

*Thursday,  
9th March, 1911*

**ABSTRACT OF THE PROCEEDINGS**

**OF THE**

**Council of the Governor General of India,**

**LAWS AND REGULATIONS**

**Vol. XLIX**

**April 1910 - March 1911**

ABSTRACT OF PROCEEDING  
OF  
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

ASSEMBLED FOR THE PURPOSE OF MAKING

LAWS AND REGULATIONS,

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**VOLUME XLIX**



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1911



GOVERNMENT OF INDIA.  
LEGISLATIVE DEPARTMENT.

PROCEEDINGS OF THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA, ASSEMBLED FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS UNDER THE PROVISIONS OF THE INDIAN COUNCILS ACTS, 1861 TO 1909 (24 & 25 VICT., c. 67, 55 & 56 VICT., c. 14, AND 9 EDW. VII, c. 14).

The Council met at Government House, Calcutta, on Thursday, the 9th March, 1911.

PRESENT:

The Hon'ble MR. J. L. JENKINS, C.S.I., Vice-President, *presiding*,  
and 55 Members, of whom 49 were Additional Members.

OATH OF OFFICE.

The Hon'ble Mr. H. Sharp, Additional Member, made the prescribed oath of allegiance to the Crown :—

QUESTIONS AND ANSWERS.

The Hon'ble Maulvi Syed Shams-ul-Huda asked :—

“ Are the Government aware—

- (a) that a large number of persons accused of criminal offences are often unable to engage Counsel to defend themselves by reason of their poverty ;
- (b) that in sessions cases, specially in cases of murder, the presiding Judge sometimes requests junior members of the Bar to undertake the defence of accused persons gratis ;
- (c) that the absence of professional aid sometimes leads to miscarriage of justice ?

“ Do the Government intend to direct all Local Administrations to provide under such conditions and limitations as may be deemed necessary for the defence by professional lawyers of all persons prosecuted by the Crown who are unable to defend themselves by engaging Counsel ? ”

[Mr. Earle; the Raja of Dighapatia.] [9TH MARCH 1911.]

**The Hon'ble Mr. Earle replied:—**

"The answer to (a) and (b) in this question is in the affirmative. No facts have been brought to the notice of Government to support the suggestion contained in (c).

"In the Madras and Bombay Presidencies and in Coorg, Counsel are allowed unconditionally, at Government expense, to prisoners accused of murder who are unable to pay for legal assistance. In Bengal, Eastern Bengal and Assam, Burma and the Central Provinces, Counsel are allowed at Government expense to persons accused of murder, if they are unable to pay for legal assistance, and in the Punjab, to persons accused of an offence punishable with death if they are unable to pay for legal assistance, on certain conditions, viz.:—

"In Bengal, if the District Magistrate considers that the defence, as disclosed, is such that in the interests of justice it is expedient that the prisoner should have legal aid to make his defence to the charge of murder clear; in Eastern Bengal and Assam, if the accused reveals his defence before the sessions trial and the District Magistrate is satisfied that he has a reasonably good line of defence; in Burma and the Central Provinces, when the District Magistrate considers that the prisoner's defence is of such a nature that it is expedient that he should have the assistance of Counsel; in the Punjab, when the Crown is represented by Counsel, when the Court thinks from the evidence produced before it that it is desirable in the interests of justice that the prisoner should be defended by Counsel, and when no legal practitioner present in the Court is willing to undertake his defence without payment.

"In the United Provinces and in the North-West Frontier Province, prisoners are not provided with Counsel at Government expense in criminal cases of any class.

"The Government of India will call the attention of the Government of the United Provinces and of the Chief Commissioner, North-West Frontier Province, to the arrangements which have been made in other provinces for furnishing prisoners, in certain cases, with legal assistance at Government expense; but they do not consider it necessary, in view of the arrangements already made in most provinces, to issue general orders in the sense suggested in the question."

**The Hon'ble the Raja of Dighapatia asked:—**

"Will the Government be pleased to state whether any of the Provincial Governments in India or the Imperial Government make any pecuniary contributions to, or subscribe to more than twenty copies of, any newspapers, either English or Vernacular, published in India?"

"If so, will the Government be pleased to mention the names of such newspapers, the province and the language in which they are published, and the number of copies taken by the Government of, or the money paid to, each, and will the Government be pleased to state their grounds for subsidizing newspapers, either directly with money contributions or indirectly by subscribing to a large number of copies of any newspapers?"

**The Hon'ble Mr. Earle replied:—**

"The Imperial Government do not subsidise any newspapers, but merely take such a number of copies of newspapers as they require for departmental purposes. Local Governments, no doubt, also do this.

"The Government of Bengal have arranged to subscribe for 25,000 copies of a weekly Vernacular newspaper to be published by Rai Narendra Nath Sen Bahadur, Editor of the *Indian Mirror*, at an annual cost of Rs2,500, for distribution to panchayats, educational institutions and Government offices. The Government of Bombay have arranged to subscribe for 10,000 copies of a weekly Marathi newspaper called the *Jagad Vritta* at an

[9TH MARCH 1911.] [Mr. Earle; Sachchidananda Sinha; Sir Henry  
McMahon; Mr. Dadabhoj.]

annual cost of Rs15,000 for a period of five years. The United Provinces Government subscribe for 300 copies of a Vernacular newspaper, for distribution to tahsils, thanas and schools. The name of the newspaper is *Independent*, the language in which it is published is Urdu, and the amount paid as subscription is Rs3 a copy. The Government of Eastern Bengal and Assam are making arrangements to subscribe for 10,000 copies of a weekly Vernacular newspaper, at a cost of Rs2 a copy. The newspaper will presumably be in Bengali; but its name has not yet been settled.

"The grounds upon which it has been decided to subsidise Vernacular newspapers are as follows:—

In England all shades of opinion are expressed in newspapers conducted by private enterprise. In India this is not the case; and it is to be regretted that amongst journals in the Vernacular, upon which the greater part of the population has to depend for their information, the views of Government meet with but slender support. It has been therefore considered desirable to place the views of Government within the reach of those who study the local Press of this country, in order that they may be in a position to judge for themselves as to the validity of the criticisms directed by the local journals against the views and actions of Government.

"The measures taken are experimental, and further action will depend on the results."

**The Hon'ble Mr. Sachchidananda Sinha asked:—**

"(a) Is it a fact that the Agent to the Governor General, British Baluchistan, subsidizes a newspaper, called the *Baluchistan Gazette*, published at Quetta?"

"(b) If so, what is the total amount that has so far been paid as subsidy to the *Baluchistan Gazette*?"

"(c) Is it true that the subsidy commenced in 1899-1900 and is still continued and that the amount of the subsidy is Rs. 2,000 a year?"

"(d) Do the Government propose to discontinue the subsidy? If not, will the Government be pleased to state the reasons for their not discontinuing it?"

**The Hon'ble Sir Henry McMahon replied:—**

"In regard to question (a) no subsidy is paid to the *Baluchistan Gazette*. But two copies are supplied to the India Office, and about forty-one copies to Government offices in Baluchistan, at Government expense.

"In regard to questions (b) and (c) since the paper was started, copies have been supplied to principal offices, and, since 1903, to all the offices, down to, and inclusive of, those of Extra Assistant Commissioners. Records are not available of the expenditure incurred in the earlier years. It has varied from year to year according to the number of copies supplied, and the rates of subscription. It is now Rs60.

"With regard to (d) the supply of the *Gazette* to Government officers serves a useful public purpose. It is a convenient method of keeping them informed of official notices and advertisements, and of provincial news. Government do not, therefore, propose to discontinue subscribing to the paper."

#### EXCISE COTTON-DUTIES.

**The Hon'ble Mr. Dadabhoj: "Sir, I beg to move—**

"That in view of the continued depression in the Indian cotton industry, this Council recommends to the Governor General in Council that the countervailing excise-duty upon cotton goods manufactured in India be abolished."

[Mr. Dadabhoj.]

[9TH MARCH 1911.]

"As the subject is of very great importance, I ask the Hon'ble Members to give me their patient indulgent hearing.

"Sir, this resolution should have come in the first thing in the reformed Council. The amount of feeling that there is in the country over this subject is large enough to engage the most anxious consideration of Government. It is not confined to manufacturers. The general public perhaps view the duty with greater dissatisfaction than the millowners. The financial aspect of the duty only impresses the manufacturer, and he condemns it in so far as it interferes with the profits of the industry; whereas the public condemn it on more general grounds. But the feeling of dissatisfaction is universal, and inasmuch as the reconstituted Council is expected to reflect public opinion faithfully, the question of the repeal of the duty should have had precedence over other administrative matters. The resolution should have been and would have been before the Council last year but for the fact that the state of political feeling in England then made discussion of the subject fruitless. In this matter the Government of India from its constitution cannot do anything independently of His Majesty's Government. In the political excitement prevailing last year in England any representation from this Government would have received scant consideration. Although, therefore, I had thought of moving the resolution in March last, I ultimately put it off till this session.

"Sir, the experience of the year has only added force and point to my appeal. The depression in the Indian cotton industry has increased in the interval, and mills have had to stop work. In Bombay in January last fourteen mills and in February six mills closed down, with the result that several thousand operatives were thrown out of employment. I admit this abnormal depression in the trade is not wholly due to the countervailing excise-duty; but I cannot accept the proposition laid before the Council some time ago by the Hon'ble Sir John Miller in reply to my question on the subject, that there is no connection between them. I do contend that the duty is one of the economic factors which produce the depression. It adds to the already heavy cost of production, and since prices do not advance proportionately, it trenches upon the profits of the mills. In 1905 the Indian millowners made a profit of 350 lakhs of rupees. In 1909 the profits slid down to 90 lakhs, and last year to 60 lakhs; and this upon a total invested capital of about 23 crores of rupees and from both spinning and weaving. The cotton mills in India mostly do spinning, and only a small number do both spinning and weaving. It is doubtful if the weaving alone has even paid its way during the past few years, not to speak of yielding any profits. The Government revenue from the countervailing excise-duty has, on the other hand, been progressive of late. In 1909-10 the income was, roughly, 41 lakhs of rupees against a collection of a trifle over 36 lakhs in 1908-09 and 34½ lakhs in 1907-08. Taking last year's figures into account, the amount taken as duty, if set free, would substantially increase the profits. The facts point to the conclusion that the cost of production has increased rapidly without a commensurate advance in prices. In these circumstances the repeal of the excise-duty can fairly be expected to afford appreciable relief to the industry. More than that: it will put heart in the manufacturer. This result should of itself be ground for the suggested action on the part of Government.

"Sir, the Indian cotton industry deserves indulgent treatment at the hands of Government, especially because the currency operations of the Government have to some extent hampered the cotton trade. Sir James Westland remarked in this Council on 10th March 1894:

'I need only say that India as a manufacturing country is not yet out of her tutelage, and if any industry in the world deserves protection, it is the cotton industry of India, the only

[9TH MARCH 1911.]

[Mr. Dadabhoi.]

real indigenous industry which has sprung up in this country—an industry, moreover, on which our present currency difficulties have compelled us, in the interests, as we believe, of the country generally, to inflict a certain amount of injury.'

'This clear admission by the author of the Indian currency legislation ought to put the matter of injury beyond controversy. And the subsequent measures, which the financial difficulties of Government have necessitated, have only accentuated the evil. The last important tax imposed by the Government of India—the tax on silver—operates, as I submitted on a recent occasion, as a bounty of 3 per cent. to China and Japan in the cotton trade.

'Sir, in 1895 Lancashire objected to the 5 per cent. Indian import-duties upon cotton goods, imposed by the Government with the object solely of restoring equilibrium to its finances in the face of a falling exchange which England declined to arrest, not mainly on the ground that they were protective, but because there was depression in the British cotton industry. That was how the situation impressed Sir James Westland :

'If Lancashire were in a flourishing condition, I cannot help thinking that these differences would have been considered to be more theoretical than practical. \* \* \*

'But we cannot conceal from ourselves the fact that Lancashire trade has recently been in a depressed condition, although we certainly contend that the circumstances out of which this depression arises have nothing to do with Indian cotton-duties.'

'The deputation of Lancashire merchants and manufacturers that waited upon the Secretary of State in 1895 also made pointed reference to the depression as a ground for the abolition of the Indian cotton-duties. In the result, the Government of India equalised the trade conditions on the lines suggested by Lancashire, and the countervailing excise-duties upon cotton piece-goods manufactured in India came to be imposed, in pursuit of an abstract principle of justice, irrespective of facts.

'It was conceded that there was hardly any competition between England and India in the cotton trade; the spheres of manufacture of the two countries were distinct; from the natural condition of things India had to confine her manufacturing activity to the coarser fabrics and England to the finer. There was thus a natural cleavage in the two departments. Yet, because Lancashire was in a bad way, facts were disregarded by the British manufacturers, and Government complied with their request, not because of its intrinsic merits, but with the clear object of soothing the soreness produced in them by continued depression in the industry. The Lancashire demand was admitted by Government to be unreasonable; the countervailing excise was not justified by Government. In 1894, the Finance Minister, in introducing the Cotton-Duties Bill in Council, made a frank admission on this point :

'I have now to ask the permission of the Council to supplement the imposition of import-duties on cotton goods by introducing a Bill for the levy of excise-duties on certain cotton goods manufactured in India.

'I would not be dealing straightforwardly with the Council if I pretended that this measure was recommended by the Government of India on its own merits. No Government would desire, except under the extremest stress of financial necessity, to impose a duty upon an industry so deserving of any fostering care which the Government can bestow upon it as the cotton manufacturing industry of India. The proposal I make is therefore not made on its own merits.'

'Again, on the motion for referring the Bill to a Select Committee :

'I cannot help thinking that the Government is placed in some difficulty in defending the provisions of a Bill which they have professedly brought forward as imposed upon them

[Mr. Dadabhoj.]

[9TH MARCH 1911.]

by conditions required by the Secretary of State and not by conditions which they themselves entirely, or independently, approve of. \* \* \* I am, therefore, of necessity obliged to state to the Council that this measure is recommended to us by superior orders and by orders which we are obliged to obey.'

"The Secretary of State himself, in his reply to the Lancashire deputation in 1895, repudiated the suggestion of causal connection between the 5 per cent. Indian cotton-duties and the depression in trade on which the manufacturers based their request for their repeal. He ascribed the depression to the new factor of competition with foreign countries :

' You have to deal now with new conditions and new competition.'

"The Bengal Chamber of Commerce also, in their instructive letter to Government of 3rd January 1896, attributed the depression of which Lancashire complained to the supervention of new trade conditions and to the loss of a monopoly hitherto enjoyed by the British manufacturer. Sir James Westland, with the weight of his authority, endorsed this view :

' Strenuous competition all the world over is taking away from Lancashire what used to be almost its monopoly of the piece-goods markets. In China and Japan, as well as in India, manufacture has been and is being brought at the same time to the supply of the raw material, and to the door of the consumer.'

"Mr. D. R. Lyall, then Member of the Board of Revenue of Bengal, in a special Report to the Government of India in 1895, dealt fully with this subject of depression in Lancashire trade, and concluded that it was due to increased industrial activity in the foreign countries—the United States and the Continent especially. Referring to the large increase in the number of spindles in the United States, the East Indies and on the Continent during 1892—1895, he remarked :

' It may safely be asserted that all the new spindles were of the newest pattern, and capable of turning out the cheapest materials, and that each new mill, erected on the newest principles, was a further handicap on British trade.'

"Sir Charles Stevens, for sometime Lieutenant-Governor of Bengal, on the strength of these facts and the consumption in 1894-1895 of 9,657,000 bales of cotton by the Continent, the United States, and the East Indies against Great Britain's 4,080,000 bales, observed in this Council :

' These figures, like those relating to the increase in spindles, point most distinctly to the conclusion that the competition which is really injuring Lancashire is that of the Continent rather than that of India.'

"Both Mr. Lyall and Sir Charles Stevens accepted Messrs. Ellison and Co.'s conclusions in their Annual Review of the Cotton Trade for the year ending 30th September 1895—conclusions founded upon well-ascertained facts. Informed opinion, official and non-official, exposed the hollowness of the Lancashire contention; the imposition of countervailing excise-duties was held unjust and unnecessary; still, because British trade passed through a period of depression, the duties were imposed, and the import-duties known as cotton-duties were reduced by  $1\frac{1}{2}$  per cent. at the sacrifice of a pretty large annual revenue.

"Today, Sir, India in its turn is in a bad way. There is acute and abnormal depression in the Indian cotton trade. Manufacturers find advantage in closure. What with the Indian currency legislation, the tax on silver and



[9TH MARCH 1911.]

[Mr. Dadabhoy.]

the increased local activity in cotton manufacture, the market for Indian goods in the Far East has become contracted. Japan has ceased to be a buyer of Indian cottons. Since 1900 not a yard of Indian cloth has found its way to that country. In the decennial period 1880-1889 the average annual shipment to it from Bombay was 94,656 yards; it shrank to 14,240 yards during the succeeding decade. There is no prospect of a revival in the trade. Encouraged by the fiscal operations of the Government of India, Japan is herself a manufacturer now. Besides, her demand seems now to be confined to the finer goods. Indian goods have been replaced by the productions of the British looms. The average annual imports into the country from the United Kingdom advanced over 18 per cent. during the last decade, the average of 1900—1909 being 93,966,070 yards against an average of 83,693,680 yards in the previous decade (1890-1899). The Japanese appear to have developed a liking for fine products, and this change in their taste stimulates the sale of Lancashire goods. The Japanese demand for Indian yarn also is diminishing at an alarming rate. The exports to Japan shrank from 10,140 bales or 4,056,000 lbs., on an average between 1890-1899 to an average of 80 bales or 32,000 lbs. in 1900—1909. The Japan market is thus entirely lost to India.

“In China too the Indian manufacturer is at a disadvantage. Similar conditions prevail there; the Indian currency legislation and the tax on silver provide the same stimulus to the manufacturing industry of a people realising, after the torpor of ages, the immense latent possibilities of the country; the demand for finer goods is on the increase, and that for the coarse Indian fabrics is falling off at a rapid rate. The annual consumption of Indian piece-goods in China was in 1890—1899 on an average 5,788,498 yards; in 1900—1909 the average fell off to 2,458,045 yards. There was a decline of 57 per cent. in the average in 10 years. On the other hand, the imports of similar goods from the United Kingdom increased during the same period, the annual average of 1900—1909 being 562,011,170 yards against the average of 404,961,710 yards in 1890—1899, or an improvement of over 18 per cent. Indian yarn, it is true, still maintains its ground in the China market, but in the altered conditions prophecy about the future is hazardous. The increase in the quantity of yarn imported into the country is a disquieting factor from the Indian manufacturer's point of view.

“Then, again, the shipments of Indian yarn to the United Kingdom and the Continent have met with a serious check. In one year they fell off 85·82 per cent., the figures for 1909 being 2,532 bales against 17,255 bales in 1908. The present is thus dark for the Indian manufacturer; the future is uncertain, and the future uncertainty aggravates the existing depression. In 1895 the Secretary of State sympathised with the Lancashire merchants and manufacturers because the uncertainty then hanging over the trade aggravated the depression which had inspired the deputation:

‘When a trade is in so depressed a condition as yours, an uncertainty as to its future tends to aggravate that depression.’

“Sir, the depression of which Lancashire complained in 1895 could not be relieved by Government action, as was pointed out on that occasion by the Secretary of State, whereas the present depression in the Indian cotton industry can be at least partially relieved by the repeal of the countervailing excise-duties. A decrease of 8½ per cent. in the cost of production in the existing condition of the trade will afford appreciable relief to the manufacturer. It is for this relief that I earnestly appeal to this Council. The feeling of the country as a whole is unanimous on this subject. Of all the duties imposed by the Government of India these countervailing excise-duties are the most unpopular, and the people feel distressed over them. The opinion, however, of the lay public might perhaps be held to be inspired more by sentiment than real practical difficulty. But the manufacturers themselves are exercised in spirit over the duties. The Bombay millowners, a body of manufacturers who, in this matter of duties, have never been unreasonable or extravagant, wish the excise to be abolished in the interests of the industry. The annual Reports of their Association contain references to it in terms suggestive of suffering and distress unrelieved by the hope of an early redress. And theirs is not an imaginary grievance as I have shewn above. The countervailing excise-duty is in effect a clog to the Indian cotton industry.

[Mr. Dadabhey.]

[9TH MARCH 1911.]

"Sir, I can imagine difficulty should be raised on account of our dependence upon England. The duty complained of is an excise imposed for the purpose of countervailing the cotton-duties, in order 'to deprive them of their protective character.' No protection is allowed here. India is a part of the British Empire, and the Government of the country is vested ultimately in His Majesty and Parliament. India's subordinate constitutional position makes independent action on the part of her Government in the matter of Tariff Reform impracticable. Now, England is a Free Trader by choice and conviction. India has likewise to be a Free Trader from necessity. Although I strongly believe in protection as a policy beneficial to India, I cannot ignore the realities of the situation, and cannot request Government to all at once change its commercial policy in relation to the United Kingdom. For the introduction of a policy of protection in India, we must depend upon strictly constitutional agitation and respectful and well-reasoned representations to His Majesty's Government. I am sure, however, of final success. Meanwhile, it behoves us to accept the present, and in support of the resolution before the Council to shew that the cotton-duties are not protective, and the excise does not countervail anything. The repeal of the excise-duties therefore does not violate in practice any of the principles of Free Trade.

"Sir, this matter should be judged in relation to facts, and not to abstract principles. Philosophical ideas may be good things in their way; but, I submit, the commercial policy of a country ought to be, and is, determined by considerations of the balance of convenience. Now, judged in the abstract, the Indian cotton-duties might conceivably be held to have a protective influence upon the Indian manufacture, but facts disprove the inference.

"But before I deal with the facts, I beg leave to point out that import-duties levied for the purposes of revenue are consistent with even the most orthodox conception of Free Trade principles. A staunch advocate of Free Trade, the late Mr. Gladstone, thought such duties did not violate its canons. Condemning in Parliament in 1879 the partial repeal of the Indian cotton-duties in 1878, he observed:—

'There is not a free trade Government in this or any other country which has not freely admitted that the state of the revenue is an essential element in the consideration of the application even of the best principles of free trade.'

"Then the late Mr. Fawcett too was of opinion that import-duties, imposed for the financial needs of a Government, were allowable even under a strict Free Trade policy. Even Mill, whose uncompromising philosophy often carried him to an idealism which practical statesmen found it difficult to accept, favoured import-duties. In his observations on Taxation in his great work on *Political Economy*, he laid down:

'As far as other considerations permit, taxation should be confined to imported articles, since these can be taxed with a less degree of vexatious interference, and with fewer incidental bad effects, than when a tax is levied on the field or on the workshop. Customs-duties are, *ceteris paribus*, much less objectionable than excise.'

"No doubt Mill counselled the imposition of an excise-duty of an equivalent amount in each case in which there was cause for fear of the import-duty operating as a protective duty. But he put the case in its extreme aspect. The mere possibility of goods of like nature being manufactured within the country does not make import-duties protective, except perhaps in a philosophical analysis. But philosophy has to be softened and tempered by considerations of practical convenience. However logical his conclusion, Mill's theory must be modified in practical administration. Leaving Mill apart, according to the accepted notions of practical Free Trade, there is nothing repugnant in customs-duties without countervailing excise-duties. The Indian import-duties upon cottons, being levied for revenue purposes, cannot be, even theoretically, subversive of Free Trade, though not countervailed by equivalent excise-duties.

"Whether in effect they are protective or not, is a question of fact on which opinion in India has been all through unanimous. All Finance Ministers, from Mr. Laing downwards—almost all of them sound and thoroughgoing Free Traders—have held that the Indian tariff is the lightest in the world, and is 'adjusted,' to quote the language of Mr. Massey, for a long time Chairman of the Committees of the House of Commons, 'on principles strictly in

[5TH MARCH 1911.]

[Mr. Dadabhoj.]

accord with the policy of Sir Robert Peel and Mr. Gladstone.' In 1875, Lord Northbrook, Viceroy of India, held the opinion that the 7½ per cent. import-duties upon cottons then realised were not protective. The Tariff Committee of 1875, presided over by Mr. Monoy of the Board of Revenue of Bengal, also came to the same conclusion. Be it noted that the 7½ per cent. import-duties stood then without any countervailing excise. The Committee proposed to increase the rate to 10 per cent. in some cases and to reduce it to 5 per cent. in some others; but the general conclusion was that the duties were not protective. In 1894, Mr. Playfair, afterwards Sir Patrick Playfair, the representative of mercantile interests on this Council, pointed out that a 5 per cent. import-duty upon cotton goods would not affect trade:

'The amount of import-duty would be so moderate that merchants and dealers in cotton fabrics have frankly said it would not affect trade, and some have stated that the repeal of the duties on cotton goods in 1878 and in 1882 made no difference whatever in their volume of business.'

"Sir Patrick further pointed out that 'these merchants ..... in many instances are agents for the manufacturer.'

"In 1886, the Hon'ble Rao Bahadur V. N. Mandlik shewed, by statistics and arguments in this Council, the force of which time has not impaired, that the import-duty abolished in 1882 had not any protective effect in India:

'From 1849 to 1880 there has been a continued increase in the imports. It was from March 1882 that the import-duties upon goods and yarns was altogether removed, and instead of the imports increasing, as we may naturally expect if the protection theory was correct, that they have remained stationary except in the case of Madras, where a slight increase is perceptible; but taking the total of all the three Presidencies for each year, the imports fall short of what they were in 1880; and that, too, in spite of the enormous increase in railway communication throughout India and the large increase in its population.'

"Sir, the history of the Indian tariff invests these weighty opinions with special interest in the present times. Before 1857 the import-duty stood at 5 per cent. The Mutiny added to the burdens of the Government and the duty was increased to 10 per cent. In 1864 it was reduced to 7½ per cent., with the promise of a further reduction of 2½ per cent. when the state of the finances allowed. In 1878 the customs-duties upon cotton goods were partially abolished. Major Baring, now Lord Cromer, having charge of Indian finances in prosperous times, repealed the cotton-duties altogether in 1882 along with numerous other import-duties, showing thereby that happy financial conditions mainly determined the Government action. In 1879 Mr. Gladstone condemned in Parliament the partial repeal of the cotton-duties in 1878, and asseverated that England applied 'the free trade doctrines...against the feelings of the Indian people in their utmost rigour and without a grain of mercy.' There was an excuse for Government in 1878. On 11th July 1877 the House of Commons had resolved that the cotton-duties, being protective in nature, 'ought to be repealed without delay, so soon as the financial condition of India will permit.' The partial repeal of the duties in 1878 gave effect to this resolution. But the principle underlying the resolution appears to be that in case of financial necessity such import-duties, even where protective, were allowable, and it did not seek to lay down a general rule for guidance for all time to come that, however embarrassed the finances might be, they were to be avoided as an economic solecism. The reimposition of the cotton-duties in the nineties under acute financial stress was perfectly consistent with the policy laid down by the House of Commons in 1877. Even if it involved any violation of it, that need not have presented an insuperable difficulty. Past experience shews a House of Commons resolution is not so imperative that it may not be disregarded for administrative reasons.

"The condition on which the British Government sanctioned the reimposition of the cotton-duties in 1894, *viz.*, the levy of an equivalent excise—was not contemplated in the Commons resolution of 1877. It was a new idea. The Government of India, however, had to accept it. But it was further developed in actual working. The excise was insisted upon only 'to the extent to which' goods manufactured in India 'enter into direct competition with goods imported from the United Kingdom.' This would entitle the bulk of Indian fabrics to exemption. Sir Patrick Playfair remarked in 1896:

'Competition on the part of Lancashire mills with the production of the coarser fabrics spun and woven in Indian mills does not exist.'

"Sir, I have shown above that the consensus of informed opinion before the eighties was that the 7½ per cent. and the 5 per cent. Indian cotton-duties were not protective in effect, whatever they might be theoretically speaking. A 3½ per cent. import-duty is much less so. The trade returns support this view. With the exception of 1882, from 1880 to 1885 the imports of cotton goods to India were practically stationary, the figure for 1880 being slightly in excess of that of 1885; 1,670,310,000 yards were imported in 1880 against 1,664,631,000 yards in 1885. 1881, 1883 and 1884 were not marked by any large variation. In 1882, the year in which the duties were completely abolished, the total imports declined to 1,522,158,000 yards. The figure for 1880 was the highest in the sexennial period. The heaviest decline was synchronous with the abolition of the duty supposed by the Commons to be protective. The abolition did not encourage larger imports in subsequent years. In 1886 Burma came to be included in British India in the returns. That year there was in consequence a substantial improvement in the figure, but since then up to 1909 the returns did not shew much progress in the imports. There was not any large increase in the annual total number of yards. In 1886 it amounted to 2,118,888,400 yards, the sudden increase being due to the inclusion for the first time of Burma in the returns, and in the 23 years following the imports oscillated about that figure during 13 years. In the remaining 10 years there was a slump, and they varied from 1,718,224,000 yards to 1,998,167,200 yards, the latter figure being reached in 1903 and approximated in 1902. The theoretical equalisation of trade conditions by the levy of an equivalent excise has not increased the volume of trade. The absence of import-duties during 18 years and their subsequent re-introduction along with an equivalent excise did not affect the import trade to an appreciable extent. The figures disprove the contention that the cotton-duties without an equivalent excise are protective in effect. Indian mill industry has developed meanwhile, and whereas there were only 65 mills with 14,172 looms in 1882, in 1909 we had 259 mills with 78,898 looms. None of this progress is due to any protection or 'fostering care' on the part of Government. Again, the imports of yarns from the United Kingdom shew a heavy decline with the progress of years. In 1909 we imported 36,023,200 lbs. against 54,062,000 lbs. in 1888, 49,784,000 lbs. in 1890, and 50,003,600 lbs. in 1891. The average of the last decennial period (1900-1909), compared to the average of the previous decade, shewed a loss in the annual average of 24 per cent. Compared to the average of 1880-1889, the decline was 26 per cent. It is significant that there is no import-duty upon yarns now. In the years 1894 and 1895, when there was such a duty, the imports were better than the imports in 1909 by 11 per cent. and 13 per cent. respectively. All this is significant commentary upon the theory that the trifling customs-duty which India realises operates as a protective duty unless countervailed by an excise of an equivalent amount.

"Sir, do what Lancashire might, the demand for Indian cotton fabrics has grown within the country. The equivalent excise-duty has not helped the British manufacturers to increase their exports to India. The truth is, the Peninsula is wide enough to provide markets for both the products. The British manufacturer and the Indian manufacturer have maintained their ground, each in his own special line. So long as the natural limitations of climate and raw material exist, the Indian must needs confine his manufacturing activity to the coarser fabrics, and, duty or no duty, the Indian demand for the fine manufactures of Lancashire will last. Britain has nothing to fear from the abolition of the 3½ per cent. excise-duties. These duties countervail nothing, being levied upon a class of goods wholly different and distinct from those that are imported from the United Kingdom. Without benefiting Lancashire in the least, they hamper the Indian industry by increasing the cost of production and paring down the profits. The repeal will not protect India against Britain. The argument therefore that the abolition of the excise-duties must involve the abolition of the import-duties is pointless, and will not commend itself to the practical administrator. We are not dealing with philosophical ideas but with stern facts, and Government, as trustee of the interests of 300

[9TH MARCH 1911.] [Mr. Dadabhoj ; Maulvi Syed Shams-ul-Huda.]

millions of His Majesty's loyal subjects, cannot, I submit, ignore them, and refuse to repeal the excise from fear of apostasy from Mill's economic idealism.

"Sir, Lord Northbrook, as Viceroy of India, indicated the line of policy which this Government should follow in these matters :

'In all financial questions the true interest of the people of India is the only consideration which the Government of India has to regard.'

"I have no doubt the same sentiment of paternal concern for the people inspires this present Administration. We therefore approach the Government with the humble request that, out of regard for the manufacturing interests of the country, they will be pleased to remove the countervailing excise which, past history shews, only proves a clog to the Indian industry without advancing the industrial prospects of the United Kingdom. Years ago Mr. Massey, as Finance Minister, laid down the Government policy in the matter of taxation with a statesmanlike perception of the administrative needs of the country :

'The Government will be always prepared to remove or lighten any duty which in any perceptible degree checks the prosperity or interferes with the interests of commerce.'

"I believe, Sir, this is one of the immutable canons of taxation of the Government of India. On this principle the excise-duty should be abolished forthwith, inasmuch as it hampers the Indian cotton industry. Considerations of an ideal equalisation of trade conditions should not arrest Government action. If the Government is convinced that, as a matter of fact, there is no competition to speak of between Lancashire and India in the Indian market, which I have abundantly demonstrated, the excise must go, even according to the terms of the condition imposed by Her Majesty's Government in 1894. In 1894 and in 1896; the Government of India held that there was no such competition. The experience of the past sixteen years can only confirm them in that opinion.

"Sir, the Reform Scheme has brought with it a new gospel of administrative policy. It has raised new hopes and has instilled new ideas of citizenship in the Indian. The people now expect that the Government should be more responsive to their wishes in the matter of taxation also. It will be a keen disappointment to them if, at the inception, the Government refuse to repeal the excise-duties in response to the popular wish. Sir, the impression will be harmful that, notwithstanding reforms and new privileges, the people stand where they did, the ideas of Government have not undergone any fundamental change, and the country has not so far got any real political power. Allow me to point out, Sir, that the removal of such an impression and the popularisation of British rule in India, which latter must be the objective of the Reform Scheme, can best be accomplished by the abolition of unnecessary and irritating taxes like the countervailing excise-duties, thereby demonstrating to the people that the Government of India are ever watchful of the interests of India, and that considerations of those interests predominate in their counsels. His Excellency Lord Hardinge has struck a note of sympathy with Indians which has raised high hopes in them, and they look up wistfully to His Excellency for the removal of a tax which they feel is wholly indefensible.

"Sir, there cannot be any serious objection to the suggested abolition on financial grounds. The maintenance of financial equilibrium with a loss of only 41 lakhs of rupees is surely not beyond the wit of a Finance Minister who last year gave solid proof of skill and resourcefulness in a trying situation. The economy which the Hon'ble Sir Guy Fleetwood Wilson very recently promised to enforce would, I am sure, enable him to forego permanently this small revenue. We have, besides, a net estimated surplus this year of more than half a million sterling and a fairly large budgetted surplus next year. This is a nice opportunity for effecting the suggested fiscal reform. The excise can be very well abolished without any fear of financial dislocation. Even if the repeal caused a strain upon the resources of the Government, for the incalculable moral effect upon the country, it should be boldly faced."

The Hon'ble MAULVI SYED SHAMS-UL-HUDA : "Sir, I have much pleasure in supporting the resolution that has been so eloquently and exhaustively moved

[*Maulvi Syed Shams-ul-Huda ; Sir Sassoon David.*] [9TH MARCH 1911.]

by my Hon'ble friend Mr. Dadabhoy. It is not possible for me to add anything to what he has said, and I would only remind this Council that by subordinating the interests of India to those of Lancashire we would be dealing a serious blow to the very first principle upon which India is professed to be governed, and I would appeal to those who are the guardians of India's interests to take in this matter the only course which I think righteousness and justice demand."

The Hon'ble SIR SASSOON DAVID: "Mr. President, I rise to give this resolution my whole-hearted support. The question which has been raised to-day is of paramount importance not only to the mill industry but also to the general public. I am expressing correctly the sentiments of the commercial public when I say that there is a strong and universal feeling throughout the country against the retention and continuance of excise-duties. It would be needless for me to trouble the Council with the past history of this insupportable and indefensible impost, as the Hon'ble Mover of the resolution has so fully discussed the subject and moreover the official Members have the special knowledge of it.

"Sir, Government has hitherto before justified the imposition of the excise-duty on the ground that it is indispensable for the purpose of removing the import-duties of their protective nature and character. But this position is decidedly against the consensus of opinions, not only of the highly placed Government officials in India, but also of the various public and industrial bodies of influence in India. Whatever may have been then, there is no doubt there are serious grounds for the reconsideration of the subject at the present time in view of the unprecedented depression in the mill industry of the country; and I also venture to assert that the Government should not refuse to reconsider the representations based upon the experience of a decade and a half. It is a well known fact that when Government in 1894 imposed the duty, their decision was in a great measure influenced by the possibilities of the growth of the Indian industry in future to such an extent as to be a standing menace to the mill industry of Lancashire dealing with India. But the trade returns for the last several years have completely laid bare the fact that the apprehensions that were at one time entertained of the unfair competition between Lancashire and India and the clashing of interests have proved groundless. The whole question should now be approached in a liberal spirit, the matter should now be examined in the light of experience gained since the imposition of the countervailing excise-duties. The claim of the Indian millowner is neither unreasonable nor unjust, and he only prays Government for a fair and equitable treatment. The duty does serious injustice both to the industry and the consumer. The fiscal arrangement of the Government of India gives the advantage to foreign markets and a distinct disadvantage to the Indian industry. It is simply an additional tax which the people have to pay. The abolition of it does not necessarily mean an increment of profits to the manufacturer; it would place within the reach of the taxpayer Indian fabric at comparatively reduced prices. A reduction of 3½ per cent. on the sale price of an article would substantially help the overburdened Indian taxpayer and be a source of permanent relief to his attenuated resources.

"Again, the development of textile industry in this country must be a matter of serious concern to the Government, as it affects the solution of the Indian economic problem.

"Mr. President, only the other day, at the Annual General Meeting of the Members of the Bombay Millowners Association held on 28th April last, the Chairman made the following pregnant observations:—

Talking of the mill industry and of the increased silver-duty reminds us of our old grievance, the excise-duty, one of the greatest drags on the indigenous industry. Public opinion in this country has condemned this iniquitous duty levied to satisfy the so-called free traders of Lancashire and Manchester. Nothing has yet been done in the matter with all our repeated protests.

"It will be obvious from the above that an impression is sadly gathering ground that the Government is not likely to yield to the strong and unanimous protests of the public. The prevalence of such an impression is highly mischievous and the considerations of administrative wisdom necessitate the

[9TH MARCH 1911.] [Sir Sassoon David; Mr. Chitnavis.]

abolition of this impost. I am convinced that the soreness that has been caused in the country over these duties will not disappear until and unless the duty is abolished. But if the Government cannot see its way to accede to a popular demand, they might at least declare that the amount so realised annually under the head of excise-duty shall be appropriated and expended towards such schemes as would indirectly promote the interest of the textile industry, such as technical and industrial education and endowments of scholarships for the purpose of technological instruction. I trust and pray Government will see its way to accept the Hon'ble Mr. Dadabhoj's resolution."

The Hon'ble Mr. CHITNAVIS: "Sir, it is now a settled conviction with me that the countervailing excise-duties should never have been imposed. They were never necessary, and are not so now. Government cannot do better than to repeal them. I opposed the imposition in 1894. The years that have elapsed since then have only strengthened my conviction. The cotton-duties imposed by Government in 1894 were not protective; a reduction in the rate in 1896 could not make them so. There was never any real competition between England and India in cotton manufacture. Notwithstanding the large increase in the output of the Indian mills, there is hardly any even now. The indigenous product is coarse, and must be so so long as the long-staple Egyptian and American cotton is not acclimatised in India and does not grow within the country in sufficiently large quantity to meet the requirements of the mills.

"Lancashire enjoys also other advantages over India which makes competition in cotton manufacture between the two countries practically impossible. The British labourer excels the Indian labourer both in skill and productive power. Expert opinion holds that the total amount of work done by the former is to the work done by the latter as 6:1. The Indian, it is admitted on all hands, is incapable of concentrated effort and lacks sustained energy. Mr. S. M. Johnson, of the Upper India Chamber of Commerce, Cawnpore, in a paper read at the First Indian Industrial Conference, proved this by figures.

"The Indian weaver does not improve with time and practice. Mr. Johnson recorded his experience on this point:

'I have had many thousands of Indian workpeople under my observation, and the one invariable feature is that, beyond a very limited extent, and only in rare cases, there is never any improvement—the man of 40 is generally not as good as the man of 30—the man of 30 not as good as the man of 20.'

"Even if, therefore, India tried weaving fine counts on a large scale and as freely as Lancashire, and there was abundance of the right sort of the raw material, she would still be at a long distance behind, and Lancashire goods would command the market here as much as now by reason of the lower cost of production.

"The stores used in cotton manufacture also create a differentiating condition unfavourable to India. Lancashire gets them ready to hand free of duty, while in the case of India they are loaded with import-duties. A 2½ per cent. import-duty upon cotton fabrics cannot surely compensate the Indian manufacturer for so many serious disadvantages, and the suggestion that it protects the indigenous industry involves a lack of true perception of the conditions of manufacture. These conditions will remain disadvantageous for the Indian even with a 10 per cent. *ad valorem* duty upon imported cottons. Under the circumstances the injustice and the unreasonableness of the demand for the imposition of countervailing excise-duties upon cotton manufactured in India will be obvious to all. So long as the Indian labours under the disadvantages mentioned above, small import-duties necessitated by the exigencies of the State cannot possibly protect India against England. In the existing condition of things, the excise-duties, far from equalising trade conditions, accentuate the disadvantages of unproductive labour, dearth of proper material and high cost of production.

"In 1894 the Government of India too was convinced there was no real competition between England and India. But against the weighty opinions of the Government of India, of Sir James Westland, then Finance Minister, and of the various public and industrial bodies of India, the Imperial Government held strong views, and came to the conclusion that the import-duties were protective unless counterbalanced by equivalent excise-duties. The impost gave effect to the mandate of the House of Commons and to the condition on which Her Majesty's Government sanctioned the reimposition of the cotton-duties in 1894. I can well imagine that Government cannot take an independent line, and, however conclusive the reasons, cannot on its own responsibility take off the countervailing duty. But still I am not without hope. Sir, there is ground for reconsideration of the whole subject, and I am loth to believe that, with its known desire to deal justly with India, His Majesty's Government will refuse to consider representations from this Government based upon the experience of the past fifteen years. Whatever may have been the justification for the fiscal measure in 1894, the situation should now be examined in the light of the experience gained since then; and, if the fears then entertained of an unfair competition between Lancashire and India in consequence of the reimposition of the cotton-duties without equivalent excise-duties are disproved by the facts of these fifteen years, the Indian producer may well in justice claim at the hands of His Excellency a more satisfactory readjustment of the duties.

"The Hon'ble Mover of the resolution has shewn by an examination of the trade returns that Lancashire's fears were and are groundless, and that the 8½ per cent. cotton-duties are not protective. Why cannot we then invoke the cordial support of the Government of India in our endeavour to get the excise-duties removed with the approval and sanction of His Majesty's Government?

"Sir, the Indian cotton industry is passing through a spell of acute depression. It can be partially relieved by the abolition of the excise-duties. I am aware of the overproduction theory in explanation of the present depression. The argument is not new that there is overproduction, production which the market is slow to take off, and the Indian manufacturers are themselves to blame for the present depression in the trade. But the trade returns would not, in my humble opinion, support that view. The home consumption does not appear to have fallen off. There is surely no slackness in the market, and the question of over-production with consequential glut does not arise. Increased sales with diminished profits point conclusively to increased cost of production and an unfortunate prostration in prices. The great want seems to be reduction in the cost of production, and everything which promotes it must afford relief to the Indian manufacturer. The abolition of the excise-duty will sensibly relieve the pressure upon him.

"Sir, in a vast country like India with its teeming millions there is no fear of over-production. Over and above the 900 million yards of cloth manufactured in India in 1909, we imported that year over 2,000 million yards from the United Kingdom for our consumption. Our total mill production is not even a third of the quantity required by the people. How can then the complaint of over-production be just? If at any time in the present state of things cloth is not sold as quickly as produced, the true explanation should be sought in conditions other than a fancied over-production. Abnormal conditions now prevail in the cotton market, and the ruling prices of the finished articles sometimes do not cover the high cost of production.

"Sir, the case for India is far more just and strong than it ever was for Lancashire. The Lancashire objection was against duties necessitated by the financial needs of the Government and sanctioned by principle and practice alike, because, forsooth, they might prove protective in certain contingencies; whereas the Indian appeal is against a tax which is clearly not wanted for revenue purposes, and which has weighted the Indian industry. It has been the proud policy of the British nation to deal fairly and justly with India. Will the British nation sanction the continuance of this most iniquitous tax upon the infant industry of India? The Indian millowner prays for justice.



[9TH MARCH 1911.] [*Mr. Chitnavis ; Sirdar Partab Singh ; Sir Vithaldas D. Thackersey.*]

How he feels on the subject will appear from Mr. Fazulbhoj Currimbhoj Ebrahim's observations at the Annual General Meeting of the Bombay Millowners' Association held in April 1909 :

'We have talked over this duty times out of number, but ours is a cry in the wilderness. The Government agreed to forego the opium-revenue on the ground of sentiment, but they decline to yield to our strong and unanimous protest..... British statesmen should rise to the height of the occasion and abolish an unfair tax. I echo the hope expressed by Sir John Muir-Mackenzie at the last meeting of the Bombay Chamber of Commerce that the enthusiasm with which the new reforms of Lord Morley have been received would be followed by still more enthusiastic applause at the remission of this unfair impost.'

"The resolution before the Council only strengthens the Government's hands, and I have every hope it will meet with the unanimous support it deserves. With these words I beg to support it."

The Hon'ble SIRDAR PARTAB SINGH : "Sir, after the able way in which Mr. Dadabhoy has proposed his resolution, I do not think it is necessary for me to say much on the subject. All I wish to say is that I am sure the British Government will deal with this question in the just way for which this Government is well known. With these words I strongly support Mr. Dadabhoy's resolution."

The Hon'ble SIE VITHALDAS D. THACKERSEY : "Mr. President, I support the resolution moved by my friend the Hon'ble Mr. Dadabhoy. I think the Hon'ble Mr. Dadabhoy deserves congratulation for the modesty and moderation with which he has moved the resolution and the weighty speech he has made on this occasion. He has given a history of the Indian excise-duties, and he has clearly proved that these countervailing excise-duties were levied against the wishes of the Indian people, against the wishes of the Indian Government, and in strong opposition to the interests representing the industry. They were imposed because Lancashire thought that the import-duty of 5 per cent. gave a slight advantage to the Indian manufacturers. I maintain, Sir, that even if the import duty did give a slight advantage to the Indian manufacturers, it was quite justified, as all the great nations give such advantage to their own industry. We have recently seen Canada agreeing with the United States in helping its own industry in spite of all the clamour that has been raised in Great Britain about it. But I maintain, Sir, as has already been maintained here, that there is no competition between the imported article and the article manufactured in India. We produce in India mostly coarser goods which are consumed by the poor in the country, while the imported articles are of finer structure and consumed by the richer people in the country. Therefore, by putting this excise-duty you will not only be doing injustice to the manufacturing industry but also to the poor of the country. Well, as regards the free-trade principles, after the Boer War, when Great Britain levied an import-duty on wheat, there was no question of levying a countervailing excise-duty on the production of wheat in the United Kingdom. I do not know whether at that time this principle of free trade slept; but of course the case in India is different, because we are in this case not treated in the way in which we ought to be treated. The Indian Government should have the full voice in deciding these points. But let us forget the past, and although we have paid excise-duty for the last 15 years, the question is whether this injustice ought to be continued. I think from the way in which opinions were expressed by other Members than those interested in the cotton industry, Government must have been convinced that there is a strong feeling in the country, and that this duty, this injustice, should be done away with as soon as possible. This duty is regarded not only as unfair and unjust, but a general impression is being created in the country that in this matter the interests of the Indian manufacturers and the Indian consumers are being sold to the interests of Lancashire manufacturers. It would be to the interest of cordiality between the rulers and the ruled that this impression ought to be abolished as soon as possible. We have now seen the reforms introduced, and the policy of the present Government is to bring about cordiality between the rulers and the ruled, and they are successful in changing the attitude of the people for the better; and I am sure, if this justice is done to India, that belief will be strengthened. With these words, I support the resolution moved by my Hon'ble friend Mr. Dadabhoy."

[*Mr. Monteath ; Mr. Gokhale.*] [9TH MARCH 1911.]

The Hon'ble MR. MONTEATH : " Sir, on behalf of the Bombay Chamber of Commerce I rise to state that I am unable to support the resolution of the Hon'ble Mr. Dadabhoy. The Committee of the Chamber in the interests of commerce uphold the view expressed by the Government some few years ago that if ex-cise-duty is abolished the import-duty of 3½ per cent. must also be abolished.

" It was in March 1908 that Sir Edward Baker as Finance Member stated in Council that it seemed to be certain that if Parliament were approached with a request for the abolition of the duties, the reply would be that this could only be permitted if the import-duty on cotton goods were simultaneously removed. He considered it would be a calamity. On the other hand, he stated it would be quite indefensible to retain our general import tariff if we exempt from it the largest and most important staple of import.

" As the Hon'ble Mover of this resolution does not embody the question of import-duties in his resolution, and as I do not suppose the Government would be prepared to change their pronouncement, I must therefore on behalf of the Bombay Chamber oppose the resolution."

The Hon'ble MR. GOKHALE : " Sir, I rise to accord my support to the resolution which my Hon'ble friend Mr. Dadabhoy has moved, though I do so on grounds somewhat different to those on which he and some of the other speakers who have followed him have based their case. I approach this question, Sir, not from the standpoint of the representatives of the mill industry but from that of a member of the general community. It is well known that when these excise-duties were imposed about 15 years ago, there was a feeling of deep and universal indignation throughout the country, and this indignation was caused by four reasons. Those reasons have been well brought out by the Hon'ble Mr. Dadabhoy in his able speech, and I will, therefore, refer to them only very briefly. The first reason was that the mill industry was at that time in a state of continued depression. The second was that the industry had been hit hard, for the time at any rate, by the currency legislation of the Government. The third was that the duties were imposed not because the Government of India or the Secretary of State thought it desirable to impose them, but because Lancashire dictated that these duties should be so imposed ; and the Government of India made no secret that they were not a willing party to that transaction. Lastly, it was believed that the action of Lancashire in putting pressure on the Secretary of State, and through him on the Government of India, to impose those duties was due not to the fact that there was any real competition between Lancashire and India, but because Lancashire, already uneasy at the strides the mill industry had made in this country, wanted to handicap that industry in regard to its further progress. It was well known that the imports from Lancashire were practically all of them of higher counts, whereas the production of the Indian mills was confined at that time to lower counts and there was really no question of competition between the two. It was these reasons that lay behind the extreme irritation and sore feeling caused, when these duties first came to be imposed upon us.

" I think it is necessary now in the interests of a fair discussion of this question that we should consider if the position has in any way been modified, and, if so, to what extent, in regard to these four circumstances. Taking the first circumstance, we find that there is again a depression in the mill industry ; but it is necessary to remember that during the interval a great wave of prosperity has passed over the industry, and that makes some difference in the situation. As regards the currency question, I think things have had time to settle down on their new basis, and therefore the injury, which the currency legislation had temporarily done to the industry, cannot now be specially urged as a reason for removing the ex-cise-duties. The third reason remains in its full force, *viz.*, that these duties were imposed at the bidding of Lancashire. That remains in full force, and whenever the circumstance is re-called to the public mind, there is even now a feeling of indignation experienced by the people of this country. Finally, the last argument has lost some of its force—I think it is only fair to acknowledge that—because the Indian mills have now gone in for higher counts to some extent,—though it is still a small extent only,—and

[9TH MARCH 1911.]

[Mr. Gokhale.]

to that extent competition has come into existence between the productions of Lancashire and those of the Indian mills. Therefore, Sir, the position to-day is not exactly the same as it was 15 years ago, and the question must be considered afresh, before we can take the same stand that we did 15 years ago in this matter. I may mention that I myself more than once brought this question forward during Lord Curzon's time in this Council and urged the repeal of these duties; but that was before the great wave of prosperity, to which I have already alluded, passed over the industry—a wave that has to some extent modified the situation.

“I think the question must be considered from two points of view; the first is the financial aspect, and the second the larger aspect of economic policy, including the question what kind of economic policy is good for India. Taking first the financial aspect of the case, it is necessary to bear in mind that all great authorities are agreed on this, that revenue-duties must not be subjected to the rigorous canons of Free Trade. As my friend Mr. Dadabhoj pointed out, even Mr. Gladstone—one of the greatest apostles of Free Trade and certainly the greatest statesman of the nineteenth century that England produced—complained of the application of Free Trade principles to this country in all their rigour and ‘without a grain of mercy’. Therefore, revenue-duties must not be judged by the standard by which ordinary protective duties may be judged. Again, as Mr. Dadabhoj has pointed out, we had at one time as high a range as 10 per cent. of import-duties on cotton goods and yet they were then allowed to exist for revenue purposes without any question being raised about putting on a corresponding excise. Looking upon the 8½ per cent. import-duties on cotton goods, therefore, as purely revenue-duties, the question may be considered whether the 3½ per cent. excise on cotton goods is necessary for our finances. Now, Sir, at the beginning, these excise-duties produced about 10 or 12 lakhs of rupees only, which was a comparatively small sum. I find, however, that last year they brought in about 41 lakhs of rupees, which is a considerable sum, and in view of the threatened extinction of the opium-revenue, I do not think anyone would lightly propose that such a revenue as this can be sacrificed without a substitute being found for it. I think it is necessary to make that admission. At the same time, though the amount is necessary, I contend that it is possible to raise that amount in another way and a better way, and that, even from the financial standpoint, the duties are objectionable. I contend, Sir, that the main burden of these duties falls on the poorest classes of this country. Normally the duties fall on the consumer; they do not fall on the producer, except in abnormal circumstances. The question—who pays—has latterly come to the front in connection with the Tariff Reform controversy in England, and one reads many bewildering statements made from time to time. I, however, think, Sir, that the position which ordinary political economists occupy in this matter is a sound one, namely, that, in normal circumstances, a duty ultimately falls upon the consumer, whereas in abnormal circumstances it may occasionally fall on the producer. Sir, if it was the case that these excise-duties fell on the producers and not on the consumers, I would not stand up here to support their abolition to-day. My friend, the Hon'ble Mr. Dadabhoj, complained of the extreme depression of the mill industry, and several other Members have also spoken in similar terms. I think, however, that it is necessary to point out that, before this depression came, they had a spell of extraordinary prosperity; some of the concerns are reported to have made profits of about 30 and 40 and even 50 per cent. in a single year; when, therefore, bad years come, we should not forget the good years that went before. If we take an average of good and bad years, I am not quite sure that there is such a strong case to urge for the abolition of these duties from the standpoint of the condition of the industry. Except in such abnormal times at the present, I think it is absolutely clear that the duties fall, not on the producer, but on the consumer, and the consumers of the rougher counts are the poorest of the poor. Therefore, the bulk of the duties is drawn from the pockets of the poorest of the poor, and as such they are a most objectionable impost, and should be done away with. As regards the loss of revenue which will ensue, I have a proposal to

[Mr. Gokhale.]

[9TH MARCH 1911.]

make which I will make before I resume my seat. So much about the financial aspect.

“Coming to the larger aspect of Free Trade *versus* Protection, I would like briefly to state my position in this matter. I may say at once that by conviction I am not an upholder of Free Trade in all countries and at all times. Free Trade can no more prevail universally at present than any other noble ideals, for instance, the brotherhood of man. While the great Powers of the West are preaching the brotherhood of man for one day in the week, they are practising some other faith for the remaining six days and the armaments are going up everywhere. In the same way Free Trade for all countries may be all right in theory, but it will be a long, long day before we shall have it in practice everywhere. And till that time comes, every country must take care of its economic interests in its own way. Now, Sir, most countries have adopted Protection as their economic policy. It is, however, necessary to remember that there are two kinds of Protection, the right kind and the wrong kind. The right kind of protection is that under which the growing industries of a country receive the necessary stimulus and encouragement and support that they require, but under which care is taken that no influential combinations, prejudicial to the interests of the general community, come into existence. The wrong kind of protection, on the other hand, is that under which powerful influences and combinations and interests receive assistance to the prejudice of the general community, the general taxpayers of the country. And I believe that the right kind of Protection, if available, will do good to India. But, Sir, situated as India is, I fear there is no likelihood of that kind of protection being available to us, and it is my deliberate conviction that, in our present circumstances, a policy of Free Trade, reasonably applied, is after all the *safest* policy for us. If the Government of this country were conducted in accordance with the wishes and the opinions of the people, not merely as imagined by the Government of India, but as ascertained by means of a constitutional machinery existing for the purpose, then of course the situation would be a different one. In the self-governing colonies, where they are able to impose protective tariffs (and in fact every colony has its huge tariff wall, as we all know), the Government is carried on in accordance with the wishes of the people constitutionally ascertained. Where that guarantee exists, it may be assumed that the taxpayers of the country are able to take care of their own interests and further that they are able to influence the decisions of the Government. But, situated as we are to-day, we are entirely dependent on the Government of India, and, more even than the Government of India, on the Secretary of State for India in Council, in this matter, as they have all the power. We may offer observations, we may criticise the actions of the Government in this country, but we are a long way yet before the Government of the country is carried on in accordance with our wishes, constitutionally ascertained; and until that state of things arises, until, at any rate, we grow so strong in our influence and our position in this Council that the Government will think it necessary to accept and act on our views, I really think that, on the whole, a policy of Free Trade, reasonably applied, is the safest policy for this country; otherwise influential interests, influential combinations, influential parties in England, who can have ready access to the Secretary of State, to whom we have no such access, will not fail to take the fullest advantage of the situation; and this huge engine of protection, which is a vast power, will be employed, not in the interests of the people of India, but in the interests of those parties. That being so, I do not think we should go in for the advocacy of protection, as such, in the present state of the country, and I for one will not be a party to such advocacy. I do not therefore join in the plea that the abolition of excise-duties would be a measure of protection to the Indian industry and that the Government should accede to it on that ground. But, independently of that, we have a strong case for urging that these duties should be abolished.

“One word more I would say before I come to the concluding part of my remarks, and it is this: that in this matter of securing the right kind of protection, there is really not much to choose between the two parties in

[9TH MARCH 1911.] [Mr. Gokhale ; Mr. Mudholkar.]

England. The Liberal Party is, of course, committed to Free Trade openly ; Tariff Reformers appear to favour a policy of protection ; but it was made abundantly clear, in the course of the last but one election, by prominent members of the Tariff Reform Party—Mr. Bonar Law, Lord Curzon and, if I remember right, even Mr. Balfour—that, while they would like to have Tariff Reform as England's policy, they would insist on keeping India in bondage, so far as her fiscal policy was concerned. It is true that in one of the leading Conservative papers in England, the *Morning Post*, some striking contributions have recently appeared, favouring a policy of fiscal independence for India ; but, before we reach that independence, we shall have to traverse a good deal of ground, and for the present, at any rate, I do not regard the question as within the pale of practical politics.

" I now come to the proposal which I wish to make. I suggest that the excise-duties should be limited to the higher counts only, in regard to which there is competition between England and India. Roughly, I may say that all counts below 30 should be exempted. That would mean the abolition of the bulk of the excise-duties. Such abolition would be a just measure of financial relief to the poorest of the community. To make up for the loss thus occasioned, I suggest that the import-duties on cotton goods be raised to 5 per cent., the countervailing duty in India, limited to counts above 30, being also raised to 5 per cent. at the same time. You will then not sacrifice any revenue. Taking the imports of cotton goods at, say, 20 millions, an increase of  $1\frac{1}{4}$  per cent. in the customs-duty will mean about £300,000 or 45 lakhs more to the exchequer, and that would be more than 41 lakhs realized from the excise-duties last year. Besides you will have in addition a five per cent. excise on all counts above 30s produced in this country. There will thus be no loss and probably some gain to the finances of the country by this course. With these observations I beg to support the resolution."

The Hon'ble MR. MUDHOLKAR: "Sir, I have very great pleasure in supporting the resolution moved by my Hon'ble friend Mr. Dadabhoi. I consider it my duty to do so because I am the only representative here of a province which is largely interested in the cotton trade, and which in course of time will take its proper place in the cotton fabric industry of India. I do not wish to make any long observations. At the same time I would be failing in my duty to my province and to those of my countrymen who are engaged in what is the most important manufacturing industry of the country if I did not make clear my support of what has been so ably and so exhaustively put by Mr. Dadabhoi. Sir, the Government owe it to themselves - all Englishmen owe it to themselves—to repeal this anomalous and iniquitous impost. Sir, we do not wish to rake up the past. But anybody who studies the past history of this country, anybody who reads Mill's *History of India* and reads the well known small note of Professor Wilson there, which shows how the Indian textile industries were handicapped in the early part of the 19th century by the prohibitive tariffs imposed in the United Kingdom, and compares with that the policy which is now being followed, he cannot but feel indignation at what has been forced upon the Government of this country.

"Sir, I shall be failing in my duty to this Council if I do not remind them, what must be well within their knowledge, *viz.*, of the row which several men, after this impost was forced on India, took not to us - any goods coming from Lancashire. These are people who take other things from England, but they say 'Lancashire has thrown upon us an unjust impost, we shall not use any Lancashire goods.' So long as this unjust impost continues we shall avoid all Lancashire goods.' Now it is probable that that resolve may not go far to diminish the imports from Lancashire. But the feeling of injustice, of injury, is not one which the Government should ignore.

"I would appeal to this Council—I would appeal to the Government—on this higher ground than the mere consideration of the present condition which has been advanced in support of the resolution.

"The question of free trade and protection does not, I think, arise in this case. The import-duty on cotton was, really speaking, imposed for purposes

[Mr. Mudholkar; Mr. Graham; Babu Bhupendra- [9TH MARCH 1911.]  
nath Basu.]

of revenue, and there could be, as can be shown abundantly, no valid objection that it afforded any protection whatsoever in regard to the lower counts. The Indian mills then produced, and even now produce, lower counts for the most part, while the imports of English yarn and cloth were of the higher counts. There is some medium cloth and superior cloth, however, produced in this country, and to obviate the difficulties in regard to these a countervailing excise-duty may be deemed necessary. And indeed, originally, as the duty was imposed, it was imposed only as a countervailing excise-duty of 5 per cent. with regard to those articles which came into competition with imports from Lancashire. But the powerful cotton manufacturing interest in Lancashire brought further pressure to bear upon the Ministry, and the present 3½ excise-duty on all cloth was thrust upon us. Sir, the question is one which deserves to be approached from the standpoint of the statesman, and I would therefore ask all Members of this Council—those who are non-officials as well as those who are officials—to consider whether it would not be just both to themselves and to the people of India to remove an impost which has created such universal resentment and indignation throughout the country.”

The Hon'ble MR. GRAHAM: “Mr. President, for myself, I do not propose to record a vote upon the motion before us this morning. My reason for not doing so is because the opinion of the members of the Chamber, which I represent, are so divided with regard to it. Among the members of the Bengal Chamber of Commerce there is a very great divergence of opinion on this subject, and this was shown very distinctly at the conference of the Chambers of Commerce in India held in Calcutta some years ago. A similar resolution to this was then brought forward, and the Bengal Chamber, for the same reason as I now give, did not record a vote; and I therefore shall not record my vote to-day.”

The Hon'ble BABU BHUPENDRANATH BASU: “Sir, I have only a few observations to offer on this resolution. After the very exhaustive way in which my Hon'ble friend Mr. Dadabhoj has dealt with the question and the elaborate way in which he has entered into the various arguments for and against the retention of these duties, it will be tiresome to the Council to go into those facts. There is one question, however, which is of great importance, and that question incidentally has been raised in this discussion, viz., whether for India, situated as she is, the policy of Government should be one of protection or of free trade or of restricted free trade. It is very difficult on an occasion like this to go into a dissertation on a question of this importance, and the professors of free trade would stand aghast if the representatives of enlightened public opinion in India were to press forward at this time of the day her claim to be a protected country. In our younger days, when we were pouring over the pages of Mill and Fawcett and Adam Smith, we became confirmed free traders, and we continued to be so for a great number of years; but recent events and the course of things have shown that the views upon which we nurtured our thoughts in our youth on the question of the commercial policy of this country may not, after all, be correct. As my friend, the Hon'ble Mr. Gokhale, has put it, most of us feel that protection in some shape or form is necessary for the furtherance of the industrial enterprise of this country. There is the danger—always the danger—of a powerful clique at home getting round the Secretary of State, a powerful party in the House of Commons, a powerful faction having a large control over the electorate in England, getting round the Secretary of State and committing him to protection of industries which would only be beneficial to that faction or party, and would be detrimental to the interests of the general rate-payer: there is always that risk. The history of railway enterprise and of many other things in this country has shown that that risk is not altogether to be neglected; but there is this thing to be considered. Where there are industries capable of being developed in India, industries coming into the field of competition with foreign countries, would it be wise or unwise to foster the growth of these industries, and would you be able to do so without some method of protecting these industries here? Supposing we have got unrestricted free trade. The result is that we, so unequally equipped

[9TH MARCH 1911.] [Babu Bhupendranath Basu.]

with appliances, with machinery, with materials, with knowledge, are made to stand on the same platform with highly advanced nations who have made great progress. To say in any particular industry that India must take her chance with England or Germany would be to say to India that 'so far as you are concerned you must go to the wall.' It is like the competition between a tall man of six feet and several inches and a dwarf, with equal implements. Give to each of these combatants weapons of equal size and tell them that 'you are on a par so far as weapons are concerned and you fight your own battle out.' The result will be just as evident as the result of a competition of a country like India with the far advanced countries of the West.

"Sir, in my own experience, when Lancashire goods were for the first time introduced, we had a very large class of manufacturers in the country—the Bengali weavers—who used to make a decent livelihood from their own manufacture. Then came these Lancashire goods—*dhoties* which we Bengalis wear. For some years they were not able to make an impression upon the market, but gradually their cheapness and the way in which they became more and more adapted to the needs of the people practically completely effaced the indigenous industry of Bengal. Then came the great Orissa Famine, and the result was that the famine practically wiped off the weaving communities of Bengal. It is all very well for other people to say—professors of free trade in European countries—that if one class of manufacture were taken away, the men engaged in that class of manufacture would take to some other industry. That state of things has not arisen in India, and the agricultural conditions of India are such that it would be impossible for a class of labourers like weavers to rush off to land all at once. As you all know, Sir, land here is the heritage of a particular class of people—the Indian agriculturist. It is not easy to get land at all to cultivate; and this cultivation is the result of experience accumulated through untold centuries, and it is not possible for the weaver to leave his loom and go to the plough. So in the case of many other industries—the braziers for instance, they are feeling the pinch now. And when famines come and seasons of scarcity, these people—the non-agriculturist classes of India—are put under a very severe strain. The question of free trade in India is not such a simple question as the great philosophers who propounded that doctrine and illuminated it with an exuberance of detail and of knowledge which must always elicit admiration would wish us to believe. Applying Indian conditions to the consideration of the question, it will be difficult to say that India should be in all aspects a free trading country. But, apart from this question of principle—coming to this very question that is before us—there is one element which ought not to be lost sight of. I quite appreciate that an income of 41 lakhs is not to be lightly treated; but, as my Hon'ble friend Mr. Gokhale has said, that if we reduce the duty from 40s to 30s, we shall practically not be interfering with the import of cotton goods, and we shall still have some margin left. Then if we enhance the import-duties on the superior counts only—for climatic conditions, India cannot enter into a competition with England—we shall be doing no injustice to the English industry. It may be said that the higher price that such a procedure would entail would probably curtail the demand for the finer counts that now exists in India. So far as Bengal is concerned, Sir, where I believe the finer counts are mostly in use, I can say from my own experience of our people that a little extra price for finer counts—an extra price which will be inappreciable—will not affect the consumption of these goods. In Bengali homes, even to-day, many people prefer the finer and costlier manufacture of the Indian weaver to the comparatively coarser manufacture of the Lancashire loom.

"I believe it is possible to find a substitute for the loss of revenue that the course suggested by my Hon'ble friend Mr. Dadabhai might entail. Then, Sir, there is the other question which to you—the Government of India—is of the greatest importance, *viz.*, whether you should or should not make the people believe that you—the Government—are keeping foremost before you the ideal that though you are here as representatives of the English race, safeguarding the interests of England and protecting the interests of India, you always bear in mind the great lesson that you have set before you, the burden that

[*Babu Bhupendranath Basu ; Mr. Madge ; Lieutenant* [9TH MARCH 1911.]  
*Malik Umar Hayat Khan ; Mr. Sachchidananda Sinha.*]

you have undertaken, that you are striving for the promotion and elevation of a race whom you considered less civilised and less happily situated than you are and are working primarily for their good. If that were lost sight of, if we felt that the connection of England with India is a connection merely for the purposes of gain, the great moral basis upon which British rule in India is founded would be considerably weakened, if not absolutely done away with. I am glad to be able to say, Sir, that, in the past, the Civil Service of India has manfully stood by the Indian cause, even against urgent demands from England. The history of Indian expenditure conclusively proves that our service has always been our staunchest friend in that respect. Those of us here who were able at the time when these duties were imposed to read the debates that took place in this Council, will gratefully bear in mind the strong stand that was made by the representatives of your service against the imposition of this tax : and even the Finance Minister of the day had to make a strong apology for having introduced that measure. And the only explanation that he gave was that it was a mandate which he could not disregard.

"Sir, after all material things do not last. May be, Sir, in the course of time, your great exploits on the field of India will be forgotten ; Plassey and Subraon may be forgotten. But I can assure you that the great lesson which you have inculcated to Englishmen in India that they place before themselves the highest ideal of public duty of service to the country which to them is their foster mother will not be forgotten. Thermopylæ and Marathon have been forgotten, or, if they are remembered, they are remembered to-day as mere memories in the history of the human race ; but, Sir, the great lessons of Socrates and Plato still subsist and they inspire men in both hemispheres, and as long as the human race exists, so long as the human mind will aspire to go beyond the circumscribed surroundings of the day, those great lessons will not be forgotten. And I also say, Sir, that in the history of mankind, so long as unselfish devotion is cherished as the highest ideal of human life, I would respectfully urge upon you, Sir, members of the Civil Service, the ruling class of India, to bear in mind the great lesson which you have put before this country and to act up to it."

The Hon'ble Mr. MADGE: "Sir, If there were much prospect of the Hon'ble Mr. Gokhale's suggestions being impressed on the financial policy of the country, I should have warmly supported them ; but as there is no prospect of that result, I beg to support the original resolution for two simple reasons. The first is that the whole burden of this excise-duty falls upon the voiceless masses who, strictly speaking, have no proper representation here, and for whom on that account the Government are called upon to care all the more. The second reason is, Sir, that this tax has not really removed the tension, on the pretence of removing which it was forced on this Government from home. It has been abundantly shown that there was really no competition at that time because of the great difference in two classes of goods. For these two simple reasons I support the resolution."

The Hon'ble LIEUTENANT MALIK UMAR HAYAT KHAN: "Sir, the subject has been fully dealt with by the Hon'ble Mover and others and I need not add anything further. It is a question that no well-wisher of India can have two opinions about unless bound down by duty or statute. I give my full support to this resolution as conscience forces me to do so, and I urge sincerely to the Government and the Council that this motion should not be treated like fancy resolutions which are sometimes made for self-advertisement merely. Sir, I have been always putting the opinions of the general public before the Council which are sometimes different from those of some of my Hon'ble friends who only represent certain educated classes. But in this particular connection I think all sections of the people without exception are agreed and all want this duty to be abolished."

The Hon'ble Mr. SACHCHIDANANDA SINHA: "I do not think, Sir, it is necessary for me to say anything on the resolution, after the support given to it by my Hon'ble friend Lieutenant Malik Umar Hayat Khan. His support on a question of this character is certainly a very great recommendation to the



[9TH MARCH 1911.] [Mr. Sachchidanda Sinha; Mr. Subba Rao; Pandit Madan Mohan Malaviya.]

resolution which my friend the Hon'ble Mr. Dababhoj has so ably moved to-day. It is only to impress the Council with the fact that all the provinces of India are agreed that the abolition of this excise-duty is necessary, that I rise to give my cordial support to Mr. Dadabhoj's resolution."

The Hon'ble MR. SUBBA RAO: "On behalf of the province of Madras I rise to give my cordial support to this resolution which has been discussed at great length, and urge on the Government the repeal of those countervailing duties. I may say, Sir, that one thing more than any other which comes out clearly in the fiscal history of India is that England has not treated this country fairly. The present duties, I submit, form a standing grievance against England, and early steps must be taken to remove these duties and see that the statute-book is not disfigured by the presence of a duty of this kind.

"I may say, Sir, that the country has accepted cheerfully the Reform Scheme more as an earnest on the part of England than the government of this country will be carried on with the consent and good will of the people and in their interests. I urge on the Government to prove by the abolition of these duties that the faith of the people in England is amply justified.

"I may mention Sir, that even Mr. Chirol, the famous correspondent of the *Times*, considers that these duties ought to be abolished, and I submit that early steps should be taken to remove this grievance. I think that when I have mentioned the name of Mr. Chirol, I have mentioned all that can be said in support of this resolution."

The Hon'ble PANDIT MADAN MOHAN MALAVIYA: "I will not take up the time of the Council by repeating the arguments which have been advanced so ably by the Hon'ble Member in support of the proposition which he has brought forward before the Council. I invite the attention of the Council and Government to one particular point only.

"At this moment there are two opinions regarding the cotton excise-duties. One is that these duties were never needed in the interests of the manufacturers of England. A great deal has been said to show that this is really the position; that the cotton trade of England did not require the protection which it was said would be given to them by the imposition of the countervailing duties. The opinion of the Government of India was in favour of that view and the arguments which have been advanced support that view.

"The other view is that, whether it needed the protection or not, the trade of England has been somewhat benefited by the imposition of these duties. Now, Sir, I will assume that this latter view is correct. I will assume that the trade of England has to a small extent benefited by the imposition of these countervailing duties upon cotton goods in India. And I would ask the Government both here and in England to weigh the possible gain from these duties to English manufacturers, and to place against it the loss which the Government of India suffers, and must suffer in the estimation of the people of this country, by the widespread conviction that has settled in the minds of the people throughout the country that this duty was imposed not to meet the needs of the Government of India, but to satisfy the demands of a class of manufacturers in England. At this moment, Sir, and for some time past the Government of India have been anxiously endeavouring to promote good feeling between the Government and the people, and specially to remove the bad feeling which had unfortunately been growing in the minds of a large section of the people. The supporters of the Government have also been earnestly endeavouring to co-operate with the Government in this direction. It is difficult for those who honestly and earnestly endeavour to promote the feeling among the people that the Government is doing the best it can for the people, to meet the arguments advanced in regard to the maintenance of these duties on cotton goods. And I submit from that point of view alone the removal of the duties is a matter of greater importance to the Government than the gain of a few lakhs to the Treasury every year. But the case for their removal becomes much stronger when we remember that the duties were never justified and cannot now be justified, that they are really iniquitous, and that the industries of this country require all the fostering care which the Govern-

[*Pandit Madan Mohan Malaviya ; Mr. Clark.*] [9TH MARCH 1911.]

ment can give to them. From both these considerations, it is very desirable that the Government should accept this resolution, and thereby earn the gratitude of the people throughout the country."

The Hon'ble MR. CLARK: "I think anyone who has listened to this debate to-day will agree that the Hon'ble Member who has brought this resolution forward to-day was well advised to do so. It would be idle to deny that the existence of these duties has been a source of irritation in the country—of irritation which has continued now for a long time. But it seems to me that one of the greatest benefits derived from the enlargement of this Council and from the extended powers of debate conferred upon it by His Excellency's predecessor is that it enables this kind of subject to be fully and freely discussed. Such an exchange of views must be of value to us here, and if, as we trust, the general public sometimes reads our debates, we may hope that it will be of some value also in the larger world outside.

"One feature, Sir, of the debate to-day has been that it has been exceedingly one-sided. Out of a dozen or more speakers, only one I think has had anything to say for the cotton excise-duty. That one, it is true, is a very important exception, because he represents the Bombay Chamber of Commerce. The other speakers have combined in condemning the excise-duty in its inception, in its effect on the development of the industry, in its influence on it at the present day. No one, I think, has had a good word to say for this unfortunate impost. It has been attacked by a diversity of arguments which have been somewhat bewildering and indeed some of which have been perhaps not devoid of self-contradiction. I must confess in this matter that I was rather puzzled by the line of argument adopted by the Hon'ble Member who moved this resolution. He laid great stress on the present depression in the industry. His resolution is based on that depression, and he has drawn an eloquent picture of the difficulties surrounding the mills to which he seems to regard the duty as being very largely contributory. But at the same time he devoted a considerable part of his speech to proving, or endeavouring to prove, that the import-duty, if the excise-duty were withdrawn, would not be protective. Now, I must confess I do not quite see how, if the import-duty is not protective, the abolition of the excise-duty is greatly to benefit the industry, except perhaps in its competition with the local industry, and that is a point to which I think he scarcely referred. Indeed, the Hon'ble Member tries to prove too much. He wants to show that the existence of the excise-duty has been a burden on the industry and is a burden on the industry; he wants to show that the import-duty without the excise would not be protective, and yet that the abolition of the excise would benefit the industry. I submit that all those contentions cannot possibly be correct.

"In the first place, it is at least very doubtful whether the excise-duty has any real connection with the present depression. Indeed, I think it can be shown that it has practically no connection with it at all. The depression is not peculiar to India; it has been felt in the cotton industry throughout the entire world. There has been reckless over-production in all manufacturing countries, and during the past year there has been a most serious increase in the cost of cotton. In 1910 the average price of raw cotton in India was 6½d. per lb.; the average price for the five preceding years was just under 5d. per lb., showing an increase of 30 per cent. It is hardly to be wondered at that such an increase as that should have impeded the industry very seriously, and it is well known that the mill-owners in India have found great difficulty in obtaining their supplies of raw material. But, Sir, similar conditions have existed in the other producing countries; the increase in the price of American cotton in Manchester almost exactly corresponds to the increase in the price of Indian cotton here. In these circumstances I think the existing depression cannot be attributed to foreign competition, nor are there any indications of the market having been flooded with foreign goods.

"No doubt the export trade to China and Japan, as the Hon'ble Mr. Dadabhoj has pointed out, has very largely fallen off. He attributes this, if I understand his arguments correctly, in a considerable measure to what he calls the increase in the cost of production due to the excise-duties. I do not

[9<sup>TH</sup> MARCH 1911.]

[Mr. Clark.]

understand how a duty on the finished article can increase the cost of production, still less how it can affect the export trade, as the excise-duty is refunded in the case of exported goods. But there is another circumstance, Sir, which seems to show quite clearly that there is no real connection between the duty and the existing depression. Several Hon'ble Members, and certainly the Hon'ble Member who moved the resolution, have referred to the fact, which we must all regret, that over 20 mills have shut down recently in Bombay. But he did not mention that these mills are all spinning mills. I believe it is the case that there is not a single weaving mill shut down at the present time. The excise-duty, as everybody knows, is imposed only on cloth, and yet we find that, in Bombay now, it is in point of fact the weaving section of the industry which is enabling manufacturers to carry on the struggle. It is difficult then to believe that the remission of the excise-duty would result in permanent relief to the industry.

"But has the effect of the excise-duty really been disastrous to the industry in the past? The facts disclose a very different story. In 1896 there were 157 cotton mills in India; in 1909 there were 232, an increase of 75 or nearly 50 per cent.; and this year I gather from the Hon'ble Mr. Dadabhoy's figures the number is even greater. There has been, too, a great increase in the productiveness of these mills. Single years in these matters never afford a very satisfactory basis for comparison as they are liable to casual fluctuations; so I have taken figures for triennial periods. For the three years ending 1898-99 the average production of yarn, which being free of duty is on virtually the same footing as cloth, was 466 million lbs.; in the corresponding triennial period ending 1909-10 the average production was 641 million lbs.—an increase of 175 million lbs. or 38 per cent. In the same periods the average production of cloth has risen from 323 million yards to 565 million yards—an increase of 542 millions or 168 per cent. It may be argued that though the productivity of the home industry has increased, the imports of foreign goods have increased also. This is true as regards cloth, but the increase has not been at nearly so rapid a rate as in the case of the Indian industry, and in respect of yarns there has been an actual decrease. Taking again the triennial periods ending 1898-99 and 1909-10, respectively, we find that the net imports of yarn have fallen from an average of 50 million lbs. in the earlier period to 39 million lbs. in the later—a decrease of 22 per cent., and the average net imports of cloth have increased by only 9 per cent.—from 1,906 million yards to 2,184 million yards. No one will deny that the production of cloth still falls far short of the imports; but the great increase in the Indian production as compared with the relatively small increase in the imports, shows, I think, that the Indian industry is very far from being crushed by importations from the United Kingdom and elsewhere, and, instead, has made a very considerable advance on its competitors. Probably, if the excise-duty had not been imposed, the immediate development of the cotton industry in India would have been more rapid; but, in view of the figures which I have cited, it cannot, I think, be maintained for a moment that the excise-duty has in the past crippled the development of the industry or still less that it is crippling it at the present time.

"Sir, the history of the imposition of the duty has been dealt with very fully by the Hon'ble Mr. Dadabhoy and by other speakers, and I do not propose to say much about it now. If one may say so, it is not really very relevant to the economic discussion which he has initiated to-day, except in so far as it explains the strong feeling which has always existed in India on the subject of this duty. No one can doubt that that feeling is a perfectly genuine one. Indian sentiment regards this duty as having been imposed in the interests of Lancashire manufacturers, or at best to satisfy the fiscal purism of English statesmen; and looking at it in that light one cannot be surprised that they should resent it and wish to see it repealed. Sir James Westland himself, when speaking in this Council on the Bill imposing the excise-duty, expressed his personal dislike of the measure with a candour which a less robust age might consider indiscreet, and I was not surprised that the Hon'ble Mr. Dadabhoy quoted largely from his remarks. It is greatly to be regretted that this

feeling should have been aroused ; it has spread beyond the confines of the cotton-duties and stirred up suspicion that in commercial matters India is not governed solely in Indian interests ; but I do not think it should be allowed to weigh unduly with us now when we are considering the purely economic and financial question of the excise-duty as we find it to-day.

“ One point, however, emerges from the controversies of 1894, and though in itself a commonplace it is one which is apt sometimes to be neglected. It is this. The tariff then imposed was imposed in a time of great financial stress solely to secure revenue which was urgently required. Since 1882, when the prosperous condition of the Indian finances enabled the fortunate Finance Member of that day to dispense altogether with the general import-duties, there had been no customs-duties in India except on special articles such as arms, liquors, opium, salt, etc. But in 1894 the financial pressure caused by the fall in the value of the rupee compelled the Government to seek fresh sources of taxation, and they turned to the re-imposition of the import-duties. Nothing can be more clear than that they were actuated solely by the necessity for raising more revenue. It has often been maintained—and the contention has been brought forward several times to-day, especially, I think, by the Hon'ble Mr. Gokhale—that if a revenue duty also results in a certain measure of protection to an industry, that industry is entitled, so to speak, to the windfall. It sounds a harmless enough proposition ; it even carries with it the pleasing suggestion that you can get both protection and revenue from a duty at the same time. But this is precisely what it cannot do. In so far as the duty proves protective, it keeps out goods which would otherwise come in ; and the revenue which should have been derived from those goods is lost, while the burden on the consumer is not necessarily diminished. In fact it violates the main principle of a revenue tariff, which is to obtain the greatest amount of revenue possible relatively to the burden on the consumer.

“ Let us consider then what would be the effect on the finances at the present moment if these duties were given up. In the early years of its imposition, the cotton-duty realised some 12 or 18 lakhs. Its yield has risen steadily in recent years and now amounts to the large sum of 41 lakhs. But this sum alone would not be the measure of the loss which its abolition would bring to the Exchequer. The customs-duty on cotton goods forms the most important item in our customs-revenue and brings in now on the average some 130 lakhs. The profits in modern industry are cut very fine and there is every reason to believe that a duty of 8½ per cent. will to some extent prove protective in its operation ; and in so far as it proves protective, the State will lose customs-revenue. The Hon'ble Mr. Dadabhoi, it is true, contends that the duty will not be protective in its effect, and I shall have something to say on that point later on. It is scarcely possible that it should not have some—probably a considerable—protective effect ; and it is, I submit, a very serious thing to put forward a proposal which might imperil a large proportion of the customs-revenue from cotton goods. I trench with great diffidence on the domain of my Hon'ble friend the Finance Member, but I think I may safely point out that with the prospective loss of the opium-revenue before us, this is not a good moment, in spite of the surplus of this year, to suggest any reduction in existing revenue. It is not easy to see from what source this revenue could be replaced, and Hon'ble Members, with the exception of the Hon'ble Mr. Gokhale, have not been fruitful in their suggestions as to how it should be made good. As to the Hon'ble Mr. Gokhale's suggestion, I propose to say something presently. If the revenue is not made good, the loss, as I have said, would be 40 lakhs in respect of excise-duty alone, and when the probable inroads into the customs-revenue are also taken into account it might well amount to 60, 70 or even 80 lakhs—a sum which would tax even the resourcefulness of my Hon'ble friend to replace. For the demands for fresh expenditure on subjects such as education, sanitation, etc., are urgent, and they are demands with which we must all sympathise. The Hon'ble Sir Sassoon David suggested that if Government could not agree to accept this resolution and to press the Secretary of State to allow the duty to be abolished, they might

[9th MARCH 1911.]

[Mr. Clark.]

at least ear-mark for technical education the proceeds of this duty. I do not think that is really necessary. The amount which is to be given to technical education is settled and put in the estimates for the year, and to ear-mark this source of revenue would not increase the amount allotted to that purpose. It really comes to the same thing, whether the money is drawn from the general revenue or from the yield of one particular tax. Considerable provision has already been made for the purpose of technical education, but the resolutions discussed earlier in the week indicate that Hon'ble Members do not yet consider it adequate. I repeat, therefore, that with a prospective loss of revenue and probably increased demands for expenditure before us, it would be a most serious thing to contemplate giving up so much revenue.

"Loss of revenue would be the immediate effect of repealing the excise-duty; but there are other factors which we ought to take into consideration. There is one point of some importance which has not yet been referred to. The Hon'ble Members who have supported the resolution seem to have forgotten the interests of the hand-loom industry. This industry is still a very large one in spite of the competition of the mills; its consumption of yarn at the present moment largely exceeds the consumption of the mills. The exact figures are not easy to ascertain, but it has been estimated that the hand-looms consume annually some 250 million pounds of cotton yarn as against some 200 millions taken by the Indian mills. When the excise-duty was imposed on the produce of Indian mills, it was not considered practicable to impose it also on the output of the hand-looms. Hence the hand-loom industry enjoys a certain advantage in its competition with the mills; and I think it would be a serious thing to contemplate the withdrawal of that advantage by the withdrawal of the excise-duty. Perhaps it may seem illogical to argue at the same time against the hand-loom industry being deprived of this measure of protection, and against the mill-owners receiving such measure of protection as the customs-duty would afford if the excise-duty were abolished. But there is one very obvious distinction. In the one case we are dealing with a protection which already exists; in the other case Government are asked to take the responsibility of creating it. In the one case, no revenue is at stake, for no one has, so far as I know, ever seriously proposed the imposition of an excise-duty on the hand manufactures; in the other we are asked to forego a large and increasing source of revenue. In more highly organised countries it may be desirable to see modern methods oust the old in a rapid process of development; but no one, I think, would urge that it would be a good thing for India if her local industries were too rapidly absorbed. The maintenance of the hand-loom industry is of great importance to the prosperity of the country, and it is a serious responsibility to advocate the taking of any step which might prove detrimental to its interests.

"Lastly, Sir, there is the question whether the customs-duty is or is not protective. It has been urged that in practice the customs-duty without a countervailing excise-duty would have no protective effect and consequently that the excise-duty might safely be foregone; and this is pressed on two grounds—firstly, on the ground that the duty of  $3\frac{1}{2}$  per cent. is too small to make any appreciable difference, and, secondly, that the types of goods manufactured in Indian and British mills are not the same and therefore do not enter into competition with one another. As to the first of these contentions, I think that any one who has had experience of modern trade conditions, of the narrow margin on which working is carried on, and the small profits with which the manufacturer has often to be content, would hesitate to assent to the doctrine that a duty of  $3\frac{1}{2}$  per cent. would not prove in some measure protective. One cannot help thinking that the existing consensus of opinion of the mill-owners in favour of getting the duty removed in itself seems to indicate that they, at any rate, believe it would prove protective. On the other hand, it is no doubt true that the competition between Lancashire and India does not extend over the whole field of cotton production. In the grey goods trade Indian mills already have the supremacy while in the highest qualities of bleached or coloured goods the superiority of Manchester over India is probably so great that it is not likely to be impaired

by a differential duty of  $3\frac{1}{2}$  per cent. Where the import-duty would become protective is in the intermediate grades of goods, where actual competition occurs. On a similar principle the Hon'ble Mr. Gokhale suggested this morning that the revenue which we lose by the abolition of the excise-duty could be made good by exempting from duty all goods up to 30s and imposing a duty of 5 per cent. on all goods above 30s. I think the answer to that is that a similar plan was actually tried when the late Sir Henry Fowler was Secretary of State, and was found impracticable because it proved impossible to draw a satisfactory line between the different classes of goods. The difficulty is that the manufacturers are too clever for the revenue. You will find that goods which now would come in as over 80s would somehow enter in the free class. The revenue in fact would suffer and would probably suffer very considerably. I think there can be no doubt, in view of the experience in Sir Henry Fowler's time, that there would be grave objections to a plan of this kind. There is another point, too, on which I differ with the Hon'ble Mr. Gokhale. He said he was specially moved to speak against the excise-duty on the ground that its incidence was on the poorest classes. He said, I think, that if it affected only the mill-owners he would not mind. But if this duty were abolished, is it so certain that the consuming classes would get the benefit? The mills are at present in competition as regards the poorer class of goods with the hand-loom industry, and probably at first the abolition of the excise-duties would bring prices down owing to this competition. But sooner or later, if the present advantages enjoyed by the hand-loom industry are withdrawn, the mills will get the better of the hand-loom, and under cover of the protection afforded by the import-duty prices would then go up again. You would only get prices down permanently if you could abolish the import-duty as well as the excise-duty; but that is a thing which Government cannot contemplate.

"I have endeavoured, Sir, to show the reasons why Government cannot accept the Hon'ble Mr. Dadabhoj's resolution. I have purposely not dealt with the question raised by the Hon'ble Mr. Monteth as to the attitude of the Home Government and of the Secretary of State regarding the abolition of this duty. I have not done so because, on the merits of the case, Government are not prepared to approach the Secretary of State on the subject. From the date of the imposition of the excise-duty, or rather from the date when the repeal of the old import-duty on cotton was mooted in 1875, controversy has raged round our customs and excise taxation of cotton goods. But the question we have to consider to-day is the practical one of whether national advantage or disadvantage would accrue from the abolition of the excise-duty. To that question, I think there can be only one answer. The effect of the excise-duty is to place two great industries on terms of complete equality. Both contribute alike to the Indian Exchequer. The milling industry here in common with cotton manufacturers all over the world has had its temporary setbacks, and is passing now through a period of depression; but, as I have pointed out in the earlier part of my speech, the statistics of the growth and the development of the industry show beyond question that the duty has not been intolerable—or even a severe—burden. Indeed, the history of this industry forms one of the brightest chapters in the history of Indian commerce. It enjoys no doubt certain natural advantages over its English competitors. Its raw material is grown near at hand instead of having to be imported over great distances of sea; the market for its finished article is at its door while Lancashire goods have to pay freight for the long sea journey to Indian ports. Labour here is cheaper than in England, though in view of its quality this is perhaps a doubtful blessing, and up to the present, at any rate, the Indian mills have been comparatively free from the disastrous strikes which from time to time paralyse manufacturing activities in England. But when all allowances for these advantages have been made, its achievement in face of formidable competition is very remarkable and one of which its leaders may well be proud; it is certainly not in any sense of the word an infant industry which would require special nursing at the hands of the State. One thing, however, I think the State can do—and is doing—to help cotton manufacturers. The

[*Orā* MARCH 1911.] [*Mr. Clark ; Mr. Dadabhoj.*]

source of the present depression is traceable largely to the recent shortage in the supplies of raw material. The State can do much towards preventing this in future by promoting the extension of cotton cultivation, the improvement of the cotton produced and the opening up of new sources of supply. Much has already been done in this direction by the Department of Agriculture in India. Indigenous varieties have been surveyed; especially suitable seeds have been selected and distributed; experiments have been made in hybridization and in the improvement of methods of cultivation. It cannot be said that these efforts have been allowed to languish for want of funds, and they will be continued alike in the interests of the producer and manufacturer. Such assistance as this, I submit, is likely to prove of far greater, far more permanent, benefit to the industry than the degree of protection which it might derive from the customs-duty were the excise-duty abolished. On the other hand, if that were done, if the excise-duty were repealed, a serious loss of revenue would be involved, and it is not easy to see from what source my Hon'ble friend the Finance Member would replace it. The abolition would involve injury to the hand-loom industry, and I do not think it can be urged that in the long run the consumer would be likely to reap advantage. For all these reasons, Sir, Government must ask its supporters to vote against the resolution."

The Hon'ble MR. DADABHOJ: "Sir, I feel I would be scarcely justified in inflicting a second long speech upon this Council, and therefore I shall briefly answer some of the most important arguments that have been advanced against the resolution in the course of the debate to-day. In the first place, I consider it my duty to thank the several non-official Members who have given me their unstinted support on this most important and vital resolution. The country will feel grateful to them; their action will be appreciated outside this Council chamber. I confess I am disappointed, and I have no doubt many of you will share the disappointment with me, that the two Members who represent important bodies like the Chambers of Commerce of Bengal and Bombay should have adopted an attitude of hostility to my resolution. It is very unfortunate that they should have assumed this position because the country fully expected their support on an important resolution like this. As for the argument of the Hon'ble Mr. Monteath that the excise-duties if abolished should be preceded by the abolition of the import-duties, I can only say that I anticipated this line of argument, and therefore was at some pains in demonstrating its fallacy in my preliminary address not only by facts and figures, but also by arguments based upon the revenue history of Government. I would not like to repeat my arguments on that subject and so tire the Council. I can only say that the question of the abolition of import-duties stands entirely distinct from this particular question. If the Hon'ble Sir Guy Fleetwood Wilson finds that his financial position permits him to abolish the import-duties, I have nothing to say; but whether he does or does not, his decision does not help my Hon'ble friend Mr. Monteath in his objection to the abolition of the excise-duties. This question must stand on its own merits, and, as far as I am able to see, no case has been made out by the Hon'ble Mr. Monteath. As regards the attitude taken up by the Hon'ble Mr. Graham, it may be a prudent attitude; but I must say that I am disappointed to find that the Bengal Chamber of Commerce should have taken up an entirely new position on this occasion. We are all familiar with the position taken up by the Bengal Chamber of Commerce with reference to the excise-duties on previous occasions; and I think my friend Mr. Graham would have done better if he had followed the example of Sir Patrick Playfair, than whom a stauncher and firmer opponent of excise-duties it would be difficult to find. As regards the Hon'ble Mr. Gokhale, he does not give me an unqualified support, and he has raised two or three points intimately connected with the arguments advanced by the Hon'ble Mr. Clark. I shall deal with them together. I have heard with considerable interest the most exhaustive and ingenious speech of the Hon'ble Mr. Clark, and though I am prepared to pay him a compliment as to the manner in which he has put his case, I must most distinctly point out that he leaves the country and the

[Mr. Dadabhoj.]

[9TH MARCH 1911.]

Members of this Council entirely unconvinced. His position is this. He has tried to argue that the present depression has no connection whatever with the imposition of the excise-duty. In my first speech I pointed out that there may not be direct connection, but the excise was one of the economic factors responsible for the situation. In support of his position he has contended that the price of raw material has been one of the main causes which has depressed the industry. If the Hon'ble Member had been long in this country, he would have found out that the abnormally high prices of cotton have been in existence only for the last two years, and when the price of cotton was very cheap the industry was in an equally bad state of depression. My friend Sir Sassoon David, than whom a greater authority on the subject does not exist in the Bombay Presidency, will bear me out when I say that during the last fifteen years in the history of the cotton industry, with the exception of two years, thirteen years have been absolutely bad and unremunerative. This is a proposition, I submit, that cannot be challenged on the official side. Thus, Sir, the contention that the high price of raw material has been the source of the depression is not supportable. Then, it has been also said that the excise-duties could not have caused this depression because the mill industry has rapidly advanced, looms have multiplied, and during the last few years a large number of new mills have been constructed. Now, that is a phenomenon which can be easily explained. The new mills that have been constructed have been mostly spinning mills. During the last five years only about 10,000 looms have been added to the entire loom power in the country. And it is the weaving mills that pay this cotton-duty and not the spinning mills, and therefore an additional number of mills is no argument to show that the mill industry has been flourishing. This is one of those errors into which people unconnected with the cotton industry have fallen in judging of the prosperity of the textile industry.

"Then probably my Hon'ble friend Mr. Clark is not aware that in the system of accounts prevalent in the mills in India—many of them are both spinning and weaving mills—no separate accounts are kept so far as the actual profits of weaving are concerned; and whether a weaving department pays its way or not, whether it is remunerative or not, the duty is all the same paid on the actual cloth turn-out, whether that cloth is sold at a profit or not, or whether there is any margin of profit to cover the actual production of it or not.

"The Hon'ble Mr. Clark has stated that these duties were imposed for financial purposes. I can quite understand that when the income has become so tempting, this position will be taken up by Government; but this is against the distinct and definite pronouncements made times out of number in this Council that this source of income was not required for revenue purposes.

"It is also urged that the increase in revenue from 17 lakhs to 41 lakhs justifies the retention of this excise. Sir, if the legality of an impost, if the propriety of a tax, is only to be judged by the increment or by the revenue which it produces, I have nothing further to say; but that would be a most fallacious standard or criterion. Moreover, probably the Hon'ble Member is not aware of the cause of this abnormal increase in revenue. It is not due to the prosperity of the weaving industry in the least. It is due to the manner of appraisalment of the value of cloth. Formerly, when this duty was imposed, the value of cloth was taken at 6 annas a pound; now the lowest rate is taken at 10 annas a pound, and there is an increasing scale; and it is on this valuation that this duty is imposed. The most important cause of this increment in the duty is this increased scale of appraisalment, and that is giving Government such a large income. So I submit the argument that the increment explains the prosperity of the industry is not quite correct.

"The Hon'ble Mr. Clark said this excise was a customs-duty, and if this customs-duty was to be abolished, I have not pointed out the source from which the loss is to be met. Now, Sir, he will forgive me for pointing out that you can hardly call excise-duties customs-duties. It would be a misnomer. As regards my not having placed a programme as to the manner in which



[5TH MARCH 1911.]

[Mr. Dadabhoj.]

this loss was to be met, it was pointed out by an Hon'ble Member of this Council only the other day that if Government does not consult us when it prepares its budget beforehand, it is not for us to suggest the method; it is for the Government to find out the ways and means. After all, Sir, what is 41 lakhs in the total revenues of India? What is 41 lakhs in a revenue which exceeds 77 millions of pounds sterling? However, if the Hon'ble Member wishes to know how this loss could be met, he will find a reply in my first speech. If I had brought this proposition forward last year, my friend the Hon'ble Finance Minister might have taken me to task. But this year he has got a handsome surplus. He has been apportioning this surplus, and therefore the question of meeting the loss does not arise.

"One of the most important arguments against the resolution advanced is that the handloom industry of the country stands at a certain advantage now and if the excise-duties are abolished the hand-loom industry of the country will be ruined. No man in the Council takes a greater interest in, or has at heart a keener desire for the prosperity of, the handloom industry of this country than myself. I can assure my Hon'ble friend there that, when he says that the hand-loom industry of the country will suffer by the abolition of the excise-duties, he lays down a proposition which can hardly be supported. Now, if he had even informed the Council of the total number of hand-looms working in this country, as compared with the power-looms, the Council would have formed a judgment immediately, and would have known that there is absolutely no competition between hand-loom and power-loom in this country. All the non-official Members of this Council realise the position better than the official Members here about the condition of the hand-loom industry. I am sure my friend, the Hon'ble Mr. Mudholkar, who has also taken considerable interest in the welfare of the hand-loom industry, will bear me out in the conclusions I have laid before the Council.

"It is also asked, if the duty be abolished, will the poorer classes be benefited or will the manufacturers put additional profits in their pockets? To that question the Hon'ble Mr. Madge gave this morning a most pertinent and conclusive reply, which was supplemented by the Hon'ble Sir Sassoon David, who distinctly pointed out to this Council that a reduction of 8½ per cent. in the value of cotton goods will not mean additional profits to the manufacturer, but a reduction in the cost of price of the manufactured article which will place it within the reach of the poor masses of the country. I therefore submit that, despite all that has been said, nothing has been urged in this Council to dislodge me from the position that I have taken up. I submit that my case is strong and invulnerable, and in whatever manner a plausible defence may be made, Government must admit that, at any rate, in the matter of the excise-duties their case is extremely weak and indefensible.

"I shall not detain the Council much longer. I shall ask the Hon'ble non-official Members to give this resolution their solid and unhesitating support. Remember that the eyes of the country are cast upon us to-day, and we shall be judged by the people by the manner in which we acquit ourselves here to-day. I ask you all to give your united adhesion and support to this resolution; and I, Sir, venture to state, with great respect, that no Secretary of State for India, howsoever powerful he may be and to whatever party he may belong, can indefinitely ignore the unanimous opinion of the non-official Members of this Council.

"To the official Additional Members my appeal is as sincere and fervent as to the non-official Additional Members of this Council. I fervently ask them also to support this resolution. Even if we are fortunate enough to carry this resolution, it will not be binding on the Government of India. It will simply have the effect of a recommendation to the Governor General in Council, and such a recommendation will considerably strengthen the hands of the Supreme Government. It will also have the effect of vividly bringing to the notice of the people in England the injustice of this duty. I have abundant faith in the English race: with their characteristic independence, with their traditional sense of honour, before long they will intercede, and will see that this duty is abolished.

[*Mr. Dadabhoy ; Pandit Madan Mohan Malaviya.*] [9TH MARCH 1911.]

"One more word, and I have done. I wish to recall to you here, to those Hon'ble Members who have opposed this resolution, the words of Lord Curzon when he came out to India to assume for the second time the Viceroyalty of India and addressed the Bombay Municipality. His Lordship said :

'There is not, I believe, a single thoughtful Briton, who looks at the connection between the two countries from a selfish, or sordid, or purely materialistic point of view. There are few, if any, among them, who do not realise the responsibility and desire that it should be discharged faithfully. I pray you, I pray the native community in India, to believe in the good faith, in the high honour, and in the upright purpose of my countrymen. In England there are no two parties about India. It is the desire of all parties that the government of this dependency should be conducted with insight and sympathy, and that our guiding stars should be mercy and justice.'

"I hope and pray, gentlemen, that these words will guide you in your decision to-day."

The Council divided :

*Ayes—20.*

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur; the Hon'ble Mr. Subba Rao; the Hon'ble Mr. Gokhale; the Hon'ble Mr. Mudholkar; the Hon'ble Mr. Madge; the Hon'ble Sir Sassoon David; the Hon'ble Mr. Chitnavis; the Hon'ble Mr. Dadabhoy; the Hon'ble Maung Bah To; the Hon'ble Lieutenant Malik Umar Hayat Khan; the Hon'ble Kour Sir Ranbir Singh, of Patiala; the Hon'ble Sardar Partab Singh; the Hon'ble Sir Vithaldas D. Thackersey; the Hon'ble Pandit Madan Mohan Malaviya; the Hon'ble Nawab Abdul Majid; the Hon'ble Raja Pramada Nath Roy of Dighapatia; the Hon'ble Sir Bijay Chand Mahtab, Maharajadhiraja Bahadur of Burdwan; the Hon'ble Babu Bhupendranath Basu; the Hon'ble Mr. Sachchidananda Sinha; and the Hon'ble Mr. Mazharul Haque.

*Noes—32.*

The Hon'ble Mr. Andrew; the Hon'ble Mr. Quin; the Hon'ble Mr. Montearth; the Hon'ble Mr. Phillips; the Hon'ble Mr. Gates; the Hon'ble Lieutenant-Colonel Davies; the Hon'ble Mr. Slacke; the Hon'ble Mr. Stewart-Wilson; the Hon'ble Mr. Dempster; the Hon'ble Sir T. B. Wynne; the Hon'ble Mr. Kesteven; His Excellency the Commander-in-Chief; the Hon'ble Mr. Carlyle; the Hon'ble Mr. Butler; the Hon'ble Mr. Syed Ali Imam; the Hon'ble Mr. Clark; the Hon'ble Sir Guy Fleetwood Wilson; the Hon'ble Major General Grover; the Hon'ble Mr. Earle; the Hon'ble Mr. Maclagan; the Hon'ble Sir Lionel Jacob; the Hon'ble Mr. Robertson; the Hon'ble Sir Henry McMahon; the Hon'ble Mr. LeMesurier; the Hon'ble Mr. Holms; the Hon'ble Mr. Meston; the Hon'ble Mr. Fremantle; the Hon'ble Mr. Todhunter; the Hon'ble Surgeon General Lukis; the Hon'ble Mr. Graves; the Hon'ble Mr. Macpherson; and the Hon'ble Mr. Sharp.

So the resolution was rejected.

#### DUTY ON SUGAR.

The Hon'ble PANDIT MADAN MOHAN MALAVIYA "Mr. President, I beg to move that this Council recommend to the Governor General in Council that the duty on imported sugar be so raised as to make it possible for the indigenous sugar industry to survive the competition to which it is at present exposed. Sugar has formed for a long time an important industry in this country. In the United Provinces in particular and in many other provinces of India in general, it has been one of the most valuable field crops for a long time past. It gives regular employment to a large number of persons at a time when there is no other work available, and it repays those who employ their skill and labour on it in a much larger measure than many other crops. It has a value in the eye of the banker which probably no other crop has. In the Bareilly Division, I am told a banker will advance a hundred rupees an acre on sugarcane as soon as sugarcane has been sown, while he will not do that for cotton

[9TH MARCH 1911.] [Pandit Madan Mohan Malaviya.]

or any other crop, because the sugarcane is less affected by the vicissitudes of season, and the banker is sure that whatever misfortune might ordinarily befall, there would still be the certainty of a fair return from the sugarcane. The crop has always been regarded by the Government as well as by the people as a most important industry. In the Financial Statement of 1877-78, Sir John Strachey said of it :—

‘It is one of the most important agricultural staples of these provinces (referring to the United Provinces), and it is important not only to the agriculturists and the manufacturers and consumers, but directly to the Government, which looks greatly to sugar cultivation for its irrigation revenues.’

“In a communication to which Sir James Westland referred, in introducing the Bill to amend the Indian Tariff Act in 1899 from the Chamber of Commerce, Calcutta, they said :—

‘The importance of cane cultivation in the agricultural scheme of almost every province in India is perhaps hardly appreciated, except by those officials whose duties have brought them into association with the settlement of land-revenue. The remarks may be found in many a settlement report that in such and such tract the entire rent, and therefore the entire revenue, is paid from the cane field.’

“Up to 1877-78 there was very little sugar imported from foreign countries into India. A little sugar had about that time begun to come from Mauritius into Bombay, but it did not compete with the indigenous article as it was very small in quantity. This continued to be so until 1889. After 1890, while cane sugar continued to come in increasing quantities from Mauritius, a great deal of beet sugar began to be imported from Austria and Germany. About this time, the attention of His Majesty's Government in England was drawn to the state of the sugar industry in the West Indies, and they called a Conference to have the bounty system revised. The Conference separated, however, without coming to a practical conclusion, and then the Government of India imposed countervailing duties on bounty-fed sugar. These duties were in force for nearly two years. When these duties were imposed the imports of sugar went down very largely, from three millions to a little more than half a million hundredweights. But the other Powers having agreed to modify the system of bounties from September 1903, the Government of India largely ceased to levy countervailing duties from that time. The result has been that from that time forward the imports of sugar have gone up by leaps and bounds. On this point the figures given in the recently published excellent book on ‘Sugar’, by Mr. Noël Paton, are very instructive, though they are at the same time very alarming. They show that the quantity of beet and cane sugar imported into India from 1884-85 to 1909-10 has increased sevenfold and more. The average quantity of beet and cane sugar imported by sea into British India in the five years 1884-85—1888-89 was 78,440 tons. The average of the five years ending 1890-91 was 87,736 tons. The total quantity imported in 1909-10 was 586,169 tons.

“The average value of the sugar thus imported rose from Rs. 1,88,80,207 in 1884-85 to 1888-89, to Rs. 2,06,29,056 in 1890-91; it rose to Rs. 10,49,09,452 in 1909-10. It is important to note that while the quantity of sugar imported has thus been growing so enormously, there has been a great deal of contraction going on in the cultivation of sugarcane all over the country. In 1892-93 there were 2,798,637 acres under sugarcane in the whole of India; in 1908-09 there were only 2,254,067 acres. That is to say, that from 1892 there has been a net decline of something like 550,000 acres, or a decline of about 20 per cent. in the cultivation of cane in the whole of India. The largest decline has occurred in Bengal, being 53 per cent., and there has been a decline of 7·4 per cent. in the United Provinces. A third important fact to note is that along with this decline in the cultivation of sugarcane there has been a rise in the price of *gur*. A study of the imports into and exports from each Province, by sea and rail, of the total quantity of sugar, refined and unrefined, and the net quantity retained during the last five years, 1905-06 to 1909-10, compared with the figures for the average of three years ending 1895-96, makes it clear that all the provinces have increased, and most of them enormously increased,

[Pandit Madan Mohan Malaviya.] [9TH MARCH 1911.]

their net imports of sugar; and as Mr. Noël Paton says, after a careful examination of these figures, it is impossible to study these tables and doubt that the decline in sugar cultivation in India has been associated, either as cause or as effect, with grave disorganization of the internal sugar industry. Mr. Noël Paton has shown that this contraction of the sugar area has been peculiar to that crop. Taking the case of the United Provinces, which produces nearly 53 per cent. of the reported sugar crop of British India, he has shown that while the area under sugarcane has contracted since 1892-93 by 89,200 acres, or by 7.4 per cent., that under other crops has expanded by 5.6 per cent., and after taking into consideration whether any such contraction in the cultivation of sugarcane might be accounted for by other causes, he has been driven to the conclusion that the reason why sugarcane did not share fully in the appreciation of other produce is probably to be found in the cheapness of imported sugar. In other words, 'the competition of foreign sugar is the one constant and progressive factor that accounts for the general decline in cane cultivation.' Looking at the average of the last 10 years from 1899 to 1900, it appears that there has been an increase of 397,000 tons in the quantity and of Rs. 6,49,25,314 in the value of the sugar imported. It appears also that while the imports of sugar have thus increased by 397,000 tons, the quantity of what Mr. Noël Paton calls 'potential sugar,' that is, sugar that could at a stated time be industrially produced in India without any radical change of method, has decreased by 408,782 tons. That is to say, that 'ten years ago imported sugar was equal to less than one-sixteenth of the available indigenous sugar. Now it is not far off one-fifth.' We know, of course, that the price of the sugar imported has fallen. It has fallen from Rs. 10.1 per cwt. for the three years ending 1899-1900 to Rs. 8.88 per cwt. for the last three years, while the price of *gur*, say, has risen. This, however, is not a sign of an improvement in the trade of *gur*. It is wrong to suppose that imported sugar does not compete with *gur*. A careful analysis of the figures by Mr. Noël Paton leads to the conclusion 'that in fact sugar does compete with *gur*; and we know that the Indian cultivation of cane and the production of *gur* are steadily declining.' These facts give, Sir, a clear indication of the position of the sugar industry in India. They show that while the imports of sugar have been increasing, the area under sugarcane has been declining; also that the production of Indian sugar has been declining, and that the price of Indian *gur* has been rising. The result is that we are now paying over 10½ crores of rupees a year for sugar imported from other countries, and that we are threatened with the prospect of having to pay a much larger sum in the near future, unless something is done to arrest the downward course of the industry.

"It is in this position, Sir, that I have thought it my duty to invite the attention of the Government to the necessity of taking some effective steps to avert the calamity with which we are threatened. How that can be done is a question undoubtedly of great difficulty. We know under what advantageous conditions the foreign industry is working. Our competitors are using the most scientific processes to produce sugar. They are utilising the result of the latest researches that science has made. They are working on the centralised estate system, growing cane on large fields lying close together, having their factories in the centre of compact sugar areas, crushing fresh sugarcane in them and making sugar from the juice. They have the advantage of using the most up-to-date scientific methods, and the advantage of having large capital to finance their enterprise. We know on the other side that the Indian manufacturer is labouring under numerous disadvantages. There are only small patches of sugarcane fields and they are scattered in different parts of the country; the sugarcane that is grown is not of the best quality. The methods employed for both growing sugarcane and for manufacturing sugar are defective and wasteful, and cannot stand comparison with the methods employed in other countries.

"With all these disadvantages it is clear that the Indian manufacturer of sugar cannot hope to be able to compete with his foreign rivals. What then is to be done? Is the sugar industry of India to be allowed to go to the wall completely? We have seen how tremendously it has lost ground in the last ten years and more. Is it to be allowed to be extinguished in this process of

[9TH MARCH 1911.] [*Pandit Madan Mohan Malaviya.*]

competition? The competition is undoubtedly formidable. The Indian cultivator, however, is not entirely to blame for not being able to withstand this competition. It is no fault of his that he has not received the benefit of education that his competitors in other countries have had. It is no fault of his that he is illiterate and ignorant, while in other countries his competitors have long been receiving the advantages of general and technical knowledge, of trained skill and scientific advice. He has been doing his work according to his own primitive methods to the best of his ability. It has been said that the industry is inefficient, and that it is largely so because of the laziness and unwillingness of the Indian cultivator and manufacturer to take to modern methods. I beg the Council, and I beg the Government, to judge the Indian cultivator and the Indian manufacturer with the consideration that their case demands. I submit that the agricultural conditions which obtain in India are not of the making of the Indian cultivator. It is no fault of his that sugarcane is grown in patches over scattered areas. He has been suddenly confronted by new conditions that have been developed in other countries. In several such countries people have taken possession of vast uncultivated fields in new lands; and they have found it quite easy to plant large compact areas with sugarcane. The Indian cultivator cannot so revolutionise the conditions prevailing around him as to be able to do so. Nor are the technical knowledge and trained skill available to the Indian manufacturer as they are to their foreign rivals. I am more fully drawing attention to these facts in order that the cultivator and manufacturer should not be judged hardly. It has also been said that Indian manufacturers are to blame for not combining to work on a large scale. This want of the spirit of enterprise or initiation is partly the result of the system of over-government to which he has been subjected. And it will take him some time to develop the capacity for organisation. That being so, the question which arises is whether the Government will leave him in the lurch in the meantime, and allow him to be beaten and discomfited by his rivals in other countries, or whether the Government will take pity on his condition, make a reasonable allowance for the disadvantages under which he is labouring, and extend to him the shelter of its protection for a time, to enable him to live, to give him a chance to improve his methods, and to see if he cannot by improving them compete successfully with his foreign brethren.

"It would be a calamity, Sir, the gravity of which I cannot describe, if the sugar trade of India is entirely extinguished, or if it is even largely killed by reason of this competition. In a letter which he addressed to the Government of India in 1899, the then Lieutenant-Governor of the United Provinces (Sir Antony MacDonnell) said:—

"It is of much more importance to this province to preserve the sugar industry on the basis of present arrangements than to have a cheap foreign sugar supplied to the consumers of the refined article. The closing of refineries must lead to a contraction in the acreage under sugar. This reduction might, if the refining industry were destroyed, reach a maximum of 800,000 acres. Such a reduction in the acreage under a valuable and paying crop would cause far-reaching injury to landlords, tenants and the labouring population, and might affect the well-being of the rural classes to an extent that would produce serious discontent in the sugarcane growing regions. The stability of the Government revenue would be affected, not indeed directly, because the land-revenue assessments are not ordinarily made on the special or crop rent that are in some places paid for land let out for a cane crop, but because the reduction of the profits of a valuable crop would impair the rent-paying capacity of the tenants and thus cripple the resources of the landlords."

"That was said, Sir, in 1899. Recently, in addressing the Agricultural Conference which met in January last at Allahabad, our present Lieutenant-Governor, Sir John Hewett, also referred to the ruin with which this industry was threatened in the following words:—

"Thirty years ago we had 800,000 acres of indigo, with all the employment furnished by the manufacture of the dye; to-day we have little more than 40,000 acres under the crop, which is indeed no longer known in many localities where it was once a source of employment and of profit. Sugarcane, as I have just said, is threatened, and I can scarcely imagine the extent of the disaster to the province should our acreage of cane, which last year exceeded a million acres, dwindle in the same proportion as our acreage of indigo."

"Now, Sir, that being the position, I submit that the Government should be pleased to consider what course should be adopted to afford the protection that

[*Pandit Madan Mohan Malaviya.*] [9TH MARCH 1911.]

this industry needs. It is quite clear, as Mr. Noël-Paton has pointed out, that, unless something is done to protect it, this ancient industry of India, one of India's great assets, would seem to be doomed. As to what that something is opinions will differ. But there is no disagreement about one matter. It seems to be generally agreed that if India is to retain her industry she must improve her methods both of cultivation and of manufacture. But the question is whether, if he is left to himself, if he is left without any temporary protection, the Indian cultivator or the Indian manufacturer will be able to hold his ground so long as he will be employed in bringing his methods up to date, so as to be able to compete with his foreign brethren. I submit that it is not likely that he will be able to do so. These methods of improvement will require time: methods of cultivation cannot be improved in a day. Local Governments have been busy for some time past in the different provinces, and in none more so than in my own provinces, in encouraging the sowing of improved sugarcane. There have been pamphlets published and advice freely given by officers of the Agricultural Department of the Government to help the raiyat to improve his methods, and to help the manufacturer to employ less wasteful methods of refining sugar. But, Sir, those methods will take time. It will not be possible for the Indian cultivator or the Indian manufacturer to so equip himself with up-to-date methods at once as to be able to withstand the competition to which he is exposed; and the question is whether he should be allowed to go to the wall, or a helping hand should be given to him to enable him to protect his industry. I may at once say that I am not for a permanent protective duty on imported sugar. My whole object is to have the import-duty so raised and for such time only as it may be necessary in order to enable the Indian producer to compete on fair terms with his foreign rivals. I would be willing, Sir, that the duty that may be imposed should be of a graduated scale; that it may decline as time goes on; but all that I urge is that the protection that the Indian cultivator and the Indian manufacturer need at the present moment ought to be extended to them.

“ The discussion that has been raised in connection with this resolution in the Press has brought out two divergent sets of opinions. One is that it is a very evil course to suggest that the consumption of the cheap sugar which my countrymen are having now by reason of the imported sugar ought to be checked and that these countrymen of mine should be deprived, if the resolution I have proposed is accepted by the Government, of a very useful article of food which they very much require. As to this, I submit, Sir, that it is true that if the duty on imported sugar is raised, the price of the imported sugar would no doubt rise to a certain extent. I am quite alive to that aspect of the question; but what I submit is, that it is necessary in the interests of the people of the country as a whole to take a larger, a more comprehensive, view of the matter. Granted that it will be necessary for a time for those of our people who consume foreign sugar to pay a higher price than they do for it at present; but if that is the only condition on which, the only price by paying which, a great national industry can be kept alive, there should be no hesitation in paying that price. As against the loss which consumers of cheap sugar would suffer by the duty on sugar being raised we ought to weigh the loss which cultivators of sugar-cane, manufacturers of sugar, and the labourers and agents employed in the business will suffer if the duty is not raised and the sugar industry is allowed to be destroyed in the competition to which it is exposed. This, no doubt, raises the great question of protection and free trade. In the discussion that has been going on in the Press, one view which has been put forward is that all suggestions for imposing a protective duty are evidence of a wicked want of regard for the interests of the people, and it has been quietly assumed that all advocacy of the principle of free trade is unquestionable evidence of friendliness to the masses of the people. I venture to say, Sir, that neither protection nor free trade are necessarily beneficial for any country in all times and under all circumstances. Protection may be good for one country at one time, and free trade may be good for it at another time. Take, for instance, the case of England. England built up her industries with the help of protection; but,

[9TH MARCH 1911.] [Pandit Madan Mohan Malaviya.]

later on, as England found her position strengthened, she gave up protection; and for a long time past she has been one of the strongest apostles of the doctrine of free trade. But Germany, America and nearly all other countries of the West have not listened to the teaching of England in this matter. They have built up their industries—and Australia and Japan and Russia have been building up their industries—with the help of protective duties. And now that England has found that the industries of America, Germany and other countries fostered by protective duties have become formidable rivals to English industries, we find that there has come about a tremendous revolution in the ideas of the English people, and the great Tariff Reform movement is the expression of that change in the conviction in the minds of a large section of the English people that fair trade is better than free trade. As Bismarck once observed, free trade is the weapon of the strongest. For countries which are in the initial or backward stage of development of their industries, and are exposed to formidable competition from their more advanced rivals, the policy of protection is undoubtedly the safest policy. Free trade, no doubt, makes it possible for a people to have cheap produce by opening their frontiers to the entire world. In the case of sugar, too, it will enable our people to have cheap sugar; but free trade has never been known to develop the productive powers of a nation. On the contrary, we find that while a certain portion of the population is no doubt having the advantage of a little cheap sugar, a great national industry is being slowly but steadily undermined. In this view it is not only permissible but absolutely essential that recourse should be had to such temporary protection as I have the honour to advocate to save an ancient national industry from extinction.

“There is another aspect of the question to which I would invite the attention of the Council in this connection. India is undoubtedly largely an agricultural country. It has been said times without number that the famines to which it is exposed and the inability of the people to withstand the effects of scarcity are one of the unfortunate consequences of India being largely an agricultural country. The Famine Commission of 1878 pointed out that at the root of much of the poverty of the people of India and of the risks to which they were exposed in seasons of scarcity lay the unfortunate circumstance that agriculture formed almost the sole occupation of the mass of the people, and they recommended that a diversity of pursuits should be introduced to draw away a portion of the population from agriculture and to train them to earn their living by means of manufactures. They were quite clear and emphatic in expressing their opinion that until that was done the economic situation in India could not be radically improved. Those were the views expressed by a Commission appointed by the Government in 1878, and from that time up to this many high officials of Government have expressed the same view regarding the need for diverting a certain portion of the population from agricultural to manufacturing pursuits. How then, Sir, is that to be done? It is obvious that the two most important divisions of the industries of a nation are agricultural pursuits and industrial pursuits: for all material production one or other of these must be resorted to. It has been truly observed by a great writer on political economy that ‘a nation which only carries on agriculture is an individual who in his material productions lacks one arm,’ and that ‘a nation which exchanges agricultural products for foreign manufactured goods is an individual with one arm, which is supported by a foreign arm. This support may be useful to it, but it cannot be so useful as if it possessed two arms itself, and this because its activity is dependent on the caprice of the foreigner.’ In possession of a manufacturing power of its own, it can produce as much provisions and raw materials as the same manufacturers can consume; but if dependent upon foreign manufactures, it can merely produce as much surplus as foreign nations do not care to produce for themselves, and which they are obliged to buy from another country. At present we are producing too largely raw materials which are not consumed by manufactures at home, but are exported. Too large a proportion of our population is therefore dependent on agriculture. And the result is that when the rains fail, at the very first touch of scarcity we have to witness the most pitiable sight of vast numbers of people being unable to keep themselves and

[*Pandit Madan Mohan Malaviya.*] [9TH MARCH 1911.]

those dependent upon them alive unless the State runs to their rescue. We also have to witness the spectacle of this great country, rich in natural resources, standing up to receive alms not only from the State, which in itself is bad enough, but also to receive alms from foreign countries like America which converts their agricultural produce into manufactures. I am not ungrateful for the help they have given us in the hour of our distress. But it is a matter which certainly is not flattering to the Government or the people of this country, that they should be driven after a period of every few years into such a position that they cannot save a large portion of their population from the jaws of death unless Government or the charitable people of other countries should come to their rescue. This position cannot be improved unless manufacturing pursuits are promoted along with agricultural pursuits. It will certainly be made much worse if an existing industry is allowed to be killed by foreign competition. I have said, Sir, that in seasons when there is no other occupation to be had, sugarcane affords work to a large number of people. The point of view then from which this question has to be approached is this, that it is not a question which affects merely the consumer; it is not a question which affects merely the importer; but that it is a question which affects a much larger circle of people. It affects those who grow sugarcane, for they grow a paying crop for which they find ready market at home; it affects those who manufacture sugar, and those who employ their time profitably on that work throughout a large portion of the year, and who do not form an inconsiderable portion of the population. In this view, Sir, the temporary loss and even hardship to which the consumers of sugar may be subjected is a hardship which they have to bear in the interests of the country as a whole. This great crop is one of the few crops which it has been possible up to this time to utilise for manufacturing purposes. In other respects this country is producing crops partly to consume them itself in their natural form, and partly to export them in their raw condition to other countries. At present England is in need of more cotton, and a number of our cultivators will be encouraged to grow more cotton. They have been growing a great deal of wheat, for they have not only to supply the needs of this country but also of England with wheat. But there should be a limit to this ruralisation of India for the advantage of other countries. Neither wheat nor cotton would compare, in national value to the country, with sugar, because sugar has this advantage, that it gives occupation to both agricultural and manufacturing pursuits; that while good value is gained by those who cultivate sugarcane, it is also capable of being locally manufactured; and a produce which cannot only be grown in the country, but can also be manufactured in it, has, I submit, a much higher national value than a produce which is to be exported in its raw condition. If I may quote from a great writer on political economy:

'The agricultural power of production is so much greater the more intimately a manufacturing power developed in all its branches is united locally, commercially and politically with agriculture. In proportion as the manufacturing power is thus developed will the division of the commercial operations and the co-operation of the productive powers in agriculture also develop themselves and be raised to the highest stage of perfection. That nation will therefore possess most productive power, and will consequently be the richest, which has cultivated manufacturing industry in all branches within its territory to the highest perfection, and whose territory and agricultural production is large enough to supply its manufacturing population with the largest part of the necessaries of life and raw materials which they require.'

"In this view, Sir, it would be a national calamity that the cultivation of the sugarcane crop, which can be locally manufactured, which has so profitably been manufactured so well in the past, should be discouraged and diminished as it is being diminished by the large influx of cheap foreign sugar. If this can be prevented by imposing a protective duty on sugar, there should be no hesitation in imposing it. The disadvantage to which a part of the population will be subjected in having to pay a little higher price for sugar will be only a temporary disadvantage. Protective duties no doubt increase the price of foreign manufactures; but surely, after a time, as the national industries are encouraged and developed, the price of the indigenous product is assuredly brought down lower and lower. No one has suggested that there should be any



[9TH MARCH 1911.] [*Pandit Madan Mohan Malaviya ; Mr. Gokhale.*]

restriction imposed upon the free transport of sugar from one part of the country to another. The only suggestion is that there should be a higher import-duty levied on foreign sugar; and I submit that the sacrifice that a portion of the people will be called upon to make will be more than justified by the gain which will accrue to the community and the country as a whole by the preservation and promotion of a great national industry.

"I will not take up much more time of the Council. I appeal, Sir, to the Government to look at the question not merely from the point of view of the individual consumer, but from the larger point of view of the country. It is now well established that a nation must sacrifice and give up a measure of material property in order to gain or retain the power of united production; that it must sacrifice some present advantages in order to insure to itself future ones. The Government have themselves recognised the soundness of the principle of protecting a national industry from the results of free imports by levying a countervailing duty on sugar in previous years. If the Government are satisfied that the industry cannot be saved without protection in the time that it will require to bring itself up to the standard of other competing countries, then I submit the fairest thing—the most reasonable thing—to do is to extend the needed protection to the industry. The measure of a protective duty has to be determined after a careful consideration of the facts. Personally, I am not afraid to suggest a duty of even 80 per cent., or more if necessary, and I earnestly hope that the Government will not allow this ancient industry to die for want of the protection which it needs at present and which it is in the power of the Government to give to it. I commend the resolution to the acceptance of the Council."

The Hon'ble MR. GOKHALE: "Sir, I beg to move the following amendment to the resolution which my Hon'ble friend has proposed:—

'That this Council recommends that the Government should order an inquiry by a Committee of competent persons into the present condition of the sugar industry in India with a view to ascertaining what action can and should be taken by the State to save the industry from the threatened ruin.'

"Sir, I would like to state at the outset that my amendment is a friendly amendment to the resolution. My Hon'ble friend has proposed that the Government should so raise the duty on imported sugar as to enable the indigenous sugar industry to survive the competition to which it is at present exposed. A very small calculation will show that for this purpose a duty of not less than 30 to 40 per cent. will be required, and possibly even a higher rate may have to be imposed. It depends on what kind of sugar you want to protect from the competition of foreign sugar. If it is the sugar manufactured by factories worked by foreign methods, the duty will have to be about 40 per cent. If, however, it is the sugar manufactured by indigenous methods, then the duty will have to go higher, and may have to be as high as 80, 90 or even 100 per cent. Therefore, without expressing an opinion on the proposal made by my Hon'ble friend, I suggest an enquiry into the condition of the industry—and my Hon'ble friend will himself recognize the desirability of this—before his proposal is definitely considered by the Government. What I urge is that the Government should appoint a Committee of competent persons connected with the industry as also representing the Government and the public to thoroughly investigate the condition of the industry, and to recommend what action may be reasonably expected from the State, and should be taken by the State. Sir, there is no doubt whatsoever that the sugar industry is in a very bad way and that the decline is progressive. There is also no doubt that the imports, especially of Java sugar, have been going up by leaps and bounds. In ten years they have risen from a value of about £170,000 to over 4 millions. I think these figures are sufficient to show what enormous quantities of Java sugar are now coming into the country, and to what serious competition the sugar manufactured in India is exposed. Sir, the great German economist, List, points out in one place what happens when a country like India comes into the vortex of universal competition. He says that when a country, industrially backward, with antiquated methods of manufacture, dependent largely on manual labour, comes into the vortex of universal competition—competition with countries which use steam

and machinery and the latest researches of science in their production—the first effect is to sweep off local industries, and the country is thrust back on agriculture and rendered almost entirely agricultural for some time. But then, here, he says, comes in the duty of the State. When such a situation is reached, the State, he says, should step forward, and by a judicious system of protection it should foster such industries as are capable of being fostered, so that the country may once again enter on its industrial path with the aid of the latest appliances and ultimately stand successfully the competition of the whole world. Now, Sir, as I pointed out this morning, if we had a potent voice in the administration of this country, I certainly would strongly advocate that the Government of India should follow this advice of List: but as things are, for a long time to come, this will not be practicable; and as practical men, we must accept the situation and make the best of it. Personally, therefore, I think that for the present we should ask the State to give only such help to the industry, as it can, without running counter to the principles which are at present in the ascendant in the administration of this country—I mean free trade principles. Sir, I stated my opinion this morning that I was not sorry that the policy of the State to-day is a free trade policy: it is the least harmful, it is the safest, and till we are stronger I should not like to see it change. If the Government of India or the Secretary of State had the power to grant protection in present circumstances, I am not sure that it would be employed in the best interests of the people of this country. I, therefore, personally do not ask for a high protective tariff; but I urge that an enquiry be first made to find out in what way and to what extent the State can help this industry. Sir, at the Educational Conference which was held the other day at Allahabad, under the Chairmanship of the Hon'ble Mr. Butler, this question of the present condition of the sugar industry came up for consideration in connection with the subject of technical and scientific education. And my Hon'ble friend Mr. Mudholkar made at the meeting a number of valuable suggestions, and there was a representative of the sugar industry from the United Provinces, who also stated what the difficulties of the industry were which required to be overcome. It was a most interesting discussion, and I have no doubt that Mr. Mudholkar, who will probably take part in this debate, will state here what he stated to the Conference. It seemed from that discussion that there was a great deal that the Government could do for the industry even if it did not impose a high protective tariff; in the matter, for instance, of making the services of expert chemists available, in the matter of the terms on which land may be held, in the matter of irrigation and other facilities, and so forth. I therefore suggest that a Committee should be appointed to investigate the condition of the industry and consider what assistance the Government may give in order that the industry may be saved from the threatened ruin. The Committee may also be asked to report if any protective action can be taken by the State, and, if so, what that action should be.

“ Sir, I think it necessary to point out that in any scheme of protection that may be proposed by anybody, three questions arise, which must be carefully considered. The first question is, what will be the difference to the cultivators, if a high protective tariff is imposed, and by its means they are kept to their present cane cultivation? And how will they fare if the cane cultivation is allowed to go foul, as it is steadily going out at present? We find from Mr. Noël-Paton's recent pamphlet on the subject that during the last 9 or 10 years the area under cane has diminished by more than 8 per cent. and that the area under other crops has correspondingly increased by more than 8 per cent. This shows that the area vacated by cane has been occupied by other crops. The question therefore arises, how the cultivators have fared under this change. If it is found that the going out of the cane and the coming in of other crops has injured the cultivators, it will be a strong argument in favour of the State doing something to prevent this substitution taking place. If it is found, on the other hand, that the substitution has not injured the cultivators, then, so far as the cultivators are concerned, the plea for protection loses a great deal of its force. The Hon'ble Pandit Madan Mohan Malaviya read an extract from a speech by a Lieutenant-Governor of the

[9TH MARCH 1911.] [Mr. Gokhale; Pandit Madan Mohan Malaviya; the President.]

United Provinces, in which a distinct opinion is expressed that the substitution of other crops would injure the cultivators. If that is so, that would be a strong argument in favour of the Government doing something to prevent such an injury to the cultivators; and this is the first question that must be considered in connection with this matter.

"The second question is, supposing that a duty of 30 to 40 per cent. is imposed, on whom will it really fall? Roughly speaking, Sir, I look at the question in this way. The poorest classes of this country hardly ever use sugar; they use what we call *gur* or jaggery. We will assume that all those whose annual income is less than Rs. 100 generally use *gur* or jaggery, and that persons above that limit use sugar, using it in greater and greater proportion as you go up. We will further say that to those whose income exceeds Rs. 1,000 a year, it will not much matter if the price of sugar is raised by 30 or 40 per cent. There remains the class whose income is between these two limits of Rs. 100 to Rs. 1,000 a year—a class that undoubtedly uses sugar and is interested in having it cheap. It is a very numerous class, and it would undoubtedly be hit hard by an increase in the price of sugar. Members of this class use sugar in large quantities not only on ceremonial and festive occasions, but ordinarily; and the bulk of whatever extra duty is imposed will come out of the pockets of this class. Now, a 30 per cent. duty on Java sugar means—the last imports being four million pounds or six crores of rupees—very nearly two crores. A duty like that will therefore take two crores of rupees out of the pockets of this poor class; and, if the cultivators fare neither better nor worse, whether they grow cane or other crops, then the only result of the duty will be that this sum of 2 crores will go to so raise the profits of the manufacturers in India as to enable them to remain in the industry. And this directly brings us to the third question: who will really benefit by a 30 or 40 per cent. duty? I have already observed that a 30 or 40 per cent. duty will not suffice to bring the old indigenous portion of the industry within the line of protection. The factories that will receive the protection are those run on European lines, and it is no use disguising the fact that most of these factories are in European hands and their profits go to Englishmen. Sir, I do not grudge to any Englishman a single penny of the money he may legitimately make; but I think it is a fact, which must be fairly and squarely faced, that by a 30 per cent. duty on sugar we shall take two crores out of the pockets of a poor class whose earnings are between Rs. 100 and Rs. 1,000 a year, and we shall transfer this sum practically to the pockets of English manufacturers of sugar in the country. I do not mean that they will thereby realise any large profits in the industry—probably you will by means of the duty just enable them to remain in the industry; without this bonus, they may have to abandon the industry and devote themselves to something else. But even if the manufacturers realize no more than ordinary profits, the question must be considered—is it just that a sum of two crores should be taken out of the pockets of a poor class and put into the pockets of the manufacturers, to enable them to realize ordinary profits and keep up the industry? Sir, I only suggest those points, which strike me as serious, for consideration. I think these questions require to be carefully considered before any action is taken on the lines suggested by my Hon'ble friend. I am not necessarily against all protective action by the State.

"But I strongly hold that every proposal of protection must be judged upon its merits, and it is for this reason that I suggest this enquiry. With these words, Sir, I move my amendment."

THE HON'BLE PANDIT MADAN MOHAN MALAVIYA: "I am willing, Sir, to accept the amendment of my friend, and I am willing that the discussion should proceed on the amendment."

THE PRESIDENT: "The resolution of the Hon'ble Member cannot be withdrawn without the amendment falling to the ground. I think the best course will therefore be that the debate should proceed on the assumption that the amendment is the material question before the Council. I would then put the amendment first to the vote."

[Mr. Clark.]

[9TH MARCH 1911.]

The Hon'ble MR. CLARK: "I think, Sir, it will save time if I speak at once on the Hon'ble Mr. Gokhale's amendment, and I will endeavour as far as possible to avoid going over the same ground twice if it is necessary afterwards to debate the motion moved by the Hon'ble Pandit.

"It is not easy, Sir, to assess the exact position of the sugar industry to-day, of which the Hon'ble Members who have spoken have both drawn a somewhat gloomy picture. As is often the case in regard to such questions in India, there are factors which are not susceptible of ordinary economic measurement and which greatly obscure the issue.

"On the one hand, we have a rapid and alarming increase in the imports of foreign sugar; on the other hand, the area under sugarcane in India, although it has decreased, has not decreased proportionately with the increase of the foreign imports. On the one hand, we have antiquated and wasteful methods of production which *a priori* it might be supposed would be fatal to any industry competing with the produce of modern processes and up-to-date machinery; but, on the other hand again, there is the strong predilection of Indians for their native sugar to be taken into account, coupled with an equally strong prejudice against the foreign article, the possible ingredients of which they regard, quite unjustly, with grave suspicion. There is consequently in many areas, in defiance of all the laws of economics, a greater demand for the dearer than for the cheaper article.

"Turning to the statistical data, we find that the imports have increased lately, as I have said, with alarming rapidity. For the five years ending 1900-01, the total average annual imports were 202,000 tons of cane and beet sugar taken together. I think the Hon'ble Pandit gave the figures for cane only, which accounts for the discrepancy between my figure and his. The average for the next quinquennium ending 1905-06 was 380,000 tons. Since then the imports have gone up by leaps and bounds until last year they reached 630,000 tons, or nearly double the average amount in the five years ending 1905-06. On the other hand, the acreage under cane in India has not declined proportionately. Going back twenty years, I find that the highest recorded acreage in that period was 3,100,000 acres in 1891-92. Since then the acreage has fluctuated considerably, no doubt according to the seasons. As short a time ago as 1907-08, it again touched a high point when the acreage was 2,706,000 acres. There was, however, a very bad monsoon in 1907 and poor rains followed in 1908. Sugar at its best is a very precarious crop, and after drought or famine the poorer cultivator prefers to give up such crops for other crops which will bring him in a safer and a quicker return. Consequently it is not perhaps surprising that in 1908-09 there was a drop of 450,000 acres. There was a still further decline in the next year, but last year there was a slight recovery. No doubt the high prices of food-stuffs, fodders, etc., have contributed to some extent to the substitution of other crops for sugar-cane, and it is not necessary to assume that the substitution so caused will necessarily continue. But certainly the figures seem to indicate that the crop is becoming less popular with the cultivator.

"It is not easy, as I have said, to sum up these somewhat contradictory data, but perhaps the position may best be put in this way. Undoubtedly, unless better methods can be introduced and the cost of production brought down to a more reasonable level, the industry is in considerable danger. Japan, it is said, will soon be self-supporting, and this will let loose even a larger supply of Java sugar on India than we get at present. The danger is not perhaps immediate, but the necessity for the industry reforming itself is none the less a very real one. The predilection of the Indian for native sugar to some extent takes the question outside the ordinary economic sphere of supply and demand, and the continuance of this predilection is a very valuable asset. But we cannot of course depend on it going on for ever.

"The Hon'ble Member (the Hon'ble Mr. Gokhale) has urged that the Government should appoint a Committee of enquiry to examine into the conditions of the industry 'with a view to ascertaining what action should be taken by the State to save the industry from the threatened ruin.' I have indicated that in the latter part of this motion the Hon'ble Member is perhaps

[9TH MARCH 1911.]

[Mr. Clark.]

painting the present position of the industry in unnecessarily sombre colours. I must also point out that in the proposal which he actually placed before the Council in his speech he seemed to be advocating an enquiry into the effects of a protective duty on sugar, which is an absolutely different thing. It is quite a different thing from an enquiry into the present conditions of the sugar industry with a view to seeing what can be done to help it. The enquiry, as he put it before the Council, seems to exclude other methods of assisting the industry besides protection. I fully admit that there would be ample grounds to justify granting an enquiry if Government were not already alive to the position and were not already, in conjunction with the Local Governments, doing their best to improve the methods of cane cultivation and the manufacture of sugar throughout the country. The Department of Revenue and Agriculture are doing a great deal in this direction. Scientific enquiries are being conducted into the diseases of cane, and enquiries are being made in various farm stations as to questions of manure and cultivation. Experiments have been tried in machinery with a view to improve the native methods of refining; imported canes have been distributed and in some parts of the country are largely superseding the old cane; and advances of large sums of money have been made in some districts to cultivators. Any one who visited the Industrial Exhibition at Allahabad could not, I think, have failed to have been impressed with the admirable work which is being done in the United Provinces by the able Director of Agriculture, Mr. Moreland, both towards improving the existing methods of production and towards demonstrating to producers the possibilities of up-to-date machinery. The Hon'ble Pandit just now referred to our competitors' methods in sugar production, and especially to centralization. The chief characteristics of this system are summarised and explained in Mr. Noël Paton's most useful 'Notes on Sugar in India', and I do not think I need go into them now. But it is clearly a very difficult matter to apply these methods in India. It is essential for success to a factory on the centralised system that it should be certain of receiving every year a sufficient quantity of cane from comparatively small distances to keep it running throughout the sugar season, which lasts for about one hundred days. There is nothing so difficult, I believe, as to bind down the Indian cultivator to give you a regular supply of a certain crop year after year. This is no doubt one of the great difficulties which will have to be got over, and so far as I can see the only way to do so is by gradually familiarising the cultivator with the advantage and profitableness of the system. Until this is done the establishment of a centralised factory on at all a large scale would involve its promoters in a very considerable risk. At the Allahabad Exhibition Mr. Moreland, the Director of Agriculture of the United Provinces, had arranged with an English firm to show a factory of modern type in every particular, except that it is intended to work on a small scale. I daresay many Hon'ble Members may have actually seen it at work. It is constructed to manufacture 100 tons of sugar in the 100 days of the sugar season, utilising roughly the produce of 100 acres of cane. Generally speaking, in industrial matters, working on a large scale is essential to economic success. But in India things do not go according to the ordinary economic laws, and the industry has the great advantage of a strong native prejudice in favour of native produced sugar. At any rate, if this factory, as it is hoped, is eventually transferred to the country and set up as a working concern, it will be a very interesting experiment which will be watched with great interest, as it may do something at least towards opening the minds of the cultivators and producers to the importance of adopting the centralised system of working.

"I have discussed this question of centralisation, though perhaps it is hardly in order on the amendment to the Hon'ble Pandit's resolution; but I have discussed it at some length in order to show that the Government are fully alive to their responsibilities in respect of the sugar industry. At the same time they do not consider that an enquiry at the present moment is necessary or desirable. They are entirely in sympathy with the object that the Hon'ble Member has in view, but they cannot but think that to appoint a Committee now would tend rather to suspend present activities pending its report than to promote the improvement of the industry. I regret therefore that the Government cannot accept the Hon'ble Member's amendment."

The Hon'ble MR. MUDHOLKAR: "I regret to notice the views advanced by the Hon'ble Mr. Clark and to learn that Government are not prepared to appoint a Committee such as the Hon'ble Mr. Gokhale has proposed. If the original proposal of my Hon'ble friend Pandit Madan Mohan Malaviya was before the Council and no other, I could have understood the attitude of the Hon'ble Member and of Government. But what my friend Mr. Gokhale has put forward is a thing which is so much in accord with what has been advanced on behalf of all responsible administrators, especially those belonging to the United Provinces, that I thought our friend Mr. Gokhale's suggestion would be readily acceded to by the Government. However, as it has not been done it has become necessary to put forward in as brief a manner as possible the matters which really require consideration. One thing which is clear is this, that the cultivation of sugarcane has been going down all over the country except in Madras. In Madras alone there has been some rise in the acreage under sugarcane cultivation. But, after all, Madras has not more than 90,000 acres under such cultivation. The largest areas are those in the United Provinces and in Bengal. But in Bengal, from one million and about one hundred or two hundred thousand, it has dropped down to about five hundred thousand acres; and in the United Provinces it has dropped down from nearly one and a half millions to one million and one hundred and fifty thousand acres. These are very great drops. The fears which were expressed by some of the Lieutenant-Governors of the Provinces seem to have become true. Now, the Government in this country is the largest landlord, and the United Provinces is a territory which does not enjoy the blessings (or whatever they might be called) of a permanent settlement. Land there is liable to periodical revisions of settlement. The Government thus is greatly interested in seeing that the agricultural prosperity of that part of the country is placed on a firm basis. Now, Sir, we find that the Lieutenant-Governors of the Provinces state solemnly (what is a fact) that the sugarcane crop is in various districts the most important crop. Then is not this shrinkage of sugarcane cultivation a very serious matter for the Government itself to consider? We are told—and it is undoubtedly the fact—that the Agricultural Department is making experiments of considerable importance for restoring the remunerative character of sugarcane cultivation. Well, Sir, the experiments which the Agricultural Department is making for improving the quality of this produce are valuable beyond question though they do not satisfy all the requirements of the situation. It is a fact that the indigenous varieties of sugarcane in India, in Northern India especially, are of a very poor kind. But we have the experience of Mysore, which shows that though you may grow superior varieties that does not necessarily lead to success. That therefore is a matter which has to be taken into consideration. There are more than one difficulty which we have to surmount. One of these difficulties, *viz.*, the inferior varieties from which our sugar is expressed, is being dealt with by these experiments. We have yet to see how far the experiments which are being made about the growing of superior varieties are calculated to produce successful results. Again, though the Agricultural Department is a very competent Department and its experiments have to be treated with very great respect, I would still say that the Committee asked for would prove useful; for there is safety in the multiplicity of counsels, and when we find that there are experiments similarly conducted elsewhere, it will be desirable to have a body which will compare the experiences of more than one district. Another thing to be considered is that the use of manure is not resorted to anything like the extent that it should be. This is due to the poverty of many of the cultivators. How will the experiments of the Agricultural Department help us here? Again, it is undoubtedly a fact that one of the great difficulties we have to get over is the loss of much valuable juice in the course of transit. There is also often a very great loss due to defective methods of expression. Some people calculate the loss as much as 50 per cent. Well, in regard to this I would like to know how are the experiments which are being conducted to remove this difficulty in the actual manufacture of sugar; of what help here are the experiments which are being conducted by the Agricultural Department?

[9TH MARCH 1911.]

[Mr. Mudholkar.]

"The question, Sir, is a twofold one. One is the question as it affects the agriculturist and the other is as it affects the manufacturer. First of all the manufacturer requires superior varieties of cane; and in regard to that the existing defective methods of cultivation without manure and cultivation of inferior varieties and such other things have to be taken into consideration. There is also another question. People speak of what exists in Java and other places—concentrated cultivation. How can we secure concentrated cultivation? Land is divided among numerous tenants or occupants. How is sugarcane to be grown in centralised areas in limited circles? We require a central factory. How can a central factory work satisfactorily if the raw material has to be collected from a distance, even when we have cheap and rapid transit? So this also should be taken into consideration—'how you can bring the raw material within the requisite time to the factory'; that has also to be determined, to be found out. As I said just now, we have to bring the sugarcane to the factory within a certain limited time, for if it does not come in the time, there is loss in the sugar and the juice undergoes various processes of deterioration. That I believe is another thing which the Agricultural Department and the agricultural experts can hardly be expected to deal with. Who is going to give advice to the Government in regard to the matter about securing concentration of cultivation? It is a matter which can be handled by a body which deals with all the aspects of the question, which takes all these various factors into consideration and makes suggestions to Government after that. We have up to now taken purely that aspect of the question which deals with the raw material itself. But we have got other things to do in addition to concentration of cultivation—things without which the industry cannot hope to compete with other industries.

"Here I must point out the magnitude of the difficulty which we have to contend against, and that is the enormous difference in price which exists between imported sugar and indigenous sugars. I had occasion to point out about two years ago the great discrepancy which exists. I took certain mufassal districts, places removed both from the coast and from the manufacturing centres of the sugar industry, and I found that what is called Benares or Kasi sugar sold at the rate of R16 per maund of 40 seers. Sugar manufactured by modern processes in India sold at the rate of 12 to 18 rupees per maund, and imported sugar sold at the rate of R9 per maund. Enquiries which I made about a month and a half ago showed that the discrepancies between the prices have become accentuated, and we may well say now that the difference between the prices of Benares sugar and the imported sugar is fully 100 per cent. Now, that is a thing which I doubt if the Agricultural Department will greatly trouble itself about, but which a body which is entrusted with a special mission will surely take into consideration and about the removal of which will make recommendations. Over and above cultivation we have got the further thing—to address ourselves to as to what is to be done in the factory itself. We have got old methods, which are undoubtedly ineffective and wasteful. But we have to see what, in the circumstances of the country, are the methods which can feasibly be introduced. It can easily be said that we ought to collect 5 lakhs or 10 lakhs of rupees and start factories on a large scale. The Government is interested both in the development of industries and also in the furtherance of our agriculture, has to take a practical view of the matter and to see what are the things which lie within the power of the people and what things are likely to be done. We are not living in an ideal state of society; we have to take men as they are and the state of things as it exists and consider what means are feasible. In other words, what is practicable in regard to these matters? Well, there is, I admit, a certain amount—a considerable amount—of work which can be achieved by co-operation—co-operation in work and co-operation of capital. There are co-operative banks, which, if they are developed and the co-operative credit societies system is brought into operation both for the purpose of improving quality and securing concentration of cultivation and furthermore for the purpose of starting and helping factories, and if we find out by the help of practical experts what kind of factory system is capable of being established and carried out in India, then we would, so to

[Mr. Mudholkar ; Mr. Dadabhoy.] [9TH MARCH 1911.]

say, be placing the thing on a more satisfactory basis than at present. The factories in other countries like Java are conducted on a grand scale, but I do not know whether those scales are at all feasible here for a long time to come. What we have got to see here is to establish some central factories and smaller factories under them working in co-operation, and work them by the most modern and effective methods. Our people have to remember that both the agriculturist and manufacturer of sugar who adhere to the old methods will be swept off. Our old factories have been swept off. There were something like 800 factories some 15 or 20 years ago. At present, I believe, there are hardly 25 or 30 registered factories. Many of the smaller factories have ceased to exist. Even these 30 factories will probably before long cease to exist. We have, therefore, to take into consideration what is feasible to be done so far as the manufacturer is concerned. Here again there are two difficulties—the first of capital, and the second of want of scientific knowledge on the part of those who are carrying on the smaller factories. Manufacture of sugar by modern methods is a matter in regard to which scientific knowledge is required. The supply of this kind of knowledge has been placed before Government and was considered in the Educational Conference which met at Allahabad last month under the Hon'ble the Member for Education. I am glad to say that the United Provinces Government and the Government of India in the Education Department are going to take up in earnest the subject of the sugar industry. But that again is a thing which has to be worked in a systematic manner.

“I do not like to prolong the discussion to an inordinate length. I have indicated some of the things which can be done by a Committee alone appointed to deal with this question. No amount of experiments by the Agricultural Department will enable us to make much headway. I would therefore very strongly recommend the amendment of my Hon'ble friend Mr. Gokhale to the consideration of Government and of this Council.”

The Hon'ble MR. DADABHOY : “Sir, I beg to support the amendment. The importance of the industry can best be realised from the fact that, notwithstanding the progressive imports of foreign sugar, about 4,000 square miles are still under sugarcane. In one province, the United Provinces, 1½ million acres are devoted to the cultivation of sugarcane. Before the development of the import trade in beet-sugar, India not only produced enough sugar for home consumption, but used to export large quantities to foreign countries. The condition, alas, no longer exists. The Indian export trade is ruined ; imports of sugar are steadily on the increase ; foreign sugar is replacing Indian sugar even in the Indian market. And all this ruinous change has taken place within the last quarter of a century. It was in 1884-85 that the price of sugar fell. The market was affected by the advance which Germany had made in the cultivation of beet-root and the manufacture of beet-sugar under the artificial stimulus of bounties and low transport charges. The position became so serious that, in 1899, the Government of India felt impelled to impose countervailing duties upon foreign imports. Ultimately the Brussels Convention of 1903 abolished all bounties direct and indirect. A reaction set in, and beet-sugar is not now in as brisk demand as before. It is giving way before Java cane-sugar. Mauritius has gone to the wall. Java commands the market, and if nothing is done to arrest the foreign imports, the once-flourishing sugar industry of India will become extinct sooner or later, and thousands of poor people will be thrown out of employment.

“Now the question is, is this *dénouement* desirable? Has not the Government any duty to perform in view of the threatened extinction of an important industry? It would be ungenerous to suggest that Government is remiss in this matter. The country thankfully acknowledges the interest it has evinced in the sugar industry, and the genuine efforts it has so far made for its improvement. Government has done and is doing more for the industry than is known to the public. The recommendation contained in the resolution is therefore made, not in a spirit of querulous fault-finding, but with the object of inviting Government's attention to the necessity of the adoption of a line of policy which is expected to



[9:11 MARCH 1911.]

[Mr. Dadabhoj.]

yield excellent results. Government has so far applied its energy to devising means for the removal of the defects in the Indian manufacture. This action is bound to be, and is, appreciated by the people. It goes without saying that there are serious defects both in the rearing of the cane and the manufacture of sugar. It is equally obvious that, if these defects are removed, India can successfully compete with Java and other countries on equal terms, without the adventitious support of import-duties. The Indian cane is not rich in juice and the indigenous manufacturing process is wasteful. Whereas in Java the normal yield of sugar is 3.44 tons per acre, in India the average is only one ton. This difference gives Java a superiority which must secure her the market, unless India improves her production. Government is doing its best, through the Agricultural Departments, to help the necessary progress, and all credit is due to it for its efforts. But the discouraging factor is that the improvement must be a process of slow development. It will take India years to come up to the Java or the Cuba level. There is no doubt the level can be reached. It may be that the limit will even be surpassed. Dr. Royle thinks that, with proper improvement in cultivation, India can produce enough cane not only to supply all the sugar her people require, but to swamp the world's market, so much so that the surplus sugar may be used as manure. But this improvement is a work of time. And the odds are that, meanwhile, the diminishing profits of the manufacture will sponge the energies of both the cultivator and the manufacturer, and the industry will gradually shrink and sink into oblivion. Many industries have disappeared in like manner. Already the area under cultivation is contracting. It is therefore imperatively necessary that the industry should be maintained and encouraged by Government by the imposition of moderate import-duties.

"It has been stated that the decline in the cultivation of sugarcane in India is due to a natural process of elimination. In reply to this last argument, it may be pointed out that the present condition of an industry does not afford a sure or safe index to its potentialities. There may be so many causes at work. It took Germany and France nearly a century-and-a-quarter to establish beet-root cultivation for the sugar on anything like an extensive scale. The beet-sugar was discovered by a chemist in 1747, but more than half-a-century elapsed before factories were established for its manufacture. Napoleon first encouraged the manufacture by allowing the free use of 100,000 acres of land for the cultivation of beet-root, on account of the failure during war of the West Indian supply. But it was not before the Franco-Prussian War that beet-sugar became a powerful competitor in the world's market. Who could have thought in the eighteenth century that beet-root had such a bright future? And yet, if by a process of natural elimination beet-root had been neglected, the history of the sugar industry would have been very different indeed.

"The Indian cotton industry is also a case in point. There was a time when nobody could anticipate that India could once again take to cotton manufacture with any prospect of success. The belief was that the Indian cotton industry had been discredited by a process of natural elimination, and it was waste of energy to seek to revive it. Would the country have gained had these counsels prevailed?

"Iron and steel manufacture affords another illustration of the unwisdom of discouraging efforts at improvement on the ground of difficulties and the competition of advanced countries.

"The other argument is equally unsound. The suggested impost cannot be prejudicial to the interests of the masses. In the first place, the common people take sugar in its crude form, known as *gur*, which is not imported from outside, and which will not therefore be affected even by a heavy import-duty. In the next place, if no attempt is made by an artificial check of imports to rehabilitate the indigenous industry, the upshot will be that it will be in time abandoned. When this is done, the Indian competition will be withdrawn from the field. Java will be in undisputed possession of the Indian market. What guarantee is there that, the monopoly secured, Java will not raise the price of the commodity? What will there be to prevent her from charging

[9TH MARCH 1911.] [*Mr. Dadabhoj ; Lieutenant Malik Umar Hayat Khan.*]

fancy prices? How will the position improve for the poor Indian in such a contingency? In the absence of competition, this necessary of life, far from being cheap, will be very dear. That is the experience of the past. This point demands careful consideration. It is undoubtedly far better that the people should suffer some inconvenience now for the protection and encouragement of a prostrated but promising industry, than that for a temporary and fugitive advantage in prices they should allow that industry to die, and leave the country at the mercy of a foreign monopolist. It is a short-sighted policy to advocate open door from considerations of cheapness when it can only spell ruin in the long run to an industry which, with careful nursing, may yet recuperate its former vitality and be vigorous. Protection in the economic conditions peculiar to India is more likely to cheapen the necessaries of life than to cause an appreciation in their prices.

"Free Trade, Sir, should not degenerate into a cant. It is, after all, an arrangement suggested by experiences of a particular kind as calculated to promote human happiness, and has convenience for its underlying principle. There is no charm in it unless it secures the maximum of convenience. If a combination of circumstances show that a slight modification of its theories is necessary for the advancement of future interests, such variation would be perfectly consistent with the cardinal principle. It is therefore that all advocates of Free Trade have conceded that protection to infant industries does not militate against its principles. The Indian sugar industry, though not infant judged by age, stands in very much the same position by its backwardness. Protection to such an industry in the shape of moderate import-duties would not involve a violation of Free Trade.

"It is also worth consideration that history shows that, somehow, the levy of import-duties is followed by a depreciation in value of the commodity taxed. In the United States of America, the McKinley tariff had the effect of forcing down the prices of eleven articles used by the masses. Similar has been the experience on the Continent. Import-duties, unless prohibitive, do not, as a rule, force up prices. A high Anglo-Indian authority, Sir Guilford Molesworth, has observed :

'It may be taken as an axiom of political economy that, as a general rule, when an article is of home production (or, in other words, when it can be produced in the country) the tariff, if it be moderate, and not prohibitive, stimulates production, promotes general competition, kills foreign monopolies, and in some cases actually reduces the cost of the taxed article.'

"The assumption that a moderate import-duty upon sugar will produce a tightness in the market is unwarranted, and opposed to experience. One point deserves examination in this connection. If an import-duty had the effect of being a surcharge upon the price, its object would be defeated, and it would cease to be protective. A duty can only be protective when it goes to reduce the manufacturer's profits. If it falls upon the consumer, the protective value disappears."

The Hon'ble LIEUTENANT MALIK UMAR HAYAT KHAN :—"Sir, there is great need of an inquiry when we know it for a fact that our sugar industry must suffer unless we take some steps to protect it. We have got our own interests in this country, and if we keep our money in our own land we have the right to do so and none can raise objections.

"The question may be asked, why do we not rise to the occasion and develop this industry without raising a tariff wall against the foreigner? But that is impossible. Unless we check the importation of foreign sugar now, we may be so totally defeated as to be unable to offer any resistance in future. And hence it is most necessary to take a step in the direction and prepare ourselves first, and when we find that we can compete on equal terms we can again have a kind of open door in this country for sugar. When we ourselves do not get the open door abroad, why should we not follow others and protect our industries like other countries?

"Sir, with these few remarks I support the amendment, as a Member appointed by Government to look after the interests of landholders cannot do anything else."

[9TH MARCH 1911.] [*Mr. Madge ; Mr. Clark ; Pandit Madan Mohan Malaviya.*]

The Hon'ble MR. MADGE: "I merely wish, Sir, to say that some remarks which have been offered ignore the fact mentioned by the Hon'ble Mr. Clark that Government have already launched upon a series of interesting enquiries conducted by experts, and that one result of an independent Committee would be to fall upon the work of those experts and practically indefinitely postpone it. That is a very unwise course to take surely. The only thing I would mention for the information of the Hon'ble Mr. Clark is that there is some danger of foreign improvements that are not adapted to the present capacities of the cultivators of this country being prematurely forced on them ; but I have no doubt that the experts engaged will find that out for themselves. I hope there will be no large over-centralization of reforms in this direction. The movement that has taken place in England from rural areas into cities was compared by Swift in one of his essays to political apoplexy.

"This country is not in such a condition as to stand the diversion of its agricultural population to mechanical occupations to any large extent, and I am quite sure that the experts engaged in this enquiry will keep that point in mind."

The Hon'ble MR. CLARK: "I may perhaps say at once as regards what has fallen from the Hon'ble Mr. Madge that, from what I saw when I was at Allahabad, Mr. Moreland is not only working to demonstrate the advantages of modern machinery but is also working to improve the native processes and to get changes made, such as the adoption of centrifugals in the field instead of the old slow and wasteful processes of pressing, bagging and straining. I may also mention that a few years ago the Government had under their consideration the question of appointing a special expert on sugar to advise the Agricultural Department and Local Governments. There were certain difficulties in carrying this through and effect could not then be given to the proposal ; but my Hon'ble friend Mr. Carlyle tells me that the Department now has the question under consideration again. I think this has an important bearing on the proposal put forward by the Hon'ble Mr. Gokhale."

The Hon'ble PANDIT MADAN MOHAN MALAVIYA: "I am quite willing, Sir, to accept the amendment of my friend, the Hon'ble Mr. Gokhale. I may say that I do so in the belief that if a Committee is appointed to enquire into the matter the need for some such action as I have suggested will be more clearly recognised than perhaps it is at present. I hope the proposal for such a Committee will commend itself to the Government."

THE PRESIDENT: "As required by the rules, I read to the Council the resolution and the amendment which is made to it. The resolution is :

'That this Council recommends to the Governor General in Council that the duty on imported sugar be so raised as to make it possible for the indigenous sugar industry to survive the competition to which it is at present exposed.'

"The amendment is :

'That this Council recommends that the Government should order an enquiry by a Committee of competent persons into the present condition of the sugar industry in India with a view to ascertaining what action can and should be taken by the State to save the industry from the threatened ruin.'

"That amendment has been accepted by the Hon'ble Mover of the resolution, and I will put it first to the vote."

The Council divided :

*Ayes—13.*

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur ; the Hon'ble Mr. Gokhale ; the Hon'ble Mr. Mudholkar ; the Hon'ble Mr. Chitnavis ; the Hon'ble Mr. Dadabhoy ; the Hon'ble Maung Bah To ; the Hon'ble Lieutenant Malik Umar Hayat Khan ; the Hon'ble Sir Vithaldas D. Thackersey ; the Hon'ble Pandit Madan Mohan Malaviya ; the Hon'ble Nawab Abdul Majid ; the Hon'ble Raja Pramada Nath Roy of Dighapatia ; the Hon'ble Baba Bhupendranath Basu ; and the Hon'ble Mr. Sachchidananda Sinha.

Noes—33.

The Hon'ble Mr. Andrew; the Hon'ble Mr. Quin; the Hon'ble Mr. Birkmyre; the Hon'ble Mr. Madge; the Hon'ble Mr. Graham; the Hon'ble Mr. Monteath; the Hon'ble Sir Sassoon David; the Hon'ble Mr. Phillips; the Hon'ble Lieutenant-Colonel Davies; the Hon'ble Mr. Slacke; the Hon'ble Mr. Stewart-Wilson; the Hon'ble Mr. Dempster; the Hon'ble Mr. Kostereu; the Hon'ble Mr. Carlyle; the Hon'ble Mr. Butler; the Hon'ble Mr. Syed Ali Imam; the Hon'ble Mr. Clark; the Hon'ble Sir Guy Fleetwood Wilson; the Hon'ble Major General Grover; the Hon'ble Mr. Earle; the Hon'ble Mr. MacLagan; the Hon'ble Sir Lionel Jacob; the Hon'ble Mr. Robertson; the Hon'ble Sir Henry McMahon; the Hon'ble Mr. LeMesurier; the Hon'ble Mr. Holms; the Hon'ble Mr. Meston; the Hon'ble Mr. Fremantle; the Hon'ble Mr. Todhunter; the Hon'ble Surgeon General Lukis; the Hon'ble Mr. Graves; the Hon'ble Mr. Macpherson; and the Hon'ble Mr. Sharp.

So the amendment was rejected.

The original resolution was then put and rejected.

The Council adjourned to Thursday, the 16th March 1911.

J. M. MACPHERSON,

*Secretary to the Government of India,  
Legislative Department.*

CALCUTTA;

*The 23rd March 1911.*