation of the International Rubber Regulation Committee of March 29, 1938.

Revised Text, as recommended by the International Rubber Regulation Committee, of the Agreement between the Governments of France, the United Kingdom, India, the Netherlands and Siam to Regulate Production, and Export of Rubber, signed in London, May 7, 1934, as amended by the Protocols of June 27, 1935, and May 22, 1936.

THE Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as the Government of the United Kingdom), India, the Kingdom of the Netherlands, and the Kingdom of Siam :

Considering that it is necessary and advisable that steps should be taken to regulate production and export of rubber in and from producing countries with the object of keeping world stocks at a normal figure and adjusting in an orderly manner supply to demand while at the same time making available all the rubber that may be required and maintaining a fair and equitable price level which will be reasonably remunerative to efficient producers, and being desirous of concluding an Agreement for this purpose :

Have accordingly agreed as follows :—

ARTICLE 1.

The obligations under this Agreement of the Government of the French Republic apply to French Indo-China ; those of the Government of the United Kingdom to Burma, Ceylon, the Federated Malay States, the Unfederated Malay States, the Straits Settlements, the State of North Borneo, Brunei and Sarawak ; those of the Government of India to India ; those of the Government of the Kingdom of the Netherlands to the Netherlands Indies ; and those of the Government of the Kingdom of Siam to Siam.

¹⁾ Not printed.

ARTICLE 2.

For the purposes of this Agreement—

- (a) "Basic quotas" means the quotas referred to in Article 4 (a).
- (b) "International Rubber Regulation Committee" means the Committee referred of in Article 15.
- (c) "Control Year" means any calendar year during the continuance of this Agreement, or, in the case of the year 1934, the portion of that year between the date of the coming into force of the regulation under Article 3(b) and the 31st December, 1934.
- (d) "Rubber plant" means and includes plants, trees, shrubs or vines, and any leaves, flowers, seeds, buds, twigs, branches, roots or any living portion of them that may be used to propagate any of the following :—
- (A) *Hevea Braziliensis* (Para Rubber).
- (B) *Manihot Glaziovii* (Ceara Rubber).
- (C) *Castilloa elastica*.
- (D) *Ficus elastica* (Rambong).
- (E) Any other plant, tree, shrub or vine which the International Rubber Regulation Committee may decide is a rubber plant for the purpose of this Regulation.
- (e) "Rubber" means (1) crude rubber, that is to say, rubber prepared from the leaves, bark or latex of any rubber plant, and the latex of any rubber plant, whether fluid or coagulated, in any stage of the treatment to which it is subjected during the process of conversion into rubber, and latex in any state of concentration; and (2) for the purposes of paragraph (i) of this Article and Articles 4, 5 and 6 includes the raw rubber content of all articles and things manufactured wholly or partly from crude rubber within a territory to which the present Agreement applies, which manufactured articles had not been previously imported.
- (f) "New planting" means planting during the period of the Regulation rubber seeds or plants on an area which has not since the 7th May, 1934, borne such plants. If in an area already bearing two or (more) cultivations or other growths, one of which consists of rubber plants, the other cultivation(s) or growth(s) are being wholly or partly substituted by rubber plants, this substitution will also be regarded as new planting.
- (g) "Replanting" or "replant" means planting during the period of the Regulation more than thirty plants on any acre (or more than seventy-five rubber plants on any hectare) of any area carrying rubber plants on the 7th May, 1934, so far as such planting cannot be considered to be new planting as defined under (f) of this Article
- (h) "Supplying" or "supply" means planting during the period of the Regulation thirty rubber plants or less on any acre, or seventy five rubber plants or less on any hectare of any area carrying rubber plants on the 7th May, 1934, so far as such planting cannot be considered to be new planting as defined under (f) of this Article.
- (i) "Net exports" means the difference between the total exports of rubber from a territory during a period, and the total imports of crude rubber into that territory during the same period.
- (j) "Owner" means and includes the proprietor, occupier or person in the possession or in charge of a holding, or such person as is, in the opinion of the Government concerned, the Manager or Agent of or entitled to act for or on behalf of such proprietor, occupier or person.
- (k) "Holding" means land on which rubber plants are grown which is in the ownership, possession or occupation, or is being worked by or under the control of the owner.
- (l) "Person," unless the context otherwise requires, includes a company, corporation partnership or other body whether corporate or not.
- (m) "Standard production" means the amount fixed by the Government of each territory or group of territories as the standard production of rubber of a holding for any control year

ARTICLE 3.

(a) The contracting Governments undertake to take such measures as may be necessary to maintain and enforce in their respective territories as defined in Article 1, the regulation and control of the production, export and import of rubber as laid down in Articles 4, 5, 6, 8, 9, 10, 11, 12 and 13 of this Agreement, hereinafter referred to as "the Regulation".

(b) The said Regulation shall come into operation on the 1st June, 1934 and shall remain in force until the 31st December, 1943, as a minimum period.

(c) Not less than twelve calendar months prior to the 31st December, 1943, the International Rubber Regulation Committee shall make a recommendation to the contracting Governments as to the continuation or otherwise of the Regulation. The recommendation, if in favour of continuation, may suggest amendments to the Regulation and include proposals relating to the other provisions of this Agreement.

(d) Each contracting Government shall signify to the International Rubber Regulation Committee its acceptance or rejection of the recommendation referred to in the immediately preceding paragraph within three calendar months after the date of the receipt of such recommendation.

(e) If the said recommendation is accepted by all the contracting Governments, the contracting Governments undertake to take such measures as may be necessary to carry out the said recommendation. The International Rubber Regulation Committee shall inform the Government of the United Kingdom, which shall draw up a declaration certifying the terms of the said recommendation and its acceptance by all the contracting Governments, and the present Agreement shall be deemed to be amended in accordance with this declaration as from the date specified in that declaration. A certified copy of the declaration, together with a certified copy of the Agreement as amended, shall be communicated to all the other contracting Governments.

(f) If the said recommendation is not accepted by all the contracting Governments the International Rubber Regulation Committee shall decide as soon as possible whether they desire to submit to the contracting Governments an amended recommendation. If the International Rubber Regulation Committee submits an amended recommendation, each contracting Government shall signify to the International Rubber Regulation Committee its acceptance or rejection of the amended recommendation within one month after the date of its receipt. If the amended recommendation is accepted by all the contracting Governments the provisions of paragraph (e) above shall apply.

(g) If the International Rubber Regulation Committee decides not to submit an amended recommendation, or if its amended recommendation is not accepted by all the contracting Governments, the International Rubber Regulation Committee shall so inform the Government of the United Kingdom which may of its own accord, and shall, if requested by any other contracting Government, convoke a conference of the contracting Governments to consider the situation.

(h) Unless a recommendation to continue the regulation is accepted under paragraphs (d), (e) and (f) above, or unless an agreement for continuation is concluded between the contracting Governments at the conference referred to in paragraph (g) above, the regulation and all the obligations arising out of this Agreement shall terminate on the 31st December, 1943. If at the conference referred to in paragraph (g) above an agreement for continuation is concluded between some but not all of the contracting Governments, the Regulation and all the obligations arising out of this Agreement shall terminate on the 31st December, 1943, in respect of any contracting Government not party to the Agreement for continuation.

(i) Without prejudice to the provisions of paragraph (c) of this Article the International Rubber Regulation Committee may at any time make a recommendation to the contracting Governments for the amendment of any part of the Regulation or any of the other provisions of the present Agreement except the provisions of Articles 4 and 6 and of paragraphs (l) or (n) of Article 15. The recommendations of the Committee under this paragraph may include a recommendation that the present Agreement should be made open to the accession of a non-signatory Government, and proposals for such additions and amendments to the present Agreement [including additions to Article 4 and paragraph (l) or (n) of Article 15 as may be necessary to determine the conditions of the participation of such Government]. The provisions of paragraphs (d) and (e) of this Article shall apply as regards any recommendation made under the provisions of this paragraph. Recommendations under this paragraph, if not accepted and put into force under paragraphs (d) and (e), shall fall, but without prejudice to the power of the International Rubber Regulation Committee to present all or any of them again under paragraph (c) at the appropriate time.

ARTICLE 4.

In the case of the Straits Settlements, the Federated Malay States, and the Unfederated Malay States and Brunei (which shall be deemed to constitute a single group of territories for this purpose), and of the Netherlands Indies, Ceylon, India, Burma, the State of

North Borneo, Sarawak and Siam, the exports of rubber from the territory shall be regulated in accordance with the following provisions:—

(a) The following annual quantities in tons of 2,240 English pounds dry rubber shall be adopted as basic quotas for each territory or group of territories for the control year specified:—

Table of Basic Quotas (Long Tons).

	1934-1938.				
	1934.	1935.	1936.	1937.	1938.
	7/12 of				
Straits Settlements, F. M. S., U. M. S. and Brunei	504,000	538,000	560,000	589,000	602,000
Netherlands India	352,000	400,000	500,000(4)	520,000(4)	540,000(4)
Ceylon	77,500	79,000	80,000	81,000	82,500
India	6,850	12,500	12,500	12,500	13,000
Burma	5,150	8,000	8,500	9,000	9,250
State of N. Borneo	12,000	13,000	14,000	15,500	16,500
Sarawak	24,000	28,000	30,000	31,500	32,000
Siam	15,000	40,000	40,000	40,000	40,000
Total	996,500	1,18,500	1,254,000	1,298,500	1,335,250

Table of Basic Quotas (Long Tons).

	1939-1943.				
	1939.	1940.	1941.	1942.	1943.
Straits Settlements, F. M. S.— U. M. S. and Brunei	632,000	642,500	648,000	651,000	651,000
Netherlands India	631,500	640,000	645,500	650,000	651,000
Ceylon	106,000	107,500	109,000	109,500	110,000
India	17,500	17,750	17,750	17,750	17,750
Burma	13,500	13,750	13,750	13,750	13,750
State of N. Borneo	21,000	21,000	21,000	21,000	21,000
Sarawak	43,000	43,750	44,000	44,000	44,000
Siam	54,500	55,300	55,700	56,000	60,000
Total	1,519,000	1,541,550	1,554,700	1,563,000	1,569,000

(4) These figures were established by the Protocol of February, 5, 1937 [see "Treaty Series, No. 11 (1937)," Cmd. 5384.]

(b) Burma shall be permitted to export rubber to India without debiting such export against her "permissible exportable amount" as defined in paragraph (d) below and in paragraphs (1) and (2) of Article 5, so long as such exports are permitted by the Governments of India and Burma. In the event of such exports being absolutely prohibited, an addition at the rate of 3,000 tons per annum shall be made to the basic quotas allotted to Burma in paragraph (a) of this Article. If such exports are limited and the amount so limited is less than 3,000 tons, then an addition shall be made to the basic quotas for Burma at a rate per annum equivalent to the difference between such permitted annual exports and 3,000 tons, and if the amount permitted is equal to or greater than 3,000 tons, no addition shall be made to the basic quotas. An addition to the basic quotas made under the provisions of this paragraph at any time during a control year shall bear the same relation to the addition permitted for a full year as the remaining part of the control year calculated from the date on which the prohibition or limitation came into force bears to the whole control year. Such exports of rubber imported into India from Burma shall be deemed to be excluded from India's "total imports of crude rubber" and from Burma's "total exports of rubber" for the purposes of Article 2 (i).

(c) The International Rubber Regulation Committee shall fix from time to time for each territory or group of territories a percentage of the basic quota. The percentage of the basic quota fixed by the International Rubber Regulation Committee shall be the same for each territory or group of territories. In the case of Siam, the percentage of the basic quota for that territory shall not be less than 50 per cent. for the year 1934, than 75 per cent. for the year 1935, than 85 per cent. for the year 1936, than 90 per cent. for the year 1937, and 100 per cent. for the year 1938.

(d) In each control year the quantity of rubber, which is equivalent to the percentage so fixed of the basic quotas of each territory or group of territories, constitutes for that territory or group of territories the "permissible exportable amount" for such territory or group of territories. Provided that in the case of Siam the "permissible exportable amount" so constituted for that territory shall not in any of the control years 1939 to 1943 be less than 41,000 tons (of 2,240 English pounds).

ARTICLE 5.

The net exports of rubber from each territory or group of territories shall be limited to the "permissible exportable amount":

Provided that (1) in any control year the net exports may be permitted to exceed the "permissible exportable amount" by a quantity not greater than 5 per cent. of that amount, but, if the "permissible exportable amount" is exceeded in any year, the net exports for the immediately following control year shall be limited to the "permissible exportable amount" for such year less the amount of such excess for the previous year.

(2) If any territory or group of territories has exported in any control year less than its "permissible exportable amount", the net exports from such territory or group of territories for the immediately following year may be permitted to exceed the "permissible exportable amount" for such year by an amount equal to the deficiency below the "permissible exportable amount" for the previous year if such deficiency was not more than 10 per cent. of such "permissible exportable amount" or equal to 10 per cent. of such "permissible exportable amount" if the deficiency exceeded 10 per cent.

(3) In the case of the group of territories comprising the Straits Settlements, the Federated Malay States and the Unfederated Malay States and Brunei, the obligations arising under this Article may be executed (a) by controlling the actual production of rubber on the islands of Singapore and Penang (parts of the Straits Settlements), and (b) by controlling the exports of rubber from the remainder of the group of territories in such a manner that the total of the production of rubber during the control year in question in Singapore and Penang, together with the net exports of rubber during the said year from the remainder of the group of territories, shall not exceed the amount of the "permissible exportable amount" for the whole group of territories.

(4) For the purpose of the preceding proviso and of the provisions of Articles 9, 10 and 13 below, the entry of rubber from the remainder of the group into Singapore or Penang, or into such rubber storage places within the remainder of the group as may from time to time be sanctioned by the International Rubber Regulation Committee, or *vice versa*, shall be deemed to be an export or import as the case may be.

ARTICLE 6.

In the case of French Indo-China, the Administration (1) shall maintain a complete record of all rubber leaving the territory and will establish such control as is necessary for this purpose, and (2) on the happening of the events specified in paragraph (a) below, shall cause the quantities of rubber specified in that paragraph to be delivered to the order of the International Rubber Regulation Committee in accordance with the provisions of paragraph (b) below:—

(a) If in any control year the total quantity of rubber leaving French Indo-China for any part of the world shall exceed 60,000 (of 2,240 English pounds), and the permissible exportable amounts for the territories specified in Article 4 are less than the basic quotas, a quantity of rubber shall be delivered equal to a percentage of the amount by which the total quantity of rubber leaving French Indo-China exceeds 60,000 tons, such percentage being the average percentage of reduction of basic quotas which shall have been applied in that year in the territories specified in Article 4.

(b) The quantities of rubber referred to in paragraph (a) above shall be notified to and agreed with the International Rubber Regulation Committee, and delivered free of cost and all charges at warehouses in the United Kingdom or in France in the form of

London standard quality sheets or London standard quality crepe, to the order of the International Rubber Regulation Committee, within six months after the expiration of the control year in question.

ARTICLE 7.

The International Rubber Regulation Committee may dispose of all rubber delivered in accordance with the provisions of the preceding Article in such manner as it shall deem to be most beneficial to the objects which are envisaged in the provisions of the present Agreement.

ARTICLE 8.

The provisions of Articles 9, 10, 11, 12, 13 and 14 below apply to all the territories specified in Article 1 unless the contrary is expressly stated.

ARTICLE 9.

The exportation of rubber from a territory or group of territories shall be prohibited under penalties that will be effectively deterrent, unless such rubber is accompanied by a certificate of origin duly authenticated by an official duly empowered for this purpose by the Administration of the territory or group. The penalties which may be imposed for this offence shall include (a) the destruction, and (b) the confiscation of the rubber. This Article does not apply to the islands of Singapore and Penang or to such rubber storage places as may be sanctioned by the International Rubber Regulation Committee under Article 5 hereof.

ARTICLE 10.

The importation of rubber into a territory or group of territories shall be prohibited, under penalties that will be effectively deterrent, unless such rubber is accompanied by a certificate of origin duly authenticated by a competent official of the Administration of the territory or group of origin. The penalties which may be imposed for this offence shall include (a) the destruction, and (b) the confiscation of the rubber.

ARTICLE 11.

(a) Every owner of a rubber estate not less than 100 acres in area shall be prohibited under penalties that shall be effectively deterrent from having in his possession at any time stocks of rubber exceeding one-quarter of the amount of the total standard production of that estate for the preceding Control Year.

(b) So far as estates of less than 100 acres and small holdings are concerned, the Governments of each of the territories or group of territories will ensure that the total of the stocks maintained by the owners of these estates and small holdings shall be kept within normal limits.

(c) The total of all other stocks of rubber in the territory shall be limited to a quantity not exceeding 12½ per cent. of its "permissible exportable amount" for the preceding control year.

(d) The preceding provisions of this Article do not apply to India, Burma, the islands of Singapore or Penang, Siam, or to the storage places sanctioned by the International Rubber Regulation Committee under paragraph 4 of Article 5, but in India, Burma and Siam the stocks of rubber shall be limited to normal proportions having regard to the amount of rubber internally consumed.

ARTICLE 12.

(a) Except as provided in the subsequent paragraphs of this Article, the planting of rubber plants during the period of the Regulation shall be prohibited under penalties that shall be effectively deterrent, such penalties including the compulsory eradication and destruction of the plants so planted at the expense of the owner.

(b) New planting shall be permitted during the period the 1st January, 1939, to the 31st December, 1940, in each territory or group of territories on an area not greater than 5 per cent. of the total planted area of that territory or group as specified in paragraph (c) of this Article. The International Rubber Regulation Committee shall have the power to, and may, if it so decides, permit additional new planting, during this period, on an area up to a maximum of 1 per cent. of the total planted area of all territories as specified in paragraph (c) of this Article. The Committee shall have the right to allocate all or part

of this additional area among all or to any of the territories or group of territories specified in paragraph (e) of this Article in such a manner as it deems appropriate.

(c)—(1) New planting shall be permitted after the 31st December, 1940, in each territory or group of territories on areas not greater than the percentages of the total planted area of that territory or group which the International Rubber Regulation Committee shall fix from time to time for such periods as it shall determine. (2) The Committee shall have the power to, and may, if it so decides, permit additional new planting during the period the 1st January, 1941, to the 31st December, 1943, on an area up to a maximum of one-fifth of the area permitted to be new planted under sub-paragraph (1) of this paragraph. The Committee shall have the right to allocate all or part of this additional area among all or to any of the territories or group of territories specified in paragraph (e) of this Article in such a manner as it deems appropriate.

(d) The provisions of paragraphs (b) and (c) of this Article do not apply to Siam. In Siam new planting shall be permitted during the period the 1st January, 1939, to the 31st December, 1943, on a percentage of the total planted area as given in paragraph (e) of this Article equivalent to the highest percentage which may be granted to any other territory or group of territories under paragraphs (b) and (c) of this Article, and in any case on an area not less than 31,000 acres.

(e) The total planted areas of the territories to which this Agreement applies shall for the purposes of this Article be deemed to be as follows :—

	<i>Total planted area. (In acres.)</i>
Straits Settlements, Federated Malay States, Unfederated Malay States and Brunei	3 273,100
Netherlands India	3,214,900
Ceylon	605,200
French Indo-China	314,200
India	128,000
Burma	104,400
State of North Borneo	126,600
Sarawak	228,000
Siam	312,000

(f) New planting rights not used in the period referred to in paragraph (b) above or in any of the periods fixed by the International Rubber Regulation Committee under paragraph (c) shall be automatically cancelled.

(g) "Replanting" shall be permitted unconditionally, but the Committee shall have the power to review the position and limit replanting after the 31st December, 1940, if this should seem advisable.

(h) "Supplying" shall be permitted unconditionally.

(i) The contracting Governments undertake to furnish to the International Rubber Regulation Committee not later than the 1st May of each Control Year accurate statistics showing separately the total areas replanted and new-planted in the preceding Control Year divided into areas planted with bud-grafted rubber, high yielding clonal seed and seedling rubber.

ARTICLE 13.

(a) The exportation from a territory or group of territories of rubber plants shall be prohibited under penalties that shall be effectively deterrent, except to any other territory or group of territories to which this Agreement applies. In the case of territories to which this Agreement applies it is contemplated that except where commercial or administrative considerations in the territory of origin render this undesirable, export of rubber plants should be permitted from any such territory or group of territories to any other such territories or group of territories.

(b) In the case of any such export to other territories to which this Agreement applies, a return showing the amount exported or imported during that Control Year, and the territories to which they were exported or from which they were imported, shall be sent by the Administrations of both the territory of export and the territory of import to the International Rubber Regulation Committee at the end of each Control Year.

ARTICLE 14.

The contracting Governments and the Administrations of the territories or group of territories to which the present Agreement applies will co-operate with each other to prevent smuggling evasions and other abuses of the Regulation.

ARTICLE 15.

(a) An International Committee to be designated "The International Rubber Regulation Committee" shall be constituted as soon as possible.

(b) The said Committee shall be composed of delegations representing the territories or group of territories to which the present Agreement applies, and the numbers of the respective delegations and the numbers of the persons who may be nominated as substitutes to replace members of delegations who are absent shall be as follows:—

	<i>Members.</i>	<i>Substitute Members.</i>
(1) Straits Settlements, Federated Malay States, Unfederated Malay States, Brunei	4	2
(2) Netherlands India	4	2
(3) Ceylon	2	1
(4) French Indo-China	2	1
(5) India	1	1
(6) Burma	1	1
(7) State of North Borneo	1	1
(8) Sarawak	1	1
(9) Siam	1	1

(c) The Government of the United Kingdom shall be informed as soon as possible by the other contracting Governments of the persons first designated as members of delegations representing their respective territories. All subsequent changes in the membership of delegations shall be notified by communications addressed to the Chairman of the Committee.

(d) The Government of the United Kingdom will convoke the first Meeting of the Committee as soon as possible, and may do so when the members of six delegations have been designated.

(e) The principal office of the Committee shall be in London. The Committee shall make such arrangements as may be necessary for office accommodation, and may appoint and pay such officers and staff as may be required. The remuneration and expenses of members of delegations shall be defrayed by the Governments by whom they are designated.

(f) The proceedings of the Committee shall be conducted in English.

(g) The Committee shall at its first meeting elect its Chairman and Vice-Chairman.

(h) The Chairman and Vice-Chairman shall not be members of the same delegation.

(i) Meetings shall be convened by the Chairman, or in his absence by the Vice-Chairman. Not more than three calendar months shall elapse between any two consecutive meetings. An extraordinary meeting shall be convened at any time at the request of any delegation within fourteen days of the receipt of the request by the Chairman.

(j) The Committee shall perform the functions specifically entrusted to it under the subsequent paragraphs of this Article and Articles 3(c), (e), (f), (g) and (i), 4 (c), 5 (4), 6, 7, 12 (c), 17, 18 and 19 of this Agreement, and shall, in addition, collect and publish such statistical information and make such other recommendations to Governments relevant to the subject-matter of this Agreement as may seem desirable, in particular, with reference to the disposal of any rubber which may come into the ownership of any Government as the result of the carrying out of Articles 9 and 10 of this Agreement. The Committee shall do all such other lawful things as may be necessary, incidental or conducive to the carrying out of its functions, and give such publicity to its actions as it may deem necessary or desirable.

(k) Each delegation shall vote as one unit. In case of delegations composed of more than one member, the name of the member entitled to exercise the vote shall be communicated in case of the first meeting to the Government of the United Kingdom and thereafter

to the Chairman of the Committee. The voting member may in case of absence, by communication to the Chairman, nominate another member to act for him.

(l) Each delegation shall possess a number of votes calculated on the basis of one vote for every complete, 1,000 tons of the basic quota of the control year for the time being or the territory or group of territories represented by that delegation, and for the purpose of voting the territory of French Indo-China shall be deemed to have a basic quota of 80,000 tons for each of the control years 1939-43.

(m) The presence of voting members of at least four delegations shall be necessary to constitute a quorum at any meeting: provided that if within an hour of the time appointed for any meeting a quorum as above defined is not present, the meeting may be adjourned by the Chairman to the same day, time and place in the next week, and if at such adjourned meeting a quorum as defined above is not present, those delegations who are present at the adjourned meeting shall constitute a quorum.

(n) Decisions shall be taken by a majority of the votes cast: provided that—

(1) A decision recommending amendments to the present Agreement under paragraph (i) of Article 3, or fixing or varying the permissible exportable percentage of the basic quotas under Article 4, or fixing the percentage of the permissible new planting area, or limiting replanting under Article 12, or varying the rate of the uniform cess under Article 19, or making or modifying or abrogating the rules of procedure, shall require a three-fourths majority of the total votes which could be cast by all the delegations entitled to vote whether such delegations are present or not.

(2) The delegation representing French Indo-China shall only be entitled to participate in any discussion or vote on the permissible exportable percentage of the basic quotas if and so long as exports from this territory exceed 60,000 tons (of 2,240 English pounds) in a control year.

(o) The Committee shall at the beginning of each control year draw up its budget for the forthcoming year. The budget shall show under appropriate headings and in reasonable detail the estimate of the Committee of its expenses for that year. The budget shall be communicated to the contracting Governments and to the Administrations of the territories or group of territories to which the present Agreement applies, and shall show the share of the expenses falling upon each territory or group of territories in accordance with the provisions of Article 16.

As soon as possible after the end of each control year the Committee shall cause to be drawn up and audited by a duly qualified chartered accountant a statement of account showing the money received and expended during such years. The statement of account shall be communicated to the contracting Governments and to the Administrations of all territories or groups of territories to which the present Agreement applies.

(p) The Committee may draw up, put into force, modify or abrogate rules for the conduct of its business and procedure as may from time to time be necessary, provided that its rules of procedure shall be at all times in conformity with the preceding provisions of this Article.

ARTICLE 16.

The expenses of the International Rubber Regulation Committee shall be defrayed by the Administrations of all territories or group of territories to which the present Agreement applies. One-half of the contribution for the whole year of each territory or group of territories, as shown in the budget drawn up by the Committee, shall be paid immediately on receipt of the budget by the contracting Governments, and the balance of such contribution not later than six months after this date. The contribution of each territory or group of territories shall be proportionate to their respective basic quota for the control year to which the budget relates. The basic quotas of French Indo-China for this purpose shall be those specified in Article 15 (l).

ARTICLE 17.

(a) The Administrations of each of the territories or group of territories to which the present Agreement applies shall, not later than the 1st January, 1935, communicate to the International Rubber Regulation Committee a declaration showing the total ascertained area in the territory or group planted with rubber on the 1st June, 1934.

(b) Each Administration will furnish to the International Rubber Regulation Committee all reasonable assistance to enable the Committee properly and efficiently to discharge its duties. Such assistance shall include annual reports on the working of the Regulation in the territory or group of territories and all necessary statistical information, including information as to costs of production collected by

the organised associations of rubber producers. Each Administration shall grant ample facilities to duly accredited agents of the Committee for the investigation of the manner in which the regulation is being carried out in the territory.

ARTICLE 18.

The International Rubber Regulation Committee shall be empowered to, and shall within one month after the date of its first meeting, arrange for the nomination of four persons representative of the consumers of rubber, of whom two shall be representative of such consumers in America, and such representatives shall form a panel who will be invited to tender advice from time to time to the International Rubber Regulation Committee as to world stocks, the fixing and varying of the permissible exportable percentage of the basic quotas, new planting, replanting and cognate matters affecting the interests of rubber consumers.

ARTICLE 19.

(1) As from the 1st October, 1936, a uniform cess shall be levied and collected by the Governments concerned on the net exports from each of the territories or group of territories to which this Agreement applies at the approximate rate of 1d. per 100 lbs., or at such other higher rate as the Governments concerned may decide from time to time on the recommendation of the International Rubber Regulation Committee, provided that: (a) in the case of Singapore and Penang, this provision applies to rubber produced in these territories and included in the permissible exportable amount as defined in paragraph 3 of Article 5; (b) this provision does not apply to exports from Sarawak prior to the 1st January, 1939; (c) in the case of Siam, this provision is not obligatory but may be accepted at any time without retrospective effect by the Government of Siam.

(2) That part of the proceeds of the levy of the above-mentioned cess which comes from British (including India), Dutch and French territories respectively shall be paid to the British Rubber Research Board, the Crisis Rubber Centrale, and by way of subvention to the Institut français du Caoutchouc, and devoted to research with a view to the development of new applications of rubber and to propaganda for the extended use of rubber which may be conducted through national propaganda institutions.

If the Government of Siam decides to levy the above mentioned cess, it may levy it at whatever rate it decides, and the distribution of the proceeds of the levy in Siamese territory shall be left to the decision of the Siamese Government.

(3) The Governments of the French Republic, the United Kingdom and the Kingdom of the Netherlands agree that the national rubber research institutions will co-operate in the constitution and maintenance of an International Rubber Research Board and an International Propaganda Committee to co-ordinate the research and propaganda work of the three national research institutions and the national propaganda institutions.

ARTICLE 20.

(a) If, as the result of a recommendation of the International Rubber Regulation Committee under paragraphs (c) or (i) of Article 3 and the acceptance of such recommendation by the contracting Governments under paragraphs (d) or (f) of that Article, a non-signatory Government is invited to accede to the present Agreement, the Government of the United Kingdom shall communicate to the Government invited to accede a copy of the present Agreement as amended in accordance with all declarations issued under paragraph (e) of Article 3 up to date.

(b) The Government so invited may then accede by the deposit with the Government of the United Kingdom of an instrument of accession accepting this Agreement as set out in the copy thereof communicated by the Government of the United Kingdom.

(c) The Government of the United Kingdom shall communicate to the other contracting Governments and to the International Rubber Regulation Committee copies of the instrument of accession.

ARTICLE 21.

(a) Any contracting Government may at any time, if it considers that its national security is endangered and that the continuance of its obligations under this Agreement would be inconsistent with the requirements of its national security, give notice to the Government of the United Kingdom that it desires the suspension for the period of the emergency of all its rights and obligations under the Agreement (except those set out in

Articles 12 and 13 in regard to new planting and the export of planting material respectively), and all such rights and obligations shall thereupon be suspended until the Government which has given notice in forms the Government of the United Kingdom of the termination of the emergency.

(b) The Government of the United Kingdom shall immediately inform all the other contracting Governments on receipt of any notice of suspension under the first paragraph of this Article, and each of the other contracting Governments shall have the right to notify the Government of the United Kingdom within one month of the receipt of this information that, in the circumstances, it desires to suspend its rights and obligations (other than those set out in Articles 12 and 13).

(c) If notifications of suspension are received under paragraph (b) from two or more contracting Governments, the Agreement shall be suspended (except for Articles 12 and 13) in respect of all contracting Governments until the suspension is terminated by the Government which first gave notice under paragraph (a). Otherwise the Agreement will remain in full force between the contracting Governments who have not given notice of suspension.

ARTICLE 22.

All declarations drawn up by the Government of the United Kingdom certifying the terms of a recommendation under Article 3 (c), and all copies of the present Agreement communicated by the Government of the United Kingdom under Article 20 (a), shall be in English and French, both texts being equally authentic.

CENTRAL GOVERNMENT APPROPRIATION ACCOUNTS (CIVIL) 1937-38 AND THE AUDIT REPORT, 1939, ETC.

THE HONOURABLE SIR ALAN LLOYD: Sir, I lay on the table copies* of—

- (1) Central Government Appropriation Accounts (Civil) 1937-38 and the Audit Report, 1939.
- (2) Central Government Commercial Appendix to the Appropriation Accounts (Civil) 1937-38 and the Audit Report, 1939.
- (3) Central Government Appropriation Accounts (Posts and Telegraphs) 1937-38 and the Audit Report, 1938.

INDIAN TARIFF (SECOND AMENDMENT) BILL.

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

“That the Bill to provide for the continuance for a further period of the protection conferred on the sugar industry in British India, as passed by the Legislative Assembly be taken into consideration.”

Sir, the delay in giving effect to the Tariff Board's main recommendations has been the subject of criticism. I may remind the Council that when Government brought forward temporary legislation last year, the inevitability of that action was accepted both in the Assembly and here, and the Bill was passed almost without discussion. The same situation has arisen this year in regard to the Tariff Board Report on Silk, and both Houses have taken the same reasonable view.

This Tariff Board's recommendations are largely out of date. There have been suggestions that this is Government's own fault, though, as I have just said, the Legislature, quite correctly in my opinion, has associated itself with the responsibility for the delay. But it is argued that it has been unfair to make the sugar industry suffer for the delay which we have caused. It is worth while analysing this complaint a little. Those who make it do not deny that the figures on which the Board have based their recommendations are, as

* Placed in the Library of the House.

a matter of fact, out of date. Nor do I think it can be denied that the circumstances which have rendered them out of date are not due to any action of the Central Government they would have occurred even if Government had given effect to the recommendations of the Board by continuing the present rate of duty of protection for another seven years. These conditions have been radically altered by the action of Provincial Governments in raising the price of cane and imposing an elaborate control over the industry, and by their imposition of an additional cess on the industry. In effect, therefore, the delay has saved Government from basing a long term policy on conditions that have been shown not to be permanent, and, in the circumstances, the only reasonable thing, both in the interests of the industry and the consumer, is to continue the protection for a short period and to hold a further inquiry when conditions in the industry have become more stable.

Now, coming to the merits of the Bill, I am in some difficulty, because I do not know what is the case which I have to meet. I admit that, personally, I expected that Government's proposal for a slight reduction in the rate of production would be met with a howl from the industry, but, as Honourable Members are aware, there has been hardly so much as a squeak. I think it must be taken that the industry itself realises that the statistical examination by the Board of the position is unsatisfactory. The Board have inflated their estimate of the fair selling price in various ways. I will just mention some of them. They have assumed a recovery rate which is admittedly too low for a reasonably efficient factory. They have taken manufacturing charges at a rate which is higher than the actuals in a normal year. They have made what Government think are unjustifiable allowances for extra fuel, and for a more efficient staff. One would naturally expect the more efficient staff to result in benefit rather than extra expense to the industry. They have made excessive allowance for profit: ten per cent. coming to an income-tax free rate of about six per cent., certainly is high in present conditions. They have increased the adjustment for quality, although they themselves have shown that there has been an improvement in the quality of Indian sugar; and their costings are based contrary to the method adopted by previous Tariff Boards, on recent conditions, instead of averaging them out over the period of protection. And then conversely, the figure at which they have assumed that Java sugar may be imported into this country is obviously too low.

THE HONOURABLE MR. HOSSAIN IMAM: What is the current price?

THE HONOURABLE MR. H. DOW: The price that the Tariff Board have suggested is I think Rs. 2-7-0, while the actuals for the last year have been in the neighbourhood of Rs. 4. You will find the figures set out in the Resolution which Government have issued.

Well, I think that what I have said is at any rate sufficient to justify the small reduction which Government have made in the duty. It is not so easy for me to meet the criticism that a larger reduction ought to have been made. But I think it will be admitted that to leave the industry with insufficient protection would have been a more serious fault than to give it too much. And in the present unstable conditions, and in view of the unsatisfactory statistical examination made by the Board, it has seemed advisable to Government to leave a generous margin. That, Sir, I think is all I need say at this stage. I move.

THE HONOURABLE MR. RAMADAS PANTULU (Madras: Non-Muhamadan): Sir, I rise to support this Motion. In doing so I must repeat the

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complaint made both inside the House and outside about the delay in taking action on the Report of the Tariff Board. I quite appreciate the point of view put forward by Mr. Dow the other day that it would be inadvisable to publish a Tariff Board's Report much in advance of the announcement of the Government's action. But I do not find sufficient justification for the Government taking nearly a year and half over a Report which was submitted to them in December, 1937.

Sir, while there is very general satisfaction with the policy of discriminating protection adopted by the Government of India in regard to sugar, which has enabled India to produce all the sugar wanted for internal consumption and practically stopped the import of foreign sugar, there is not the same satisfaction with regard to the attitude of the Government towards the industry in general. Government's policy has been one of vacillation, indecision and of an arbitrary character. Sir, since 1932 when the revenue duties were converted into protective duties, numerous changes have been made at short intervals without adequate notice. We started in 1932 with a protective duty of Rs. 7-4-0 per cwt. with a revenue surcharge of Rs. 1-13-0, bringing it up to Rs. 9-1-0 per cwt. In April, 1934 the protective duty was raised to Rs. 8-12-0 per cwt. with an addition of Rs. 1-5-0 to counteract the excise duty imposed at that time. So protection was kept at the level of Rs. 9-1-0 per cwt. Soon afterwards, in February, 1937, the excise duty was raised by 11 annas so as to bring it up to Rs. 2 per cwt., and while the protective duty was reduced to Rs. 7-4-0 and Rs. 2 was added to equalise the excise duty, and the total of protection was thus raised to Rs. 9-4-0; that is, it was more than what it was till then. Sir, the proposal of Government of February, 1937 to add 11 annas to the excise duty was voted down by the Legislative Assembly but it was certified as usual by the Governor General. Thus the policy of Government was very unsatisfactory. They did not exactly pursue a policy which would inspire confidence in the industry and eliminate uncertainty and dislocation. Though the protection has on the whole helped the industry to develop, in fact in a measure more than was expected of it, still there has been considerable dislocation in the industry as is evident from the opinions of two of the Provincial Governments and the industry. Sir, the fluctuation in the prices may have been due not merely to the changes in the excise duty and the protection but to other causes as well. But that the frequent changes made by the Government in the incidence of protection had also a great deal to do with the dislocation of the sugar market cannot be doubted. Sir, the Tariff Board deals at length with this question and I do not wish to go at any length into it. The Tariff Board's arguments are convincing to my mind. Sir, for instance, in one portion of the Report they say :

"The situation arising from the enhancement of the sugar excise duty and the consequent loss likely to be caused to the cultivators of sugarcane was brought to the notice of the Central Government in March, 1937, and later a further representation was made on the subject. In the United Provinces and Bihar which are responsible for 83 per cent. of the total output, the burden of the new duty was passed on for the most part to the cultivator. According to our estimate the difference between what the cultivators in these provinces might have received for their supply of cane to factories in March, April and May, 1937, at price prevailing before the month of March and what they actually received is about 40 lakhs of rupees".

That is the amount of loss. Then, Sir, at page 160 they say :

"Actually the enhanced excise duty has affected the cultivator, the manufacturer and the factory employee. At the level of prices prevailing since November, 1936, the amount of excise duty bears as high a proportion as 24 per cent. to the price realised.

The excise enhancement of 1937 forced employers to reduce their staff and to cut down salaries. From our examination of balance sheets we find that many factories incurred losses in 1936-37 and some of those who have made a profit have done so largely at the expense of the cultivator".

And they proceed to quote the opinions of the Provincial Governments of the United Provinces and Bihar. Sir, it is true that conditions have changed, the market has again improved and factories have once more begun to work at a profit. But the Government can claim no credit for it. My point is that the policy of vacillation and indecision has considerably dislocated the market and created a feeling of uncertainty in the minds of the various interests who are engaged in the industry.

Sir, the Government's action in entering into the International Sugar Agreement is another instance of their unsatisfactory attitude towards the sugar industry in this country. They have by that Agreement precluded India from exporting sugar by sea and at the same time have agreed to make India a free market to the extent of 50,000 tons for imported sugar. This Agreement formed the subject of a full dress debate in this House and we do not wish to repeat what we said on that occasion. I only wish to refer to the fact that in the other House the Commerce Member tried to justify the Agreement on the ground that if internal prices of sugar are as high as they are in India today, there could be no ground for complaint that India was excluded from the export market. We have answered that point very fully when we discussed the International Sugar Agreement in this House. Countries whose internal prices are higher and countries which enjoy protection both by subsidies and tariffs on a higher scale than India, have been assigned export quotas while India was denied, and the most surprising thing is that while India is denied the right to export by sea and is able to produce all the sugar required for internal consumption, she is to be on the free market to the extent of 50,000 tons. Sir, the Sugar Tariff Board has rightly criticised this policy. At page 89, they say :

"Under the terms of the recent International Sugar Agreement India is debarred from exporting sugar by sea except to Burma. The question of the export of sugar to Burma and the possibilities of developing any export trade by land are dealt with elsewhere".

They are not very bright.

"On the other hand, India has been included in the 'Free market' to the extent of 50,000 tons. It appears to us somewhat anomalous that India should be debarred from exporting sugar and at the same time be a 'Free market' for imports when its internal production is already equal to consumption".

There are certain other similar passages which have apparently wounded the *amour propre* of the Government of India. I can find evidence of anger in their Resolution, commenting on the Report of the Tariff Board. It is due to one or two passages like this in the Report.

THE HONOURABLE MR. HOSSAIN IMAM : What about this year ?

THE HONOURABLE MR. RAMADAS PANTULU : My friend Mr. Hossain Imam asks me, "What about this year ?" He means there is a shortage of production this year in the country and that there is a prospect of imported sugar coming into this country ; but that certainly did not weigh with the Government of India in signing the International Agreement in 1937 and that is not a correct reason for signing the Agreement. I do not think that at the time when the Agreement was discussed in this House in 1937 even the Government Members tried to justify it on the ground that in the year 1939 there would be a shortage of sugar. That was not the ground on which it was justified.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Even Mr. Hossain Imam did not justify it !

THE HONOURABLE MR. RAMADAS PANTULU : He has become wise after the event. I am referring to these things to show that the policy of the Government on the whole has not been one of consistency and fairness. I hope that in future they will take a more firm attitude. But I am not inspired with any feeling of confidence even as regards the future on account of the report I read of the speech of the Commerce Member in the other House. He said that the industry as a matter of fact enjoyed protection at a higher level than it would have had if Government had come to decisions last year on its merits. A very ominous statement to make. In other words he said that if the Government had dealt with the Report earlier and had not delayed considering it and had not extended the old protection for one year up to 31st March, 1939 and given a slightly lower protection for another two years as an interim measure but dealt with the question on the merits, probably even last year the duty would have been further reduced. Then he is reported to have said that now the industry would continue to enjoy protection for the next two years at a level higher than that which it is likely to get as a result of the future inquiry to be held in 1940. There is thus another warning that in 1941 even this protection would be further reduced. He adds that the decrease now made in the import duty is not made on merits, but as an interim measure. These are sufficiently ominous statements to show that the future policy of the Government of India is going to be as vacillating, as uncertain, as it was in the past. This is exactly what I object to. I am not saying that if as a result of an inquiry there is a case for reduction of protection that it should not be reduced under any circumstances. All I am saying is that there must be some certainty in the next five years after 1940-41. We have got now a measure which will be in force till March, 1941, but there are still five years of protection ahead and it is but right that the industry should know the attitude of the Government of India towards the programme of protection in future and it should not be left in such glorious uncertainty and doubt. Sir, the delay in dealing with the Report, Mr. Dow says, has not resulted in any prejudice to the industry ; but on the other hand it has really resulted in some benefit to it. I am myself connected with a sugar factory and I know its working fairly intimately. Before the 28th of February this year large stocks were taken out of factories and put on the market or in some secret godowns in order to evade what they thought was in store for them—an enhanced excise duty. In a factory with which I am connected, some quantities of sugar have been withdrawn from the factory godowns and put in various other places, so we are hunting to find out the stocks. So you cannot say there has been no prejudice by the delay because people were resorting to all sorts of things not knowing what the Government were going to do.

THE HONOURABLE MR. HOSSAIN IMAM : That is evasion.

THE HONOURABLE MR. RAMADAS PANTULU : Yes, it is evasion. I am not justifying it. But such things would not happen if we knew in proper time the Government's decision.

Sir, in stating what I have done in regard to the past policy of the Government, I am pleading in regard to the future that there should be a more steady and settled policy. The consequences of a change in policy now are more serious than they were at the beginning of the inauguration of protection because at that time we hardly made a lakh out of 9 or 10 lakhs of tons of sugar

consumed by us. We imported most of it. Now, Sir, India is producing most of the sugar it wants and if Indian sugar is displaced by foreign sugar, both the cultivator and the manufacturer and the employee will be ruined. The consequences will be much more serious now than they were before the inauguration of the policy of protection. Therefore, Sir, I am pleading that the policy to be pursued from now for the next seven years should be definite and more settled.

Sir, I will say a word about *khandsari* sugar. Though it does not appear in this Bill it has appeared in the Finance Bill. With regard to this *khandsari* sugar also which is a cottage industry (we are just beginning to manufacture it in Madras), the policy of Government has been very vacillating. We started, Sir, in 1934 with an excise of duty 10 annas on concerns employing 20 or more men. Then on the 27th February, 1937 they raised it to Rs. 1-5-0 per cwt., and subsequently reduced it to rupee one with retrospective effect. In the Finance Bill of this year, they have changed the definition of factory so as to apply it to concerns using any mechanical power in the process while bringing all such concerns under this duty whatever the number of persons employed. They have reduced the duty to 8 annas, in the case of all concerns to which the duty applies. Sir, this is a very unsatisfactory way of dealing with a cottage industry. I attach great importance to the future development of cottage industries in this country alongside the organised factory industry. I am sorry to say that the attitude of the organised factory industry with regard to this cottage sugar industry is very unsympathetic. Sir, I think every Member of this House is supplied with a pamphlet on behalf of the Indian Sugar Mills Association, drawn up by Mr. M. P. Gandhi, the great expert on sugar. In this pamphlet he pleads for all *khandsari* sugar, not only that produced by mechanical processes but also by hand processes, to be subjected to the excise duty. The Finance Member said that the agriculturist would not be hit by his proposal and only those people who use mechanical power would be hit. But Mr. Gandhi says that *khandsari* sugar produced in the cottages by hand-turned centrifugals is competing with the Indian sugar mill industry and therefore he says that it should all be taxed. Sir, what he says is :

"The Syndicate therefore suggested that if the Government of India wished to obtain revenue to the extent of Rs. 5½ lakhs from this source as was estimated in the Budget, the word 'power' should further be defined so as to cover both electrical, steam and hand power employed for driving centrifugal or other machines employed for the purpose of manufacture of *khandsari* sugar. It was only in that case that the legitimate complaint of the cane-crushing sugar mills of unfair competition referred to by the Honourable Finance Member could be met to some extent".

THE HONOURABLE THE PRESIDENT : That question is not before us now.

THE HONOURABLE MR. RAMADAS PANTULU : True, Sir. But I am referring to it because the attitude of the organised factory industry to which we seek to give adequate protection by this Bill is hostile to the cottage industry and the agriculturists. Mr. Gandhi also regrets that the United Provinces and Bihar Governments should have fixed the price at a very high level. It is eight annas per maund with the cess I think.

THE HONOURABLE MR. HOSSAIN IMAM : It is not eight annas.

THE HONOURABLE MR. RAMADAS PANTULU : I am referring to these facts to show that the Government should not be influenced by the plea of the

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factory sugar industry and that they should protect both the cottage industry of *khandeeri* sugar and the agriculturist, that is, the cane-grower.

Sir, Mr. Dow has tried to justify the present decision of the Government to reduce the protection by eight annas by criticising the data of the Tariff Board. While we do not quarrel with him on the conclusion that the reduction of eight annas will not injure the industry and that it will be left to enjoy adequate protection still I must say something about his criticism of the Tariff Board's figures. First of all, he says that the assumption of a recovery of 9·5 per cent. is too low. That is not my experience and I think the Tariff Board has given ample statistical data to show that a 9·5 per cent. recovery was, and still is in my opinion, a reasonable assumption. I personally have seen the working of several factories both in the United Provinces and Bihar and in other parts of India, and I think a 9·5 per cent. recovery is if at all a high assumption and not a low assumption. Mr. Dow again says that the cost of manufacture was estimated at an unduly high figure. It is a criticism of a general character. It depends upon local conditions. I do not think the Tariff Board estimated the cost of manufacture at an unduly high figure. The difficulty for the Tariff Board in giving general figures is that they have to give all-India average figures. This Tariff Board has taken into consideration a 500 ton factory, working for 130 days a year and having a recovery of 9·5 per cent. and deriving its working capital at an interest of 5 per cent. If these assumptions are correct, I think the figures of manufacturing costs are correct. It is true that owing to circumstances that have happened subsequent to the Report, some of the data are out of date and therefore the reduction of annas eight per cwt. in protective duty would not affect the industry; but the calculations made by the Board at the time of the inquiry still hold and I contend that they are correct and the criticism of the Government if applied to the data which were collected at the time is not well-founded. Sir, when it comes to profit, I agree as a co-operator that 10 per cent. is too high. Anything more than 6 per cent. dividend on the capital would, I think, be most unreasonable in a modern industry.

Sir, my real complaint against the Resolution of the Government of India on the Tariff Board's Report is that they have too lightly brushed aside the constructive proposals of the Tariff Board in regard to the rationalisation of the industry in future. I think the recommendations are relevant. Nobody in India wants that protection should be continued indefinitely. Everybody wants to see that the necessity for protection is done away with at least by the end of the 15 years, if not earlier. So, it is the legitimate duty of a Tariff Board inquiring into a matter like this to make constructive and helpful suggestions in regard to the future rationalisation of the industry. Government should have at least stated that they would consider these recommendations on the merits and would take necessary action in due course. Instead of that, they have made certain adverse remarks which in my humble opinion are not called for. Sir, protection for this industry stands on a somewhat different footing to the protection given to other industries. I think even Mr. Hossain Imam cannot deny that the consumer of sugar in this country has not been unduly taxed by the protection given to the sugar industry, because the consumer pays if at all something less than what he used to pay in the pre-protection period for the sugar consumed by him. The foreign importers of sugar have exploited the consumer much more than the manufacturers of sugar in India today do. It is a conclusion about which there

can be hardly any doubt. That is one relieving feature in this protection. I shall refer to one passage in the Report on page 125. They say :

“ There remains to be considered the results of the policy of discriminating protection from the consumer's point of view ”.

Then they give some figures and proceed to say :

“ The price of imported sugar has remained above the level of 1930-31 as was to be expected, but from the point of view of the ordinary consumer this is a matter of small importance, because Indian sugar is available in sufficient quantities. The ordinary consumer has, so far, no cause of complaint against the policy of protection and indeed every reason to be satisfied. Even if in consequence of a rise in the cost of manufacture due to an increase in the cost of raw material, the selling price of sugar is raised, it seems improbable that the consumer will have to pay more than he did before the advent of protection ”.

In the Summary of Recommendations, they say :

“ The consumer has every reason to be satisfied with the policy of protection. He is paying less for sugar than he paid before the advent of protection. The price of sugar in India is today cheaper than in any country in the world except Cuba, Java and Brazil ”.

That is one factor. Another factor is that the protection has its counter-vailing advantages in many other directions. The Indian Sugar Mills Association and two other Associations pointed out in their joint memorandum to Government that certain factors should be set against decline in import revenue due to protection. There is increased customs duty on sugar machinery, increased income-tax and super-tax, not only from the factories but also from their staff and other trades supplying materials to the sugar industry and increased revenue to Indian railways besides employment to workers and benefits to cane growers. These are some of the counter-advantages which have accrued from development of the Indian sugar industry by protection. Therefore, sugar protection stands on a very different footing from protection given to various other industries, and therefore it deserves Government's sympathetic consideration.

With regard to the proposals for rationalisation, I must state that the Report of the Tariff Board is not very complimentary to the Indian sugar industry in this country. They point out that the treatment given to cane growers is unfair and also that the treatment given to the employees—the wage earners and both technical and non-technical staff—is unfair. I do not wish to deal with these questions at any great length. With regard to the treatment given to cane growers I would refer to a passage on page 42 where they say :

“ Not many factories realise their responsibilities toward the cane grower and to so organise their cane supply as to reduce to a minimum the opportunities for malpractices by their agents and subordinates ”.

They then quote a number of complaints and say—

THE HONOURABLE THE PRESIDENT: This is all of academic interest at present.

THE HONOURABLE MR. RAMADAS PANTULU— that is a point to be considered for the industry cannot be rationalised and stabilised unless we take action on these matters. They also point out that the wage earners have not been properly treated. That is stated on pages 76 and 77. I am content with merely giving the reference. With regard to labour, they say

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that the wages paid have been low. They proceed to substantiate the complaint. They also say that there is no organisation of markets nor is there an organisation of the production of cane. The Tariff Board point out various other defects in the industry. These are matters that Government should inquire into in order to rationalise the industry and stabilise it and make it more efficient so that the protection may be withdrawn as soon as possible. The Tariff Board's recommendations with regard to research and utilisation of molasses for converting it into power alcohol are all recommendations which will improve the economic condition of the industry. It is therefore a matter of regret to me that the Government's Resolution does not show sufficient appreciation of the recommendations in regard to rationalisation. I hope and trust that Government will take more time to examine this Report in a more sympathetic manner, so that the industry may become more efficient and enabled to do away with protection as early as possible. As regard interference by the State with the industry, I am not now asking for legislation. I am asking for certain kinds of executive action to be taken. Even with regard to legislation, I think the Tariff Board have given sufficient reasons for increased State control by legislation over the industry. I am in entire agreement with their proposals in regard to increased State control. It will no doubt mean more interference with a private industry. But I think the time has come for us to realise that increased interference, when there should be increased interference with the internal management of an industry, and greater State control over organised industries, will be appreciated and not objected to by the general taxpayer in this country. Even that aspect will, I hope, receive due consideration from the Government of India.

With these words, Sir, I support the Motion.

THE HONOURABLE MR. M. N. DALAL (Bombay: Non-Muhammadan): Mr. President, the present Tariff Bill seeks to reduce the protection given to the sugar industry by 8 annas per cwt. This would work out to a reduction of 7 per cent. as compared to the existing import duty on that article. When the prospects of the sugar industry were first properly investigated, a settled policy of Government was declared to assure protection to that industry for 15 years, from 1931. This was calculated on the basis of the prices of Java sugar then prevailing, and the cost to the Indian sugar manufacturer of putting on the market in India a competing article. At that time, this duty was just sufficient to protect the Indian industry against all ordinary danger of competition, and this duty has been frequently revised from 1931 to 1937 to suit new conditions.

During this period, the total Indian production has grown from 350 thousand tons in 1930-31 to 1,254 thousand tons in 1936-37, while the imports have fallen from about 808·7 thousand tons in 1930-31 to 22 thousand tons only, in 1936-37. Even so, the *per capita* consumption in India is not more than 6·5 lbs. per head per annum, as against 123·3 lbs. per head per annum in Denmark, 121·3 lbs. per head per annum in New Zealand, and 105·4 lbs. per head per annum in Great Britain. This shows the vast field still open to the Indian sugar grower and manufacturer, for expansion in the Indian market alone without any export trade which is denied to us under the International Sugar Convention, 1937. Any great reduction of the import duty at this stage will handicap and arrest needlessly a further expansion of our sugar industry without any corresponding benefit to the Indian consumer or the Indian exchequer. Rather than have an increased duty on raw cotton,

as proposed in this year's Finance Bill, I would keep the sugar import duty as it is, since we are already used to that burden and therefore do not feel it.

It is also open to argument whether the sugar manufacturer has not been unduly handicapped by the device of an excise duty on sugar produced within the country. Excise duty on home industry is, I submit, bad in principle and unless there is some specially strong case in favour of such a duty, I would in general always oppose it. Again, the Government allow only 1 anna per cwt. for sugar research from the excise duty, although the latest Tariff Board suggests 3 annas per cwt. It is impossible for an industry to progress unfettered without adequate research work.

The sugar industry is one of the few recently developed industries in this country which has succeeded in fulfilling all the promise that those who investigated the prospects of that industry hoped for, and has thereby justified the present protection given to it. A very considerable amount of Indian capital is invested in this industry and employment is also provided for a very large number of workers in the new sugar factories apart from a large commercial and profitable crop, growing rapidly in volume, to the sugar cultivator. Some indeed think that the sugar industry in India has grown too rapidly to be really a healthy plant, and that the remarkable rise in the capital value of these concerns is an ominous index, which those who think of the health of our body politic would do well to study carefully. But on the whole these are very creditable results, and I venture to submit that those who have pioneered the industry in its early stages, really deserve the measure of protection which ensures them reasonable and undisturbed command of the Indian market.

One would therefore be inclined to look askance at this proposal of reducing the margin of protection available to the Indian sugar industry. But in as much as the industry has already taken root, and achieved a position in which it may well be presumed to have some strength of its own to dispense with a very small portion of such heavy protection, I would support the Bill in the interests of the consumers and as an earnest desire to see that the capital interest does not unduly monopolise public attention.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan): Sir, I desire to give my support to the Bill which has been moved by the Honourable Mr. Dow. I am not going to criticise the quantum of protection that is going to be given to the sugar industry. The industry has accepted more or less the reduction in the quantum of protection proposed by the Bill and I am satisfied that the reduction will do the industry no harm. Therefore it will be clear that I am in favour of the Bill. It is I think a right principle—and I am always, as Mr. Dow would say, looking at questions from the point of view of principles—that an industry should get no more protection than would enable it to compete successfully with the imported article in the home market. The need for ensuring that the consumer is not made to pay more than what is absolutely necessary is greater and not less in a poverty-stricken country like India. Even though we ardently desire industrialisation we cannot be blind protectionists, and I for one am not disposed to raise any objection to the reduction of duty on an article which is consumed by all classes and particularly the lower middle classes which have a difficult time, I say the lower middle classes particularly because our working classes generally use *gur* instead of sugar.

There is, however, one aspect of the procedure adopted by the Government on which I should like to say a few words. I think there is something

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if I may put it very bluntly, radically wrong with the machinery of the Government of India in dealing with the Reports of Tariff Boards. Just let us consider the position. Mr. Dow has tried to explain the delay in this particular case and I will just try and show that it is not only in this particular case that there has been delay. It is now the normal thing to delay action on the Report of a Tariff Board. The Report of the Tariff Board was in the hands of the Government nearly 15 months ago. Now, I quite agree that the Report could not be published much in advance of the action proposed to be taken on it. But why was there so much delay in arriving at decisions in regard to the Tariff Board's recommendations? Now, Sir, this is not an isolated instance of delay in dealing with Tariff Board Reports. It will be within the recollection of the House that the Report of the Tariff Board on the Glass Industry was published three years after its submission to Government and action to be taken on it was announced nearly three years after its submission. The Tariff Board's Report on Paper and Magnesium Chloride were in the hands of Government on the 7th May, 1938 and was published 11 months after submission. A sound fiscal policy, Sir, should be based on the principle that there should be no inordinate delay in dealing with these reports. Why is it not possible to deal with Reports of Tariff Boards expeditiously? What is the use, one might ask, of this highly paid and well staffed Secretariat if it cannot deal expeditiously with questions of tariff policy? If an industry requires protection then it requires it urgently. Anything might happen in 11 months and in two or three years. If you delay consideration the industry suffers. Procedure like this leads to uncertainty and instability in the industry. Tariff Board Reports are dealt with much more expeditiously in other countries. They were intended to be so dealt with in this country also. What would happen to a responsible government, for example, in Australia or in Canada or South Africa, if it allowed a report to become out of date before taking action on it? In this particular case the consumer has got a complaint against the Honourable Mr. Dow because the industry has been allowed to enjoy a greater measure of protection than Government think it fair and just; and the consumer has had to pay more for protecting this industry than he need have paid.

THE HONOURABLE MR. RAMADAS PANIULU : He need not pay.

THE HONOURABLE MR. P. N. SAPRU : As the industry has accepted the reduction, we have been paying during the last year annas 8 more than we need have paid. Therefore the consumer has paid more than he need have paid for protecting this industry. Then, I do not understand why it has become fashionable to have inquiries at short intervals. We are having interminable Tariff Board inquiries. You give protection for a year, then you have an inquiry in the second year. We are going to have an inquiry in 1940. The present measure is only for two years. Why have an inquiry so soon after fixing the quantum of protection? Sir, the question that I would like Mr. Dow to consider is this. Are these inquiries, interminable inquiries, likely to ensure confidence in the investing public and in the policy that the Government is pursuing? What is going to be the psychological reaction of a policy like this on the industry concerned and on the investing public? Sir, in the case of the sugar industry there may be special reasons and they have been explained in the Government Resolution which may justify an inquiry after two years, but the point is

that this is becoming the normal thing with the Government of India and I seriously suggest that the machinery which deals with the Tariff Board Report requires overhauling; change in procedure is essential.

Now, Sir, I should like, with your permission, to say a few words on the general re-organisation of the industry. Protection has justified itself, but it has created some new problems. As consumers we are entitled to insist that there is a fair division of profits in an industry between the capitalists and the technical and unskilled staff. Now, sir, at page 76 the Board deal with the question of salaries and wages and they deal with the question of the technical staff and they point out :

" Our attention has been drawn to the fact that many mills employ the greater part of their staff only temporarily for the working season ".

They point out that in Java the staff is employed more permanently and then they wind up by saying :

" We have no doubt that fair treatment in the matter of employment would lead to greater efficiency ".

THE HONOURABLE THE PRESIDENT : It is for factory owners, not for Government.

THE HONOURABLE MR. P. N. SAPRU : I should like the Government to draw the attention of the Provincial Governments to the relevant paragraphs in the Report of the Tariff Board, and as we are being made to pay for protecting this industry we are entitled to see that those who are employed by the industry get a fair deal.

THE HONOURABLE THE PRESIDENT : I am quite sure that the factories will do it all right.

THE HONOURABLE MR. P. N. SAPRU : They have made a concrete suggestion :

" An annual hunt for staff and unseemly haggle for salaries every season reflects little credit on an organised industry. We feel strongly on this subject and we would suggest legislation on the lines of the British Sugar Reorganisation Act which determines the principle upon which the beet sugar manufacturer in the United Kingdom shall pay wages to his factory employees. We realise that our proposals involve some additional expenditure under the head ' Salaries and Wages ' but we have taken this point into consideration in estimating the cost of manufacture ".

This is in regard to the technical staff. They further point out that so far as non-technical staff is concerned, it is in many places under-paid. To quote from the Report :

" In regard to labour, we have been informed that wages paid in factories are often low ".

And then they suggest that there should be a minimum wage fixed and they have suggested the not very extravagant figure of Rs. 10 as a minimum wage.

" We consider that the minimum wage should be not less than Rs. 10 and have made provision accordingly ".

Then, Sir, on pages 151, 152 and 153 they deal with the condition under which the factory workers have got to live and they deal also with welfare work and all those problems. At page 151 they say :

" For example, complaints have been made that the hours of work are longer than those permitted by the Factory Act and that in certain factories labourers after doing their full work during a shift are put on to additional duties such as loading or unloading

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of wagons, etc. There is also a general complaint from skilled labour that, in their case, there are, in practice, only two shifts a day of 12 hours each and that they are not paid overtime for the extra hours worked ”.

Then, Sir, they deal with the conditions of employment and they say at page 152 :

“ Factory surroundings and sanitation at present are not always satisfactory and it is to be regretted that inspection of factories is not as regular as it should be. We are informed that for want of adequate staff factories in the United Provinces are inspected only once a year and sometimes less often ”.

Then they point out :

“ The arrangements for recreation, however, are not so satisfactory ”.

Finally they say :

“ On the whole, it cannot be said that factories have paid sufficient attention to welfare work ”.

Now, Sir, we have been paying for protection so far as this industry is concerned and we are entitled to ask our employers to see that conditions are righted, that the employees, technical and non-technical staff, both, get a fair deal. That is not an unreasonable request.

THE HONOURABLE THE PRESIDENT : We have three more Bills to dispose of.

THE HONOURABLE MR. P. N. SAPRU : Those Bills will not take much time.

The object of the protection is to benefit the whole community and I hope that Government will keep this point of view constantly in mind. Another point to which I should like to make a reference is the question of the manufacture of power alcohol from molasses and that has been dealt with at page 120. I am not suggesting that protection should be given without adequate consideration to a by-industry, but I think a serious effort should be made to have this important by-industry established and some research work might usefully be done in regard to the possibility of establishing this industry in India. Sir, a big question to which reference was made by the Honourable Mr. Pantulu is that of the rationalisation of the industry. The Honourable Mr. Pantulu stated that Government had ruled out rationalisation. I do not read, Sir, the Government Resolution in that way. Sir, the Government Resolution ends like this :

“ It was outside the scope of the Board's inquiry to propound the adoption of a policy of manipulating the excise duty so as to protect the industry against the results of over-production and uncontrolled competition within this country ”.

They were dealing with the question of the excise duty and they rejected the Board's view against that particular method for controlling over-production and uncontrolled competition. They have not ruled out, as far as I can see, rationalisation.

THE HONOURABLE MR. RAMADAS PANTULU : I did not say “ ruled out ”. I said “ brushed aside ”.

THE HONOURABLE MR. P. N. SAPRU : What I regret to find is that the Resolution has nothing to say about this suggestion which the Board has

made about the rationalisation of the industry. I may say, Sir, that my own inclination is always in favour, where necessary and desirable, of greater State intervention in the economic processes of the community. And I think, Sir, that the suggestion of the Tariff Board that an all-India conference should be convened to consider the question of rationalisation is one which deserves consideration.

Then, Sir, there is just one other question on which I should like to say a few words before I close, and that is that the Tariff Board point out that—

“ Attempts to organise zones of operation on a voluntary basis have met with only limited success. In some areas factories have entered into private arrangements, known as boundary arrangements, not to encroach on one another's areas of supply, but every scheme for a general organisation of zones has broken down owing to the refusal of some factories to co-operate. Legislation will, in our opinion, be necessary for the regulation of zones and the licensing of factories and also for the creation of statutory bodies to carry out the purposes in view ”.

Now, Sir, I should like to know what the attitude of the Government is in regard to this particular recommendation of the Board. Sir, I have said almost everything that I intended to say and I would close by saying that I give my support to the measure moved by the Honourable Mr. Dow.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhamadan) : Mr. President, I wish to congratulate the Government on having this year turned over a new leaf. In all the three tariff measures that came before this House, the Government have reduced the duty proposed by the Tariff Boards. This means that the Government is now realising that it has a responsibility towards the consumers. The fact, as has been pointed out by Mr. Dow himself, that there has been no howl against this is proof that even the industry is reconciling itself to the realities of the situation. The capitalists had too long everything their own way ; and now people are realising that there is a third party too, the consumer—though it may be dumb is a greater power than the industrialists. Sir, formerly it used to be the case that the Tariff Board's findings were regarded by the general public as something sacrosanct which could not be touched. But today the Leader of the Congress Party has indicated that those days are gone. I remember, Sir, when as a new Member in this House I had occasion to attack former Tariff Board's proposals, my friends used to be horrified. This year the Honourable Secretary has, not specifically but generally, indicated the lines where he thinks—and I think he rightly thinks—the Tariff Board has erred. He counted four items in which according to him the Tariff Board has been generous towards the industries : taking low recovery, high manufacturing cost, undue salary allowance, and profits. To this I can add two more. He referred, Sir, to the price of Java sugar being low but that is on the other side of the picture. I am not comparing the cost of the competing article. But to his four items, I can add two more. Sir, firstly, the Tariff Board has increased the allowance for quality from 4 annas a maund to 5 annas.

THE HONOURABLE MR. H. DOW : I mentioned that.

THE HONOURABLE MR. HOSSAIN IMAM : And secondly, Sir, the allowance for freight loss is too high. The Tariff Board came to the conclusion that nearly half the product is consumed within a radius of 200 miles of the

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factories where they enjoy an advantage over the competing article and it is only 50 per cent. of the produce which has to be moved to a greater distance. The average rate of sugar conveyed from all factories to the four important ports comes to 14 annas and 2 pies. Knowing that only half the produce has to be moved out and that the whole of even that half does not go to the ports, and allowance is made on all sugar produced, it ought to have been not more than one-third of that average. I would have placed it at below 5 annas. The Tariff Board has placed it at 9 annas per maund. I find, Sir, that wherever there is a question of reducing the limits fixed by the first Board, the Tariff Board brings forward the argument that as it has been sanctioned by the first Board it need not be changed. But wherever we find that it is a debit side, that this allowance should be increased, then the Tariff Board conveniently forgets and the public also forget that the allowance made by the first Tariff Board was lower. Consider, for instance, the effect of this Rs. 6-12-0 duty which was fixed by the Government. The first Tariff Board proposed that for the second period the duty should be Rs. 6-4-0. As it is, the Government has not reduced the duty to the extent to which the first Tariff Board recommended. They have rather given them 8 annas more. But no one mentions that the first Tariff Board has recommended that the duty for the second moiety of the period should be Rs. 6-4-0.

THE HONOURABLE MR. RAMADAS PANTULU : It is mentioned by the Tariff Board in passing.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, much has been said about the benefits which the sugar industry has conferred on the agriculturist. I should like the House to realise what is the extent of this industry's contribution towards agricultural economy. I took some pains, Sir, to find out what was the actual position. The total cultivated area on the average for the last seven years comes to about 230 million acres, out of which the area under cane is 3·6 million acres. That shows that the area under cane is 1·6 per cent. of the total cultivated areas. Out of this 1·6 per cent., the sugar mills do not consume even a half. I have the authority of the Tariff Board (paragraph 72) in saying that the consumption of sugarcane is 18 per cent. of the total produce. That reduces the proportion of the consumption of the agricultural produce in the mills to 1 in 333 acres, or about ·3 per cent. I mention it only to give a correct vision of the relationship of the industry towards agricultural economy. The first Tariff Board had recommended a price of 8 annas per maund for sugarcane consumed by the mills. During the five years previous to the Tariff Board's Report, the mills never paid on the average more than 60 per cent. of the prices fixed. I regret that the Tariff Board did not give us statistical information of the amount paid by the sugar mills to the growers. I mean the average price. That would have been a sure guide and would have given us a better criterion for judging the measure of protection than estimated values. Where we can get actuals, it is always better to get them. In this connection I should like to mention in passing that so far as capitalisation goes, there too I believe that the Tariff Board has been over generous. Most of the companies have not been started, at least the 500 tons capacity mills, with a capital of Rs. 16 lakhs which has been taken as the average figure. The figures are there on the books of every company and you could get the actual figures of their invested capital. Most of the companies were floated with Rs. 8 or Rs. 9 lakhs and if they required more money, they either took advances from the Banks or they issued debentures and have redeemed

most of the debentures and the loans. So, the real invested capital is not at the outset more than 60 per cent. of the estimates of the Tariff Board. The Tariff Board should rely on estimates where an industry has not been fully established. But where an industry has been established, and where you have got actual figures of five years' experience, they should have taken the actuals and not based their inquiry on estimates. Estimates are liable to err either in favour of or against the industry. I am not actuated by any malice towards the industrialists. I simply want equity and justice. I was stating that there has been an undue allowance in freight and quality and on the subject of freight I should like to enter a protest against the action of the railways. The railways—I find at least one instance—are charging to a particular company 25 per cent. less for a 15 per cent. higher distance than the average. In one instance, I find that where the average for about nine or ten mills comes to something, the distance from that factory is 15 per cent. more yet the charge from that factory is 25 per cent. less. Instances of this nature lead to the allegation that there is jobbery even in the railways; and it is in order to maintain the good name of the railways that I draw particular attention to this one instance, I do not like to mention the name of the company because that may not be quite fair. But the indication which I have given would point out to the authorities the company which I mean.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): You had better give the name of the company. There is no harm in doing so.

THE HONOURABLE MR. HOSSAIN IMAM: You will find it yourself if you just look at the tables.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Is it a Bihar Company?

THE HONOURABLE MR. HOSSAIN IMAM: No, Sir. It is not a Bihar company. I won't go any further. The charge is not against my province.

Now, Sir, I was dealing with the question of the costs and the allowances. I realise that Government have already stated that the quantum of the protection which they have fixed is an arbitrary one. Therefore, I cannot complain that it is high. The Government have themselves realised that it is high. But the statement of the Honourable Member in charge of this Department in the other place was quite indicative of what is in store for the industry in future. It was a good thing that the Honourable Member warned the industry two years ahead so that they may put their house in order. The Honourable Mr. Pantulu complained that Government policy has been vacillating. But, if it has been vacillating, it has been more in the interests of the industry than against it. I had occasion to complain, perhaps in 1934, when the Excise Bill was before us, that the Government had erred in giving undue protection. The fact that the protection required was Rs. 7-4-0 and the protection given was Rs. 9-1-0 was a free present and that ought to have been taken into account when the Honourable Mr. Pantulu charged Government for causing a loss of Rs. 40 lakhs when they imposed the second increase in the excise duty. The free presents of the Government are never considered. There is no mention of the free presents that have been made. But, whenever there is a loss, it is placarded in bold letters that this is the loss which the Government has caused to the industry. That loss was caused not so much by the imposition of the enhanced excise

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duty but by the fact that the industry was disorganised, there was fierce internal competition and the check that has been applied on that is worse than the ailment itself. I have before me the official publication of the Government, the *Monthly Survey of Business Conditions in India*. The price between January, 1938 and January, 1939 of sugar ex-factory has increased from Rs. 6-13-0 to Rs. 10-4-0, and you know that the increase in the price of sugarcane of one anna causes an increase of 10 annas in the price of sugar. Has the price of cane gone so much as to justify this increase of Rs. 3-7-0 in the price of the finished product? This high price is due to the working of the Cartel system in the sugar industry. We know to our cost how harmful it has been. As an instance, in America they passed the Anti-Trust Acts. But, here, the Government of India is sleeping quietly over the matter and are taking no interest in how the consumers are being fleeced. The only way to check them effectively is to reduce the protective duty to a bare subsistence level. Unless you do that, you must come out with something in the nature of State control of the protected industry. You have no escape from these two positions. Either you introduce legislation to sanction Government's interference—price fixing and other things of a like nature—or you reduce the protective duty to bare subsistence level. Otherwise, the consumers will be fleeced.

In January, 1939 the index number of price of Indian sugar was 176 compared to 1914. This is my reply to the statement made by some of my Honourable colleagues that the protection has not caused any harm to the consumer. The index number of prices shows that the price has increased to very nearly double of what it was in 1914. And consider this fact. Today's index number of prices for all commodities is about 95; our purchasing power is less than that of 1914 and yet the price that we pay for sugar is 176 to 100 in 1914.

THE HONOURABLE MR. RAMADAS PANTULU: Has the consumer paid more in the post-protection period than in the pre-protection era?

THE HONOURABLE MR. HOSSAIN IMAM: I regret, Sir, that there is no index number for 1930-31. If I had it I might have been able to reply to that. What we have is the price index based on 1914 as 100. Taking that as 100, I find that the general commodity price number today is 95, whereas for sugar it is 176.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: What was the sugar index before? There must be some basis of comparison between all the articles and sugar.

THE HONOURABLE MR. HOSSAIN IMAM: The comparable item is all commodity price. The combined index of all commodity prices is 95 and that of sugar is 176.

Now, Sir, I should like to mention one fact especially as my Honourable Mr. Pantulu has particularly referred to it, the extraction figure. In 1935-36 the percentage of sugar recovery was 9.29. It moved to 9.50 in the year 1936-37. That is what Government has assumed. I say it has been progressively increasing and therefore I say that *was* the fact but that *is not* the fact today, because what is today's extraction index we do not know.

THE HONOURABLE MR. RAMADAS PANTULU : It is less than nine according to Mr. M. P. Gandhi's Report.

THE HONOURABLE MR. HOSSAIN IMAM : Mr. Gandhi's report is one-sided and I do not trust these reports so much as to take them as Gospel truths.

Now, Sir, I would like to refer to one or two facts. Mr. Sapru has mentioned that the wage conditions are bad. That is an argument which the Government should have given due consideration. When you assume a certain level of wages the industry has not to pay out of its pocket. It is there provided by the consumer and by the Government. Therefore if they do not give that amount of wages it means they are increasing their profits in a roundabout way and to that extent it must be checked. It is our money which we want to go into certain pockets, but the industry does not give it to those who deserve it and are entitled to it and pockets it itself. It is a sort of criminal misappropriation. It may not be technically so, but ethically it is.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Is it for the Bihar zemindars to talk of ethics ?

THE HONOURABLE MR. HOSSAIN IMAM : Sir, we are better than these people. Our record is not so black. I will just read to you what this industry has done from page 42 of the Report :

"Complaints of the conduct of factories and their agents are, we find, widespread and the general truth of the complaints is admitted by all the official witnesses we examined. It is alleged that there are some factories who underweigh cane or underpay for cane. Other factories shut their eyes to the doings of their agents or at least take insufficient measures to control them. * * * * * Official witnesses have enumerated 20 different ways in which the cane grower can be cheated, mainly by means of the under-weighment of cane, the underpayment for cane and the sale of passes for the delivery of cane. * * * * * The malpractices to which we have referred occur mainly in the United Provinces and Bihar".

That is the black record of this industry and yet it is we zemindars who are cited as the villians of the piece. That is the record of these industrialists according to their own protagonists.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : The zemindars are worse.

THE HONOURABLE MR. HOSSAIN IMAM : We are the people who have been cheated and maligned.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Ask Swami Sahjanand.

THE HONOURABLE MR. HOSSAIN IMAM : If Professor Ranga had his day we would not mind so much, because everybody would then be equal. It is only when you leave one party to fleece and the other is not even allowed to live that there is rancour.

Sir, I had occasion to refer to two things formerly. One was that I feared that with the establishment of sugarcane mills the tenants would not benefit. I find from the Tariff Board Report that my fears were justified and the establishment of this industry has not in any way benefited the tenants, rather it has harmed them. On page 61 the Tariff Board say :

"Most manufacturers are now able to obtain about 50 per cent. of their cane within a reasonable distance and some 20 factories have their own farms. In Bombay three factories are able to meet the whole and other factories the major part of their requirements from their own farms".

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Therefore these farmers have been ousted from their homestead, their lands have been purchased and they have been reduced to the position of serfs. That is the position to which the agriculturist has been reduced, and still we are the villains of the piece!

Sir, had it not been for the fact that this measure provides for a short period of two years and the Government have promised that a fresh inquiry would be made into this industry, I for one would have opposed the measure as giving too much protection. But it is on the ground that it is an interim measure and a measure in which the intention of the Government is to convey the warning which Mr. Pantulu so vehemently demanded that everything must be done with due notice and formality, that I am prepared to support it. I would only like to mention one thing more, that the Government must realise its responsibility and, as Mr. Sapru said, interfere in the protected industries in the interests of the consumer. Without that interference the consumers stand to lose. The existence of the Government is dependent on the well-being of the masses and for that reason it is their duty to interfere and stop this fleeing by the protected industries.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Mr. President, I give my support to the Motion placed before us by my Honourable friend Mr. Dow. I agree with him that if the Government had taken a strict view of the matter the protection accorded to the sugar industry might have been even lower than what is provided for in the Bill before us. I was also pleased to note from what he said that Government hoped that there would be such an increase in the efficiency of the sugar industry in the course of the next two years as to justify a further reduction in protection. It can be no pleasure to us to go on asking for protection year after year. The justification of protection can only lie in the fact that it ultimately leads to reduced costs of manufacture and thus enables the burden placed on the consumer to be diminished. But I could hardly follow my Honourable friend Mr. Hossain Imam. He seems of late to have developed the habit of lashing himself into excitement over small questions perhaps in the belief that if he succeeds in doing so he would be regarded as having presented a convincing case. What he was driving at I confess I could not understand. If he meant that the sugar industry should be granted no protection, he ought to have had the courage to say so explicitly.

THE HONOURABLE MR. HOSSAIN IMAM : No ; they should have only just subsistence.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : What is "subsistence" ? The Honourable Member is begging the question. He ought to be able to say what is the protection that ought to be granted if he does not agree with the figure recommended by the Tariff Board.

THE HONOURABLE MR. HOSSAIN IMAM : Rs. 5 per cwt.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : This is quite arbitrary. Mr. Ramadas Pantulu—

THE HONOURABLE MR. HOSSAIN IMAM : I can give figures at the Third Reading if he wants.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : The Honourable Member spoke for more than half an hour, but never told us what

exactly he wanted Government to do. When he told the House that the index figure relating to the price of sugar was higher than that of other commodities, it did not seem to me that he proved anything at all. In order to make a valid comparison it was necessary to state what was the period which he was taking into consideration and what was the price of sugar at the commencement of the period. The Honourable Member's comparison leads us absolutely nowhere.

THE HONOURABLE MR. HOSSAIN IMAM : Index number of figures are always given without giving the prices of the period, Sir.

THE HONOURABLE THE PRESIDENT : The Honourable Member has not given way.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : The Honourable Member does not even yet realise that the sugar industry is a new and protected industry and that consequently its price must be higher than that of other articles. Merely saying that the index number relating to the price of a protected article stands higher than the general index number does not prove anything at all. My Honourable friend seemed to make out at the end that the sugar industry had not merely mulcted the consumers but had placed a heavy burden on the cultivators. I am not by any means unaware of the tactics resorted to by the sugar manufacturers in order to evade their just responsibilities ; but if my Honourable friend really thinks that the sugar industry ought not to be protected, it is easy for him to go to Provincial Governments—

THE HONOURABLE MR. HOSSAIN IMAM : I never said that.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU—particularly to Provincial Governments controlled by persons holding his views on general questions and ask them to represent to the Government of India that in the interests of the cultivator the duty on sugar should be withdrawn. But so far I do not know that any Provincial Government has suggested to the Government of India that such a step should be taken or that the protection given to sugar should be reduced seriously below the figure mentioned by my Honourable friend Mr. Dow.

Sir, while fully admitting that the sugar industry has to take proper steps in order to increase its efficiency and to give a fair deal to its employees, it must be borne in mind in order to maintain a proper perspective that the price of sugar today as the Tariff Board points out, is lower than in any other country except Java, Cuba and Brazil. Besides, the Board has borne testimony to the fact that efforts have been made by the industrialists, both as a result of their own research work and as a result of the work carried out by Government, to improve their standards of working in order to lessen the burden placed by protection on the consumer. Sir, we all are desirous that the protection accorded not merely to the sugar industry but to all industries should be reduced as speedily as possible and that a time may soon come when every industry that is now protected will be able to stand on its own legs. It is necessary therefore for us to see whether we can enable protected industries to utilise their by-products and thus to bring down the cost of manufacture of the protected article. The Tariff Board considered this matter ; it dealt with the manufacture of power alcohol from molasses, research work with regard to the utilisation of bagasse for the manufacture of paper boards, more intensive prosecution of research

[Pandit Hirday Nath Kunzru.]

work in certain directions and so on. I should like to know from my Honourable friend Mr. Dow what are the conclusions that Government have arrived at in regard to these things. I had a complaint to utter when the question of the paper and paper pulp industry was before us in regard to the failure of Government to acquaint us with their views regarding the proposals of the Tariff Board for the extension of research work and I have a similar complaint to utter on the present occasion. The period for which further protection has been granted may be small, but the importance of the research work recommended by the Tariff Board will not be diminished even if the efficiency of the sugar industry improves in the course of the next two years. There is another point, Sir, in this connection that I should like to draw the attention of the House to. Some time ago the Agricultural Research Council and several Provincial Governments appointed committees to consider the practicability of manufacturing power alcohol from molasses. I do not know what the reports of these committees were, but I hope that my Honourable friend Mr. Dow will be able to tell us what the position is at present and what is the policy of Government in regard to this particular recommendation of the Tariff Board. The only question that appears to have troubled the Government of India in regard to this question was the effect, the unfavourable effect, that the manufacture of power alcohol from molasses might have on their revenues. But the Tariff Board recommends that power alcohol should be subjected to the same duty as petrol. Consequently there can be no loss to the Government of India by the encouragement of the manufacture of power alcohol from molasses. This question has been under consideration for nearly two years and Government therefore ought to be in a position to announce their decision now.

Now, Sir, as regards the treatment which the factory owners mete out to their technical and non-technical staff, the point has been dealt with at length both by Mr. Ramadas Pantulu and Mr. Sapru. I will not therefore dwell on it. I shall however ask Government whether they propose to take any steps in order to place before the public information on questions relating to the conditions of work of the technical and non-technical staff including labour, so that a well-informed public opinion might be created on the subject. If they are asked to legislate, I have no doubt they will say that the legislation will be still-born unless some machinery is provided to give effect to it and to inquire into the salaries paid to the higher and lower staff from time to time. The collection of information that I have asked for will impose no such obligation on them but it will compel the mill owners to realise that the eyes of the public are on them and that they will have to treat their subordinates fairly if they expect the representatives of the public to support the continuance of protection to the industry in which they are interested.

Before I conclude, Sir, I should like to say a word about the reproof administered by the Government of India to the Tariff Board for having ventured to question the wisdom of raising the excise duty on sugar in 1937. The Government of India, it seems to me, have based their objection to the observations of the Tariff Board on two grounds. They question, in the first place, the right of the Tariff Board to deal with the matter at all, and in the second place, they assert that conditions have so changed since the Tariff Board reported that its observations are at the present moment entirely out of place. Let me deal with the second objection first. By advancing this objection, Government indirectly admit that the objection was well-founded when it was made. All that they have to say in reply to the observations made by the Tariff Board is that it might be made out quite as plausibly as the Tariff Board argues in favour

of its proposition, that the imposition of the excise duty led to an increase in the price of sugar. Now, Sir, this question was discussed at length in this House in March, 1937. We pointed out to Government that there would be no objection to the imposition of an excise duty provided Government simultaneously took steps to organise the marketing of sugar. Unless it did so, it could not but be accused of being unfriendly to the sugar industry in order to derive a higher revenue duty from a larger import of foreign sugar. For Government to contend that the excise duty compelled the factory owners to put their house in order is, I think, to say the least of it to go too far. If a patient is walking on crutches, will any doctor in his senses say to him to hasten his recovery: "You must do without these crutches immediately or I shall deprive you of them". Such a doctor would be regarded as having completely lost his senses. Such a method of improving a patient would be regarded not only as wrong but also as callous. Yet it was such an expedient that the Government adopted in March, 1937, in order to strengthen the sugar industry. Since then, however, the Provincial Governments of the United Provinces and Bihar have taken steps to organise the sugar industry and enable it to obtain a better price for its sugar and the advantages of the organisation are now claimed by the Government of India without the slightest justification.

THE HONOURABLE MR. HOSSAIN IMAM: Advantages to whom?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Surely on the price that prevailed at the time, it would seem to most people, though not to Mr. Hossain Imam now, that the excise duty was much too high.

THE HONOURABLE MR. HOSSAIN IMAM: I was not referring to the excise duty. I was asking by whom have the advantages of the Bihar Government's action been reaped?

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: By the Government. Government now take advantage of this organisation in order to point out that their policy had not injured the sugar industry. I thought the Honourable Member would understand this simple point, but the excitement created in him by his own speech, continues up to the present time!

I come now, Sir, to the second point, namely, the impropriety of the Tariff Board in discussing a matter which was beyond their purview. Sir, I have never understood that the business of a Tariff Board is merely to fix the amount of the protective duty. If its duty were to deal only with that question, at any rate so far as the immediate future of any industry is concerned, it would be debarred from making any recommendation as to future wages or research work or things of that kind. It would be bound to take things as they are, and to propose a protective duty on that basis. I am sure, however, that if such a policy were to be adopted by any Tariff Board, Government would be the first to condemn it. Yet now they are condemning the Sugar Tariff Board for taking all relevant circumstances into account in order to enable Government to decide whether the policy in pursuance of which protection is being granted, that is, the full development of an industry with the minimum of sacrifice imposed on other interests, is being fulfilled. I can well understand the annoyance of Government at a Tariff Board appointed by them condemning, questioning, the wisdom of their own policies. But if they want to be fair, they must realise that the Tariff Board was entirely within its rights in making the observations that it did and that they would not be creating healthy traditions by making Tariff Boards of the future feel that they were not free to express their opinions frankly.

[Pandit Hirday Nath Kunzru.]

Sir, there is just one word more that I should like to say with regard to the credit indirectly taken to themselves by Government for having raised the price of sugar by agreeing to the International Sugar Convention. I thought that after the debate that took place in this House on that point in September, 1937, they would refrain from making such observations. Yet, they have actually, in spite of their inability to controvert the arguments brought forward by us in September, 1937, claimed that the Sugar Convention was to the benefit of India. My Honourable friend Mr. Ramadas Pantulu has dealt with it at length. I will not go into the points that he raised. But I would venture to point out that India produces sugar more cheaply than those countries that manufacture sugar from beet. Yet, it was those countries that were shown all kinds of concessions while India was asked to agree to be a free market to the extent of 50,000 tons of sugar. And this was done without obtaining any *quid pro quo* for India. The Government of India, Sir, it seems to me, are conscious of the weakness of their position and think that by reiterating their arguments, they would be able not merely to mislead others but also to infuse more confidence into themselves.

THE HONOURABLE MR. H. DOW : Sir, I am gratified by the large measure of support which this Bill has evoked from all quarters of the House. There are one or two points raised in the course of the discussion with which I will try to deal. I cannot pretend to deal with all of them. I will endeavour to take what seem to me either the most important, or those to which no answer has elsewhere been given.

The Honourable Mr. Pantulu spoke of the vacillating policy of the Government, and expressed a hope that in future it would be less vacillating. I did not quite understand what he meant. At one time he spoke as if the mere fact of Government from time to time making a change in the amount of duty showed an alteration in their policy. I cannot see that there has been any change whatever in Government's policy with regard to protection of this industry. If there has been any change of policy, it is rather to be found in the recommendations of the present Board than in Government's action, for the Board's real aim has not been the fixing of a duty which would secure fair competition with imported sugar, but rather the fixing of a duty which would be prohibitive, and which could be still further raised if it ceased to be prohibitive. I submit that this is a change in policy, not any action that Government has taken.

Then he referred to the International Sugar Agreement, and the Honourable Mr. Kunzru has also referred to it. I was really surprised that a man of the Honourable Mr. Pantulu's perspicuity should have brought forward the argument that, as the internal price of sugar in many countries is very much higher than it is in India, therefore, India could, if it had not been for the terms of the International Sugar Agreement, have exported sugar to those countries. I do not think that Mr. Kunzru could have lent his support to that argument, but he did make one observation which indicated that perhaps he might have done. He referred to the internal price of sugar in India being less than in almost every country except Java, Cuba and another. Well, Sir, what do these facts prove? Sugar in nearly every country of the world is regarded as a very suitable object for high taxation. It must be quite obvious to Honourable Members that if the Government of India trebled or quadrupled the duty—excise or other duty—paid on sugar, they can raise the internal price of sugar in this country. Some time ago—I have not verified the figures for the last year or so—but the price of sugar in Russia was something like 75s.

a cwt. At that time, Russia was demanding liberty to export sugar elsewhere. So far as the high prices of sugar in other countries prove anything, they only prove that there is still a very large margin in India for raising extra revenue by taxation on sugar. It certainly does not mean that India could export its sugar to these countries. If India exported sugar to Russia, that sugar would obviously have to pay the very high duties which would be levied on it, and the retail price of sugar in Russia would doubtless be maintained.

It is really quite impossible for India to export sugar into the free market so long as she is unable to maintain her home industry without very high protection. That is a conclusive answer which no responsible person in the sugar industry has really tried to meet. It is quite impossible for India to become a large exporter of sugar as long as she cannot make sugar for her own consumption except with the aid of very high protection.

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTHA (Bihar : Non-Muhammadan) : What is the excise duty in the United Kingdom ?

THE HONOURABLE MR. H. DOW : I am afraid that I shall require notice of that question. There are various rates of duty and I could not give them. But an answer to that question does not in the least affect the validity of the argument that I have brought forward.

The Honourable Mr. Pantulu also suggested that we have too lightly brushed aside other proposals made by the Tariff Board, and the Honourable Mr. Kunzru also asked various questions which I am afraid I am not able to answer. But it does not follow that because the present Bill is to give effect only to a change in duty, the other recommendations in the Report are not being considered. For the most part they are matters with which the Commerce Department is not directly concerned. They are matters which are the concern of the Education, Health and Lands Department, and one matter which Mr. Kunzru referred to is the concern of the Labour Department. He asked whether Government cannot publish various kinds of information regarding the conditions of labour in protected industries. It is a question, I am afraid, to which I am not competent to give an answer.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : May I ask my Honourable friend whether these points have been referred to the Departments to which they relate ?

THE HONOURABLE MR. H. DOW : Yes, they certainly are being dealt with in the appropriate Departments. The Honourable Pandit Kunzru also inquired particularly what was being done regarding the Report of the Joint Power and Alcohol Committee. As far as I am aware, that Report has not yet been received by Government.

Coming to the Honourable Mr. Sapru, there is only one point about which I wish to say something, and that only because I do not want him to go away with any false hopes in his heart. He seemed to think that because the duty had now been reduced by 8 annas, the consumer was necessarily going to pay 8 annas less for his sugar. He referred to the consumer last year having paid 8 annas more for his sugar than he ought to have done. I should like him to realise that a reduction in the duty on imported sugar by 8 annas does not necessarily mean that the consumer is going to get his sugar 8 annas cheaper.

The Honourable Mr. Hossain Imam mentioned various additional matters in which he considered the allowances made by the Board were excessive and

[Mr. H. Dow.]

tended to inflate the fair selling price. On that, Sir, I only note that my reference to certain specific instances of the same kind was not at all intended to be exhaustive. Then he spoke of the tendency that Tariff Boards have shown to give reasons for maintaining the amount of protection that was originally given. I do not really think that is fair as a general criticism on Tariff Boards. Things that are always very strong when the case of things which are yet to be has to be argued. It is very natural that there should be a certain prejudice—I ought not perhaps to say prejudice, but a certain tendency—always to preserve things as they are rather than to make a change. That is one reason why we shall always have a Conservative Party. But it is true, I must admit, that the present Board seem to have strained every nerve to produce a fair selling price which would justify the continuance of the duty at the present rate.

I have dealt, Sir, though I am afraid rather inadequately, with the main points that have been raised in this debate, and that is all I have to say.

THE HONOURABLE THE PRESIDENT : The Question is :

“That the Bill to provide for the continuance for a further period of the protection conferred on the sugar industry in British India, as passed by the Legislative Assembly, be taken into consideration.”

The Motion was adopted.

Clauses 2 and 3 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. H. DOW : Sir, I move :

“That the Bill, as passed by the Legislative Assembly, be passed.”

THE HONOURABLE MR. HOSSAIN IMAM : I wish to say a few words in reply to what fell from the lips of my Honourable friend Mr. Kunzru. Having worked himself into a fury against the poor zemindars and having no case against them, because of his protege having been condemned by the Tariff Board, he could do nothing but, like a clever lawyer, attack me and allege that I have said things, which I had never said. I never said that I did not wish the industry to be protected. I never said that I support the present measure as adequate or oppose it as inadequate. I clearly stated that I support this measure in view of the fact that the Government itself has given a warning that the industry should be prepared for a lower permanent protection. Had it been the occasion to say what should be the basic quantum of the protection I would necessarily have gone into the figures and given the exact quantity. I would have done so because then it would have been called for. But that was not called for. We are not here to go into that and there is no necessity for going into details and deciding on the merits. As an interim measure it is intended to give a warning so a formal reduction has been made.

THE HONOURABLE THE PRESIDENT : If it is your personal explanation

THE HONOURABLE MR. HOSSAIN IMAM : No, Sir, it is not a personal explanation. I am referring to the Bill. The Honourable Member again said that I had erred in not quoting basic figures of prices. But the purpose

of the index number is that you need not quote the price of each year for each item. It is a very ordinary thing. The quotation of the index number suffices as the appropriate measure of the relative price of things. I had only stated that the price of indigenous sugar has gone up from 117 to 176 within the space of 12 months. That means that the price had gone up by 50 per cent. Even if the price of cane had gone up by 50 per cent. this increase would not have been justified, because the price of the cane is not more than half the total cost of production. He also stated that this being a protected industry it must necessarily have a high price. I would like to point to yarns, which are protected, and there the price was 90, and galvanised sheets, also protected, was 147. This Bill is only an interim measure and as such it was not necessary for me to go deeply into the question of recommending a basic duty which might have been either higher or lower than the one proposed. If we agree with the general policy of the Government that the condition of the industry is such as to justify a fresh inquiry, if we can make out a *prima facie* case, as the Government has done, for a fresh inquiry, I think our duty is finished.

THE HONOURABLE THE PRESIDENT : The Question is :

“That the Bill, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

CHITTAGONG PORT (AMENDMENT) BILL.

THE HONOURABLE MR. A. D. GORWALA (Communications Secretary) :
Sir, I move :

“That the Bill further to amend the Chittagong Port Act, 1914, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration.”

This, Sir, is a very simple measure and I will not detain the House at this hour of the afternoon very long. All that the Bill seeks to do is to amend a section which at the present time allows the Port Trusts to repay before the due date loans taken from Government. We consider that this is no longer equitable and have come to the conclusion that it would be best to remove this condition in so far as future loans are concerned.

Sir, I move.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. D. GORWALA : Sir, I move :

“That the Bill, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

CRIMINAL LAW AMENDMENT BILL.

THE HONOURABLE MR. F. H. PUCKLE (Home Secretary) : Sir, I move :

“That the Bill further to amend the Indian Penal Code and the Code of Criminal Procedure, 1908, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration.”

[Mr. F. H. Puckle.]

This is a very simple Bill, Sir. Section 565 of the Criminal Procedure Code gives to a court power to order that a person who has been convicted for the second time of certain offences should, on the expiry of the sentence of imprisonment passed on him, report his address and any change of his address to a prescribed authority. The offences to which this section applies are coin-ing or forging currency notes and offences against property ranging from theft to dacoity. There is a qualification that the offence in connection with which such an order is imposed must be one for which the offender is liable to three years imprisonment. At present if an order made under section 565 is infringed, action can be taken against the offender under section 176 of the Indian Penal Code and he is liable on conviction to simple imprisonment which may extend to six months or fine which may extend to a thousand rupees or both. Now, it is generally admitted that for a habitual offender a sentence of six months' simple imprisonment is nothing more than an offer of free board and lodging which in some cases he is very glad to avail himself of; and it is intended by this Bill to substitute for the present punishment imprisonment of either description, that is to say simple imprisonment or rigorous imprisonment, and a fine which may extend to a thousand rupees or both. It is hoped that this will act as a more adequate deterrent than the present law. It has also an additional advantage that you will not have habitual offenders consorting in jails with the sort of person who is sentenced to simple imprisonment and that I think the House will agree is a desirable, though accidental result of this proposed legislation. I would only say further, Sir, that this legislation was started at the request of a Provincial Government, the Government of Bombay, and that it has the approval of every Provincial Government in India except the Government of Bihar.

Sir, I move.

The Motion was adopted.

Clauses 2, 3 and 4 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble was added to the Bill.

THE HONOURABLE MR. F. H. PUCKLE : Sir, I move :

"That the Bill further to amend the Indian Penal Code and the Code of Criminal Procedure, 1898, for a certain purpose, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

INDIAN SOFT COKE CESS COMMITTEE (RECONSTITUTION AND INCORPORATION) BILL.

THE HONOURABLE MR. M. S. A. HYDARI (Labour Secretary) : Sir, I move :

"That the Bill to reconstitute and incorporate the Committee constituted under the Indian Soft Coke Cess Act, 1929, as passed by the Legislative Assembly, be taken into consideration."

Sir, I need not say anything more than is stated in the Statement of Objects and Reasons in explanation of this measure. Its justification lies in the fact that all those in the trade concerned with the sale of soft coke consider that the Indian Soft Coke Cess Committee has done useful work—an opinion with which generally the Government are disposed to agree.

Sir, I move.

INDIAN SOFT COKE CESS COMMITTEE (RECONSTITUTION AND INCORPORATION) 1017
BILL

THE HONOURABLE MR. RAMADAS PANTULU (Madras : Non-Muham-
madan) : Sir, I wish to make one very short observation before I vote on the
Motion placed before us. It is one thing to legislate for the levy of a cess like
this to promote the interests of an industry that is taxed and quite another
thing to see that the cess is duly applied for the purposes contemplated by the
Act. Therefore, Sir, I hope that Government will take adequate steps to ensure
that the proceeds of the soft coke cess will be applied for the purpose which is
intended, namely, to enforce the measures for promoting the sale and improving
the methods of manufacture of soft coke.

The Motion was adopted.

Clauses 2, 3 and 4 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. M. S. A. HYDARI : Sir, I move :

“That the Bill, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

The Council then adjourned till Eleven of the Clock on Tuesday, the 18th
April, 1939.