

*Monday,
17th March, 1913*

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. LI

April 1912 - March 1913

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OF

THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

ASSEMBLED FOR THE PURPOSE OF MAKING

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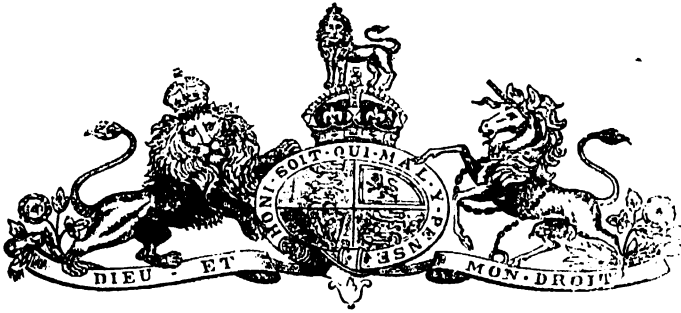


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GOVERNMENT OF INDIA.
LEGISLATIVE DEPARTMENT.

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 (21 & 25 Vict., c. 67, 55 & 58 Vict., c. 14,
AND 9 Edw. VII, c. 4).

The Council met at the Council Chamber, Imperial Secretariat, Delhi, on
Monday, the 17th March, 1913.

PRESENT:

The Hon'ble SIR HARCOURT BUTLER, K C S I., C I E, *presiding*,
and 59 Members, of whom 53 were Additional Members.

OATH OF OFFICE.

The Hon'ble **Mr. M. W. Fenton**, C S I., made the prescribed oath or
affirmation of allegiance to the Crown.

QUESTIONS AND ANSWERS.

The Hon'ble Sir Charles Armstrong asked :—

“Will the Government be pleased to state whether lately it has been the practice to maintain treasury balances in London beyond the actual requirements of the Secretary of State for the purpose of a working balance ?”

If so, does the adoption of the practice indicate a change of policy and, if so, will the Government be pleased to state the reasons which have called for such change of policy ?”

The Hon'ble Mr. Gillan replied :—

“The balance held by the Secretary of State has recently been in excess of his immediate requirements. This circumstance has resulted from the fact that the balances in the aggregate have been unusually high, and indicates no change of policy.”

[*Sri Rama Raya of Panagallu; Sir Robert Carlyle; Mr. Gillan.*] [17TH MARCH, 1913.]

The Hon'ble Sri Rama Raya of Panagallu asked :—

“Is it a fact that Proprietary Village Service Cess was for a short time recently collected from certain proprietors of landed estates in the Madras Presidency, that from time to time complaints regarding the collection of the said Cess were being pointed out, and that in the last Budget Government was pleased to make provision for the abolition of the levy of that Cess? If so, will the Government be pleased to state whether they propose to consider the desirability of taking steps to refund to the parties the amount of Cess already collected from them?”

The Hon'ble Sir Robert Carlyle replied :—

“The cess is leviable under Madras Act II of 1894, and has been gradually imposed on landed estates at various times from 1899 onwards. Representations regarding the cess were received from time to time, but its ultimate abolition was undertaken not as an acknowledgment of anything inequitable in the collection of the cess, but as part of the general policy of Government in connection with cesses on land. In the circumstances the Government see no reason to give retrospective effect to the abolition of the cess.”

The Hon'ble Sri Rama Raya of Panagallu asked :—

“Is Grain Compensation Allowance granted to petty clerks and menials in Government service in the different provinces?”

If so, will the Government be pleased to state the present prevailing rates at which the allowance is granted to them in the different provinces?”

The Hon'ble Mr. Gillan replied :—

“(1) Under Article 72, Civil Account Code, Local Governments are empowered by special order to grant in any district compensation allowances to all whole-time servants of Government in civil establishments whose pay does not exceed Rs. 30 per mensem, when the price of the common staple food grain of that district is dearer than Re. 1 for 12 seers.

(2) There are two rates of compensation which may be granted :—

(a) When grain is dearer than 12 seers for Re. 1.

(b) Ditto 10 ditto.

Government servants on pay exceeding Rs. 16 can then be given an allowance of Rs. 2 in the former case and Rs. 3 in the latter. Those on Rs. 16 or less can similarly receive allowances of Re. 1 and Rs. 1-8, respectively. When pay is less than Rs. 5 allowances may be given sufficient to bring it up to Rs. 6 and Rs. 6-8, respectively.

The grant of the allowance, once these conditions are fulfilled, is at the full discretion of the Local Government concerned.”

The Hon'ble Sri Rama Raya of Panagallu asked :—

“Will the Government be pleased to state whether they propose to consider the advisability of opening in all agricultural institutes classes wherein actual agricultural labourers are taught practical agriculture and are paid for their labour?”

The Hon'ble Sir Robert Carlyle replied :—

“The system to which the Hon'ble Member refers is in force in several provinces. The Government of India have no information as to the degree of success attained by it, but will take steps to ascertain this and will communicate the result to all Local Governments.”

[17TH MARCH, 1913.]

[*Raja Abu Jafar; Sir Reginald Craddock;
Raja Kushalpal Singh; Sir Robert Carlyle.*]

The Hon'ble Raja Abu Jafar asked :—

“ Will the Government be pleased to state whether they propose to order an inquiry into the number of Mussalman religious endowments in every district of India, of an annual income of Rs. 5,000 or upwards, with a statement of the names of the donors, the names of the present trustees and the objects and the annual income of every endowment ? ”

The Hon'ble Sir Reginald Craddock replied :—

“ The Government of India regret that they do not consider that the purpose to be served by the suggested inquiry would justify the labour involved in the compilation of the information asked for.”

The Hon'ble Raja Kushalpal Singh asked :—

“(a) Have different Governments and Administrations in India made rules with regard to the exemption of improvements from enhancement of revenue during the current settlement or after the revision of the settlement ?

(b) If so, will the Government be pleased to lay on the table a statement containing such rules ? ”

The Hon'ble Sir Robert Carlyle replied :—

“ A collection of the rules in question made by various Local Governments will be reprinted and laid on the table at a subsequent meeting of this Council.”

The Hon'ble Raja Kushalpal Singh asked :—

“ Is a project for providing permanent head works for the Upper Ganges Canal under the consideration of Government ?

If so, when may their decision on the subject be expected ? ”

The Hon'ble Sir Robert Carlyle replied :—

“ The project for providing permanent head works for the Upper Ganges Canal was sanctioned by the Secretary of State in April, 1912. The work is now in progress.”

The Hon'ble Raja Kushalpal Singh asked :—

“ Will the Government be pleased to state whether they propose to consider the desirability of exempting the profits of Co-operative Societies from local taxation in the same way as they have been exempted from imperial taxation ? ”

The Hon'ble Sir Robert Carlyle replied :—

“ The answer is in the negative. There is no information before the Government of India to show that it is advisable to enforce any such exemptions on local bodies.”

The Hon'ble Raja Kushalpal Singh asked :—

“ With reference to the following observations made by the Hon'ble Member for Education last year—

“ In the majority of provinces considerable provision has already been made for giving free elementary instructions to those boys whose parents are likely to be in any way inconvenienced by the payment of fees. The Local Governments have been requested carefully to consider those provisions and extend them where necessary by reasonable concessions to cultivators and others of small income.”

[*Raja Kushalpal Singh; Mr. Sharp; Maharaja Ranajit Sinha; Sir Reginald Craddock; Sir T. R. Wynne.*] [17TH MARCH, 1913.]

"Will the Government be pleased to state the nature and extent of the concessions, if any, made to cultivators in different provinces of India?"

The Hon'ble Mr. Sharp replied:—

"The rules regarding total or partial remission of fees in the case of children of cultivators and of the poor will be found in the educational codes of the various provinces. The Hon'ble Member's attention is especially invited to rule 84 of the Madras Educational Rules, rules 5 and 6 of Chapter II of the Bombay Code for vernacular masters and mistresses, rule 10 on page 122 of the Rules and Orders, Education Department, Bengal, rules 101-106 of the Educational Code of the United Provinces of Agra and Outh, rules 203-206 of the Education Code, Punjab, rule 105 of the Education Code, Burma, rules 104, 105 and 109 of the Education Manual of the Central Provinces, and rule 23 of the Assam School Manual. The rules alluded to in the codes of the United Provinces and Burma refer to secondary or English schools. But in the former province the fixing of fees is left to the District Boards (*vide* rule 50 of Chapter VI of the District Board Manual). Information regarding Burma is to be found on page 244 of the published papers regarding the question of the abolition of fees in Primary Schools, to which the Hon'ble Member is also referred for information. He is also referred to the statements made in the speech of the Hon'ble Sir Harcourt Butler of the 19th March, 1912, on the Bill to make better provision for the extension of elementary education. As then stated, the Government of India have, in a communication to Local Governments in connection with the 50 lakhs recurring grant, expressed themselves in favour of the principle of extension of free elementary education for all those who cannot afford to pay fees. The provincial reports for the financial year now drawing to a close will doubtless contain information regarding the measures taken."

The Hon'ble Maharaja Ranajit Sinha of Nashipur asked:—

"Is the Government aware of the existence of a Prisoner's Aid Society in Calcutta? If so, will the Government be pleased to say whether they propose to encourage the objects of the said society by giving it some jobs in the way of book-binding, etc."

The Hon'ble Sir Reginald Craddock replied:—

"The Government of India are aware of the Society in question, but the matter of assisting it by work is rather for the Local Government to consider, and it is suggested that the question may more appropriately be put in the Provincial Council."

The Hon'ble Maharaja Ranajit Sinha of Nashipur asked:—

"Is the Government aware of the present condition of vehicles which are used for traffic in the Ranaghat-Moorshidabad Branch of Eastern Bengal State Railway? Is it a fact that even first class compartments leak during rains? If so, will the Government be pleased to state what steps it proposes to take to improve their condition?"

The Hon'ble Sir T. R. Wynne replied:—

"Government has not received special complaints as to the condition of the first class compartments of the carriages used on the Ranaghat-Moorshidabad Branch of the Eastern Bengal State Railway."

The attention of the Agent of the line will be specially drawn to the question asked by the Hon'ble Member."

[17TH MARCH, 1913.]

[Sir Gangadhar Chitnavis.]

RESOLUTION REGARDING LOSS OF OPIUM REVENUE.

The Hon'ble Sir Gangadhar Chitnavis said :—“ Sir, I beg to move :—

“That this Council recommend to the Governor General in Council the desirability, in view of the loss of opium revenue, of considering financial measures for strengthening the resources of the Government, with special reference to the possibility of increasing the revenue under a system of preferential tariffs with the United Kingdom and the Colonies.”

“Such a motion in a year of abounding prosperity requires a word of explanation. The Revised Estimate shows an improvement in our revenue of over six million pounds sterling (£6,191,000) to which the opium revenue and the railway receipts have principally contributed. A superficial examination of the Financial Statement discloses no need to discuss possible additions to the resources of Government. I may be asked, what urges me to these cassandra-like prophecies of the approaching demise of a revenue which has just shown such unexpected signs of vitality. I reply, Sir, that though our opium revenue has died hard, it is none the less dead. The position therefore is this. The opium policy of Great Britain has driven a huge breach in our finances. In the ensuing year, we have managed to maintain equilibrium between income and expenditure; but we cannot expect to maintain it for long. Not even our largest sources of revenue—land revenue and excise—could be expanded sufficiently to make up a deficit of 5½ crores, which may be taken as our normal opium revenue in the days before the commencement of the policy of suppression. These sources too are utterly unstable. They depend on the seasons and the rainfall to such an extent that the Hon'ble Finance Member will allow me to remind him, he has himself described the Indian budget as a gamble in rain. We cannot forego this revenue altogether. India is a country not yet fully developed, and we require all our resources for our growing needs, if for no other purpose. There is only one course open, namely, fresh taxation. Taxation has its limits, and a wise Government will only impose fresh taxes with great caution and in a manner as little burdensome to the people as possible. None the less fresh taxation will soon be inevitable, and in my view it is advisable to face the fact and consider the remedy at once. The task of filling up the void in our resources left by the loss of opium revenue is one which will heavily tax the skill of some future Finance Member, if he is to avoid laying too great a burden on the people. Sir, I am anxious that a sound principle of additional taxation should be settled in advance, and that in the process it is the Finance Member who should be heavily taxed. That is my justification for moving this Resolution.

“The Hon'ble Finance Member has said ‘should financial trouble come on her India is prepared to meet it—*L'India fara da se.*’ Sir, India cordially responds to this adaptation of Cavour's spirited retort on a memorable occasion in Italian history. India is self-reliant, as she has always been, but she must also be free to utilise her resources solely for the promotion of her own interests. Give her fiscal autonomy, and she can brave any danger. Give her that, Sir, and she will cheerfully forego her just claim on the Home Government for the heavy loss entailed on us by their opium policy. But of this question of compensation on another occasion. The issue I now ask Hon'ble Members to consider is, what should be the form of additional taxation, should such taxation become necessary? On this point I hold strong opinions. I will not have any additional tax except on the manufactured goods imported into India, and that too either as a protective duty or as an impost under a system of preferential tariffs.

“Sir, I have said more than once that protection is a necessity to us. We have infant industries to protect. Granted even that, as free traders assert, we lose wealth thereby, yet wealth is not the only thing that nations desire. France and Germany have to be ‘protected’, so as to become self-sufficient, lest they become economically dependent on a possible foe. We want protection because we have to find employment for our people and to foster our growing industries. We shall, possibly, incur loss for the time being thereby,

[Sir Gangadhar Chitnavis.] [17TH MARCH, 1913.]

but we shall gain those benefits in exchange. The true question is not whether free trade or protection is the most profitable policy, but whether the benefit that we expect to get from protection is worth the price that we shall pay for it. I contend it is. But our hands are tied. Britain, which maintains free trade because, and *only* because, she can afford free trade because of her geographical position, will not allow us to adopt a protective tariff. Even a 5 per cent. *ad valorem* duty on our imports of cotton goods, imposed purely for revenue purposes, was resented in Lancashire; we know with what results. Yet this 5 per cent. duty alone would yield us 2 crores of rupees, and would by itself go far to place Government once for all above want. Not only that; we cannot even retaliate upon foreign nations. We have to bear the 100 per cent. tax on our tea exports in Austria and France and the 246 per cent. tax on the same commodity in Russia. Our coffee and our tobacco are equally heavily taxed. In a word, we are not only not allowed by England to protect ourselves against *her*,—which is intelligible perhaps,—but we are not allowed by England to protect ourselves against foreign countries. And that, Sir, I maintain is neither intelligible nor fair. Therefore it is that we want fiscal autonomy, as I have said. But we may as we'll recognise frankly the facts that we shall not get it for the mere asking, and that the grant of it will be perhaps for years outside the sphere of practical politics. In the absence of complete freedom of action in the settlement of our tariff, a protective tariff is equally unattainable. An alternative scheme is, however, available, which might be more acceptable to England, namely, a system of preferential tariffs as provided in the Resolution.

“Sir, the British Empire is indebted to Mr. Chamberlain for this new gospel of inter-Empire preferential tariffs. The idea may not be absolutely original, in view of the fact that the German Zollverein, or customs union among the different units of the German Empire, was formed so far back as 1834, but for the British Empire it is entirely new. Since 1902, when the Colonial Prime Ministers at their Conference in England adopted a Resolution in favour of Preferential Tariffs, English economic opinion has undergone a great change, and, notwithstanding the recent temporary set-back in the movement due to the exigencies of party politics, tariff reformers are a power in England. The idea has caught on. It is bound to develop in England, flanked as it is by a protectionist Europe on one side and a protectionist United States on the other. India has so far not been admitted, so to speak, to the confederacy, but in any rational scheme of preference she cannot be ignored. It behoves us now to claim our legitimate place. In this matter at least, I hope, ours will not be a cry in the wilderness.”

“Sir, the Government have gone fully into this question of preferential tariffs in their relation to India before this. In their published despatch to the Secretary of State of 22nd October, 1903, they subjected it to careful analysis, and in their considered opinion, I must admit, India could not ‘expect very material advantages in the Imperial market by any measure which appear to be within the range of discussion.’ The foundation of this conclusion was the absence of proper data, as will appear from the following observation in paragraph 15 of the despatch. The despatch says :—

‘We cannot feel confident that the conditions and requirements of foreign industries have yet been ascertained with the precision and fulness necessary to make them a sufficiently broad and stable basis on which to rest a fiscal policy of very problematic value to India, whilst the consequences of failure might result in irreparable disaster.’

“At the same time Sir Edward Law, after an elaborate examination of the conditions of our sea-borne trade, in his minute, held :

‘I feel sufficiently confident that with the great majority of the countries with which we trade, and as regards the very great bulk of our exports of raw material, we are not only in a safe position, but we could even afford, in certain instances, ourselves to assume the aggressive by going so far as to impose duties on the exportation of produce they require for their industries.’

And further,

‘In my opinion it might be difficult to show that a preferential trade would prove directly prejudicial to Indian interests.’

[17TH MARCH, 1913.] [*Sir Gangadhar Chitnavis.*]

"In my humble opinion, an analysis of the subsequent history of our sea-borne trade will only confirm this last conclusion. The last ten years have brought into greater relief the circumstances noted by Sir Edward Law. 'The position of India is,' more to-day than ever before, 'one of considerable defensive strength.' On this point, I will not weary the Council with many figures. In 1910-11 for which we have complete statistics our imports were valued at 129½ crores, of which 40 crores came from foreign countries. In 1906-7 the foreign imports amounted only to under 28 crores; so that in five years there was an increase of 45 per cent. Our exports in 1910-11 were nearly 206 crores, of which over 118 crores went to foreign countries. At first sight these figures would seem to show that our position in waging a tariff war with foreign countries would be weak. We could only tax 40 crores of their goods, while they could retaliate on 118 crores of ours. But our exports are of a totally different kind to theirs. Much the greater part of our exports consist of raw materials of all kinds which the foreigner requires for his manufacturing industries and dare not tax too heavily lest he should damage those industries. Not only so, but as regards some of our exports, jute for instance, India is practically a monopolist; and the foreigner if he wants these goods *must* buy from us. As regards the rest, the cheapness of Indian produce gives us an advantage in any market and makes it difficult for any other country that produces the same materials to compete with us. Consequently, it is only a minor part of our exports that are taxable in any tariff. On the other hand, the bulk of foreign imports consist of manufactured goods, which we could tax without loss to ourselves, and in some cases, when we produce the same goods, with actual benefit to our industries. The chances of retaliation on the part of foreign countries are remote, for it would hurt them more than it would us. I submit that Government has been somewhat unnecessarily nervous in this matter. A more detailed examination of statistics will but strengthen my argument.

"Let us briefly investigate our position in relation to some of the chief foreign countries concerned. China must be left out of account. Customs duties have been settled by treaty with that country till at least 1922. But take Austria-Hungary. All our exports,—consisting of raw cotton, rice, raw hides and skins, raw jute and seeds,—except rice, are duty free, because they are required for local industries; whereas our imports consist of manufactures, the most important being sugar, glassware, apparel, cotton goods and hardware. Except wheat, in which there is competition, our exports to Belgium are 'untaxable'. Raw cotton, rice, raw jute, myrobalams, hemp are exports which Belgium will find it difficult to do without. But without much inconvenience to herself India could tax heavily Belgian cotton goods and glassware, and even Belgian steel and iron. Preference shown to the United Kingdom and the Colonies in this matter of steel and iron will benefit them considerably, and might ultimately create a diversion of the trade in their favour. France levies an import duty of 97 per cent. upon Indian coffee and a duty of 46 per cent. upon Indian wheat. This last duty cannot be enhanced without fatal effects upon the semolina industry of Marseilles for which Indian wheat is alone suited. The heavy duty upon coffee has not prevented so far the normal growth of our export trade in that commodity. In 1902-03 the value of coffee exported to France was something over £200,000, and on the average of the last seven years it is £301,000. Seeds, raw jute and raw cotton, which account, on the average, for £5,852,000 of the Indian exports to that country, are from their nature untaxable. Besides, oilseeds are wanted for the oil industry of Marseilles. French retaliation is not therefore a serious factor in the question of preferential tariffs. The most important Indian export to Holland is rice (an average of £1,024,000 a year), but it has all the advantages of a raw material. On the European Continent rice is not wanted for edible purposes (except in the Balkan Peninsula), and is imported for breweries. Germany, apart from Great Britain, is India's chief customer, and the same advantages mentioned in the case of the other countries assure to Indian exports a ready market there. So many German industries depend upon the Indian supply of raw material that a violently aggressive attitude towards India on her part is practically impossible. Germany

[*Sir Gangadhar Chitnavis.*] [17TH MARCH, 1913.]

is anxious for the development of her industries, and the anxiety is reflected in her tariff. Any serious disturbance of that tariff is unthinkable. Our imports from Italy are not of serious importance, but heavy import duties on Italian marble, cotton goods and silk goods could be imposed without fear of our expulsion by retaliation from the Italian market; for our exports consist of raw cotton, raw hides, raw jute and seeds. An import duty of 7 per cent. is now imposed upon the raw cotton without much injurious effect, the average of the last seven years being £1,986,000. A heavier duty will only curtail her own supply of raw material. The United States of America purchase on the average £2,243,000 of our raw hides and skins, £1,336,000 of raw jute, £3,559,000 of jute goods, £233,000 of tanned hides and skins, £247,000 of seeds and £809,000 of lac. There is a 20 per cent. duty upon tanned skins. The heavy taxation of jute goods and tanned hides could be effectively checked by the imposition of a heavy export duty upon raw jute and hides and the consequential stoppage of the supply. Japan imports from India duty free, raw cotton (£6,191,000), rice (£730,000), jute goods (£114,000), tanned hides (£53,000) and manures (£56,000). She would suffer from the imposition of heavy customs duties upon these, as the raw materials, except rice, are wanted for her industries; whilst we could tax her silk goods, cotton goods, matches and apparel with great advantage.

"These facts, Sir, show forcibly that India has nothing to fear from retaliation if she should put a protective or heavy tariff on foreign imports; she is strong enough to wage a tariff war with well nigh anybody. But it may be asked, 'Even if this be true, what has India to gain by a scheme of Imperial preference? Her exports to the United Kingdom, for instance, are much smaller than her imports thence; she will have to give a preference in a great many things, and receive a preference in a very few.' Sir, I admit the premises, but I deny the conclusion. It is true that we ask for very little—favourable terms for our cotton goods, our sugar, our tea, tobacco and coffee; and it is true that we can give a great deal. But I maintain that this is not a question to be treated in the spirit of a petty huckster lamenting over a one-sided bargain. There are likewise other advantages to be reaped from Imperial Preference, of which I need but mention one as an instance, the solidarity of the Empire. And I also maintain that our position is *not* a weak one. If we ask but a little and are able to give much in return, it should make it incumbent upon the other parties in the bargain to accord us better treatment. A customs union with the Colonies would gradually secure for us there a better and more dignified position than we now have. Besides, what may seem little to other people may mean to us a great deal.

"As for the results, I can foresee none to make us pause. There will be no inconvenience to the poorer consuming classes. The conveniences of life which we so largely import will be as easily accessible to all as now; more of them will come from the United Kingdom and the Colonies, and that is all. These countries will have in that case to see to and wish for our greater prosperity in return. There will be no danger of a diminution in India's favourable balance of trade, so vital to a debtor country; for her total volume of exports will not be affected to any extent, and a mere diversion of them from foreign countries to the Empire cannot damage Indian interests. But for complete success we want fiscal autonomy in this scheme also.

"It is superfluous to add, Sir, that a scheme of preferential tariffs with the United Kingdom and the Colonies presupposes the introduction in India of a tariff on the imports of these countries coupled with a heavier tariff on the goods of foreign countries, which latter tariff may or may not be protective in character. The basic idea is of course protection, but the system differs from a pure protective tariff in that the units of the Empire act in concert to obtain protection against the rest of the world. Individual national existence is subordinated to corporate existence, and will lead in time to a great federated Empire. India should move in the matter of trade with the other units of the Empire and should be linked up in that great federation.

[17TH MARCH, 1913.]

[*Sir Gangadhar Chitnavis; Sri Rama Raya of Panagallu.*]

“ Sir, it is possible to detect flaws in any general scheme of preference. Such a scheme is so complicated, so vast that nothing is easier. But let us not lose sight of the wood for the trees. Moreover, ‘needs must when deficits drive,’ and the financial needs of Government force it on our serious consideration. Additional taxation, in all human probability, is inevitable. Here is a direction in which money can be raised in sufficient quantity, and a method which will not only be productive of revenue but stimulating to industry. Government cannot sit quietly in view of the danger to their resources. A policy of *laissez-faire* is ineffective; action, determined action, is necessary. My position is this. The best way out of our difficulty is the adoption of a protective tariff, and failing that, of a system of preferential tariffs with the rest of the Empire. If sufficient fiscal freedom for these purposes is refused us, I claim the liberty at all events to put on such duties on foreign imports as will give us the revenue we need *now*, which at a later date can be worked into a scheme of preferential tariffs if the chance arises. One or other of these courses we must follow if we are to remain financially solvent. And I advocate the second, as both practicable, beneficial and expedient. Sir, with these remarks I commend the Resolution to Hon’ble Members for acceptance.”

The Hon’ble Sri Rama Raya of Panagallu:—“ Sir, the Hon’ble mover has explained his scheme of compensation for the loss of opium revenue. He has quoted facts and figures, and has dealt with the subject in his usual thorough manner. But beyond focussing public opinion on the complicated question of preferential tariffs, the Resolution I am afraid may not serve any practical purpose. Even in England the proposed Tariff Reform is yet a long way off. In this country it cannot be said to be within the range of practical politics. India alone cannot launch upon a system of preferential tariff independently of the other units of the Empire. Such a system presupposes conjoint action on the part of all the United Kingdom, the Colonies and India. But public opinion in the United Kingdom and the Colonies does not appear to be yet ripe for the adoption of such a radical change in the current economic theories. It is too much to expect that India acting by herself can bring about a material change in public thought throughout the Empire. Besides, in this country the subject has not even received that much attention which its importance deserves. It is thus too early to think of adopting preferential tariffs for making up the loss of our opium revenue.

“ Sir, in a despatch of this Government to the Secretary of State to which my friend the Hon’ble mover has referred, Government came to the conclusion that ‘the balance of advantage is distinctly adverse’ to India, and one of the reasons advanced was that, ‘we might be forced to shape our policy not in accordance with our own needs, but according to the interests and demands of other constituents of the Empire.’ Since 1903, the position has not undergone any serious change for the better, in spite of the improvement in the figures of our sea-borne trade. No doubt the Hon’ble mover has shown by detailed examination of statistics that the defensive strength of India has increased in the interval, but beyond this increase in our defensive strength nothing important has happened. The Government of India as a body, and the then Finance Minister, Sir Edward Law, individually examined the whole question with considerable care. I endorse the Hon’ble mover’s view that upon the materials before us ‘the danger to India of reprisals by foreign nations, even if eventually were unsuccessful,’ has been exaggerated. I am also prepared to agree with him as regards the moral advantages of an Imperial Zollverein. But I do not think a satisfactory answer could be found to the other arguments of the Government of India. There is the serious aspect of the question to which reference was made in the official despatch: ‘If the United Kingdom should eventually resolve to adopt a policy of preferential tariffs, or of retaliation, it is conceivable that the device of attacking her through her chief dependency might receive further development at the hands of foreign countries.’ This danger is as present to-day as ever before.

[*Sri Rama Raya of Panagallu; Raja Kushalpal Singh.*]

[17TH MARCH, 1913.]

The Hon'ble mover has himself stated that exorbitant duties are imposed now upon some of our exports to foreign countries, and that we are denied the power to retaliate upon the countries concerned. Would the position be improved for us, once India is linked up more closely with the Empire under a system of inter-Imperial Preferential Tariffs? I have my doubts. We shall be less free to do anything independently, and if the retaliation of the foreign countries upon India does not seriously affect the prospect of trade of the other units of the British Empire, by reason of their superior manufacturing and industrial development, I entertain little hope of getting the co-operation of these members of the confederacy, in our attempts to set matters right. In 1900, France proposed to subject our exports to the general Tariff which meant a higher scale of duties merely because she expected a diplomatic advantage from the course in the impending conflict with Brazil. It was with the greatest difficulty and after long delay that 'the most favoured nation treatment' was secured to us. The Government of India's comment on the incident clearly points to our real trouble. They say, 'It seems probable that greater freedom of policy on our part would be attended with beneficial results. The negotiations with France to which we have referred would not improbably have been less protracted and the terms of the Convention might have been more advantageous to India, had the other high contracting party been cognizant that we were not deterred by considerations of general policy from revising the duties on French wines and spirits, silk goods, and haberdashery.' This freedom of fiscal policy or fiscal autonomy appears to my mind our great need, and all our energies should be concentrated upon this reform. Public attention should be directed to this question more pointedly, and as a potent factor in rousing the increased public interest, I welcome the Resolution before the Council. If it serves to create a strong public opinion on this subject as a discussion of preferential tariffs is sure to, in the end, the Hon'ble mover will deserve the thanks of the people of India. In this view of the matter, Sir, I accord my support to the Resolution."

The Hon'ble Raja Kushalpal Singh:— "Sir, I have great pleasure in cordially seconding the Resolution moved by my Hon'ble Colleague Sir G. M. Chitnavis. I would venture to express my strong advocacy of his views regarding the adoption of a policy of moderate and carefully considered import duties by way of countervailing the impending loss of opium revenue, and of obviating the crushing out of industrial enterprise in India through an all-too-free foreign competition. The adoption of the reasonable policy advocated would result in a two-fold gain. The United States of America and Imperial Germany have alike owed it to their policy of protection, strictly enforced, that they now hold a very prominent place in the scale of nations, in respect of wealth, productive power, and export activity. The British colonies also have found their best interests served by a system of protective tariffs. These are not, like Indian import duties, imposed for revenue purposes. Every reader of English history knows that British industrial supremacy was built up and established under a strict form of protection. The policy of free trade may work well in an industrially advanced country like England; but the policy of protection is indispensable for an industrially backward country like India. The development of indigenous industries should be a matter of very great concern to the Government of India. The appeal for protection is, therefore, a valid one. India voices a vehement and universal demand for much-needed protection. Failing this remedy, some sort of preferential tariff would be a satisfactory alternative. The Government of India might well foster International and Inter-Colonial trade by the exchange of reasonable concessions and preferential treatment with the Colonies and Great Britain. The British Empire covers a huge area of 12,000,000 square miles, characterised by enormous but, in great part, undeveloped wealth, both mineral and industrial. It has a climate of every gradation, from cold to tropical, capable of yielding every variety of produce. It holds a population of nearly 400,000,000. If a well-devised Imperial scheme of preference were judiciously applied, the British Empire would become quite independent of foreign trade, and would

[17TH MARCH, 1913.]

[*Raja Kushalpal Singh; Rai Sri Ram Bahadur; Sir Charles Armstrong.*]

be immensely benefited. As matters stand, however, India is a land of raw produce,—unworked but not unworkable,—and a dumping ground for the manufactures of all other nations. It, therefore, fairly behoves the Government of India to help forward the development of the vast industrial resources of this great dependency.

“The imposition of import duties for the sake of revenue is sanctioned by precedent. The indirect gain arising from such impost would be the much-to-be-desired revival of Indian industries.”

The Hon'ble Rai Sri Ram Bahadur:—“Mr. President, I support the Resolution moved by my Hon'ble friend Sir Gangadhar Chitnavis. The advantages which are sure to accrue to India by the adoption of a system of preferential tariff have been lucidly explained by the mover of the Resolution and by the speakers who have followed him. In view of the loss of opium revenue, the financial equilibrium of the country is certain to be disturbed. Of late receipts from railways have swelled to such an extent, that the Government has been in a position to give large assignments to Provincial Governments for their local expenditure and for other purposes; but stability in this source of revenue cannot always be reckoned upon. The time has come for the Government to consider financial measures calculated to strengthen its resources. Special attention ought to be given to the consideration of the question of a system of preferential tariff between India on the one side and the United Kingdom and the British Colonies on the other.

“With these few remarks, I support the Resolution.”

The Hon'ble Sir Charles Armstrong:—“I think, Sir, it is a very great pity that the Hon'ble mover of this Resolution did not give us some figures and percentages of our trade. He tells us that if we would put a duty on to imports from foreign countries, we should probably be able to make up a loss of revenue which, I think, he mentioned at about 5 millions. The Resolution itself is a preferential Resolution, but some of the speeches have more or less touched on the question of fiscal autonomy, and if we take the figures we find that last year our imports from Great Britain were about 02½ per cent. of the whole of our imports. If we take Great Britain and the Colonies together, I think the figure would come to something like 70 to 75 per cent. of the whole trade. That leaves a matter of 25 to 30 per cent. to be taxed. The Hon'ble mover has told us we may very well tax our imports from France, Belgium, and—I think the first country he mentioned was—Austria Hungary. The percentage of our import trade with Austria Hungary is 1.9 per cent., with Belgium it is 1.7 per cent., with France it is 1.5 per cent. I think he also mentioned Italy, and that is .9 per cent. I notice he said nothing about Java. Our import trade with Java comes to 6.8 per cent., and is made up almost entirely of sugar, which the people of this country, require, and of course if we were to put a heavy tax on that, the people of this country would have to pay it. The next country which follows Java is Germany, with 6.5 per cent. Of course there are certain things which come from Germany which, possibly, we might make in this country but so far as increasing our trade with Great Britain is concerned, I don't think it would bring that about at all, because, at any rate as far as manufactured goods are concerned, those that are made in Germany are a class of goods which the British manufacturer will not make because there is not sufficient money in the business. The people of Lancashire, for instance, so far as piecegoods are concerned, can employ their labourers to very much greater advantage on more expensive goods, and they will not make those cheap goods which now come from Germany.

“As regards the export trade, I think the Hon'ble mover seemed to miss the point altogether. There is no doubt whatever that the whole of our financial system depends upon our favourable balance of trade, and I shall certainly be very much against anything in the way of taxing our exports on that account.”

[*Mr. Madhu Sudan Das.*] [17TH MARCH, 1913.]

The Hon'ble Mr. Madhu Sudan Das:—"Sir, as I read the Resolution, the Hon'ble mover did not actually specify what measures should be adopted in order to improve the financial position of India; nor did he confine his remarks actually only to the financial situation. He went further than that. He pointed out that financial gain is not the only consideration. He pointed out that for the growth and development of indigenous industries in this country some sort of protection is necessary. There has been within the last few years a considerable awakening throughout the length and breadth of India in the matter of industrial improvement. We are thankful that Government has not ignored its share of responsibility in this direction. Too much stress cannot be laid upon the importance of industrial development in this country. There is already too much pressure on land; population is growing, but lands are not growing, and it is not possible for any Government on earth to make the yield of agriculture less precarious than it has always been and will ever be. Government cannot command the heavens, nor can it provide a system of irrigation which will make every acre of land in this vast country irrigable. Consequently the only salvation of India lies in the development of her industries. I do not believe, Sir, that the development of indigenous industries means in this country just what it means in a self-governing country, where industries grow in a slow progressive manner in response to the demands of the people, and demand and supply are regulated by the law of evolution. But here, with the contact of England with India, there was actually a sleeping sickness overtaking industrial India. England and other foreign countries exported articles which contributed to the comforts of life, which recommended themselves on account of their cheapness and better finish; a new light dazzled the Indian eye and foreign articles poured in. A sleeping sickness, if I may say so, overtook industrial India, and now that she rises from this sleeping sickness, she finds her industrial hands are paralysed, and the artizan cannot compete with the iron hand of Europe and other countries. The slow hand of the artizan cannot keep pace with the machine; and the real state of things is that India is awakening to a sense of her duty in this particular matter after the devastating and prostrating effect of a revolution. And therefore in the present circumstances of the country, we need some sort of protection. I know that the very idea of protection of any kind seems ridiculous to the English mind. The Englishman is not accustomed to seek any kind of protection. The Englishman, living in a canvas house, considers that his castle. But then we Indians have been long accustomed to have our most precious things within the walls of the *zeana*. We are accustomed to walls, and a tariff protection wall would admirably suit for us. Sir, it is very opportune that Sir Ganga'har should have thought proper to move this Resolution just when we have before us the loss to Indian revenue on account of the stoppage of the transit of opium into China. That was no doubt in furtherance of the humanitarian and moral sentiment of England—a sentiment which we none the less admire. It is quite in keeping with the noble mission of England in the world—a mission which has always been to raise peoples and nations from the dark valley of adversity to the sunlit summits of prosperity. But then we Indians were not consulted about it; and if, on account of the loss of opium revenue, there is need for fresh taxation, the burden of that taxation will fall upon Indians, who do not up to this day understand what this opium business was, why it was stopped, and what this stoppage means in the shape of loss. It is not my intention to present to this Council a balance-sheet of loss and profit between the two countries—England and India—arising out of the past commercial relations between the two nations; but I may safely make this bare statement—a statement of fact which will be noticed by any observer, or even cursory reader—of the past history of the commercial relations of the two countries.

"Sir, India has not gained commercially by her contact with England. All that we ask for is a sacrifice on the part of England. What is that sacrifice? It is not a sacrifice of money; it is a sacrifice in the form of a slight modification of the Englishman's proud free-trade principle. Tariff reform is

[17TH MARCH, 1913.] [Mr. Madhu Sudan Das; Sir Ibrahim Rahimtoola.]

not altogether a new thing to England. It was one of the trump cards in one of the most recent general elections. I know it does not require a prophet to say what the answer of Government to this Resolution will be. I was reading the other day of a case where an English trader was prosecuted for selling adulterated apricot jam. There was no apricot in the jam and the man's defence was that people have no more business to expect apricots in the jam than they should expect to find sunlight in Sunlight soap. I must appeal to England. India is a part of the British dominions. She is not an insignificant part of an Empire any more than the *koh-i-noor* is an insignificant gem in the British Crown. I am appealing to the moral aspect of the question with as much emphasis as lies in my power. I say England should do something to develop the indigenuous industries of this country. The Hon'ble Sir G. Chitnavis' Resolution is one which suggests many side-issues which the mover of the Resolution has not taken into consideration. Retaliation and revenge are one and the same thing. It might not be directed towards India only; retaliation might be directed to any part of the British dominions. These are questions which must necessarily be discussed before a Resolution of this nature would be carried, but I appeal to you to consider the moral aspect of the question. Is it or is it not a part of England's duty to help us in the development of the industries of this country?"

The Hon'ble Sir Ibrahim Rahimtoola :—" Mr. President, I would have preferred the Hon'ble Member to have brought forward this Resolution in a different form, because I think that there are two distinct issues involved in the consideration of it. The first issue is the loss of opium revenue, and the second issue is the protection of Indian industries. The second issue is connected with the first as it indicates the source from which further revenue can be obtained to make up for the loss of the opium revenue, but the principles involved require separate treatment. Now, Sir, a great deal can be said in favour of protection of the infant industries in India. A country of the dimensions of India which has to depend practically wholly upon its agriculture has to seriously consider the necessity of industrial development, and anything that tends to the growth of industries in India must receive cordial support from all quarters. I think, therefore, it would have been better if the whole question of protection had been raised on a separate issue. We have to consider whether India requires protection for its growing industries and, if so, what should be the form of such protection; whether it should take the form of protecting India and Indian industries against all countries including Great Britain and the Colonies; or whether it should be protection on the system of preferential tariffs. These questions should be decided purely in the interests of India irrespective of whether Great Britain will permit action to be taken on such lines or not. The question first of all to determine is, whether Indian industries require to be protected, and if they require to be so protected, what are the most advantageous means by which that protection can be secured. When that point is determined and action is proposed, we may take into consideration if pressed officially upon our attention what the Leader of the opposition Mr. Bonar Law recently said in Parliament that India out of gratitude should extend preferential treatment to Great Britain.

"The question primarily for India to consider is, what are its requirements in the direction of protection for the development of its industries. India wants two things essentially, firstly, the extension of irrigation to protect it against the vagaries of the monsoon, and secondly, the extensive growth of its industries, and anything that the British Government or the Government of India will do to promote these two objects will be recognised as conferring the greatest benefits upon this country. I do not quite go with the Hon'ble mover when he said that protection purely in Indian interests is outside the pale of 'practical politics'. I have great faith in the British sense of justice and fair play. The question ought to be considered purely from the Indian standpoint, and if any difficulties arise, they must be faced and, as far as possible, adequate remedies applied. I beg leave to repeat that the question of protection to secure

[*Sir Ibrahim Rahimtoola; Sir Guy Fleetwood
Wilson.*]

[17TH MARCH, 1913.]

the development of Indian industries should be raised by itself and thoroughly discussed.

"The question of the loss of the opium revenue is on a different footing. I have always been puzzled why England has exercised its Imperial powers upon India to abandon a source of revenue amounting as the Hon'ble mover has said to 5½ crores of rupees in favour of China. I can quite understand the argument that has been advanced by some sentimentalists in England that India has no right to secure revenue by exporting and selling to China a commodity the immoderate use of which is physically detrimental to the consumer. The immoderate use of opium in China is said to result in the physical deterioration of the Chinaman, and that has excited England's moral conscience. It is however at the expense of India that England proposes to satisfy its moral instincts. Well, Sir, if the question was raised as to whether England would be prepared to bear a portion of the loss that would be involved in the suppression of this traffic and thus testify its sincerity in giving vent to its moral and humanitarian ideas and England came forward to contribute substantially in the financial sacrifice that is demanded of India, I can quite appreciate the attitude adopted by her. I am afraid however that when it comes to a question of making payment, it will assume from England's point of view quite a different aspect. If the immoderate use of opium leads to physical deterioration justifying the suppression of the traffic at a huge cost to India, then I venture to submit that the immoderate use of alcohol also leads to physical deterioration and calls for stringent remedies to be applied in suppressing the use of it in this country.

"The population of India comprises of two vast communities, Hindus and Moslems, both of whom are by religion prohibited from drinking alcohol. Under the circumstances, will England agree to the prohibition of the importation of all spirits and wines into India? I am sure the reply will be that that is quite another story. When England has demanded that India should surrender an important source of revenue in order to ensure against selling a drug which leads to physical deterioration of the Chinaman, will it also agree to a very heavy prohibitive duty being imposed upon all imports of alcohol into India on the same grounds of physical deterioration of the Indian people? Protection of indigenous industries, and the loss of revenue caused by the suppression of the opium traffic are two distinct questions by themselves, and Mr. President, I would have very much preferred if the question of protection and the form it should take had been raised and discussed by itself apart from the question as to what sources of revenue should be tapped to meet this loss of opium revenue. For these reasons, Sir, I would personally prefer that this Resolution should not be pressed to a division. My Hon'ble friend, Sir Charles Armstrong, has given detailed information in regard to India's imports from foreign countries on the question of preferential tariffs, but I do not think any useful purpose will be served by going into such details on the present occasion. When the principle of protection is brought forward for discussion, we will go into the merits and determine whether there should be any protection at all, and if so, whether it should be absolute or preferential. The whole question may be discussed in this Council, or preferably by the formation of a separate Committee. For these reasons, I trust that the Hon'ble mover will not press the Resolution to a division on the present occasion."

Introductory.

The Hon'ble Sir Guy Fleetwood Wilson said :—

"1. The resolution which the Hon'ble Member has moved with much ability is frankly directed at increasing the revenue of India from indirect taxation. Whether a preferential tariff, if logically carried out, would have the effect of increasing our net revenue, is an open question and I must add that I do not feel sufficiently despondent about the future to assume that, even with the loss of the opium revenue, a large addition to the taxation receipts of India will be found necessary. If bad times should come—and

[17TH MARCH, 1913.] [*Sir Guy Fleetwood Wilson.*]

it would be foolish to ignore the fact that they may come—the loss of the opium revenue will undoubtedly be severely felt. But there is much room for the development of India's other resources, and it has yet to be shewn that there is no room for further economies in our administration. I have been blamed for imposing taxes for which the immediate reason did not appear to have been foreseen by my critics. I might, if I were so disposed, point to this very resolution as my supreme justification. I have no wish, however, to enter into controversy to-day, and I would only suggest for the consideration of the Council that I leave the resources of India on a stronger and a sounder foundation than when the opium danger was first on the horizon, and that, when temporary difficulties arise, there may be other and preferable methods of dealing with them than by further additions to the indirect taxation of this country.

"2. On this point it is needless for me to insist further. It is needless mainly because the real purpose of the present resolution is to open the discussion of a matter which we are all agreed may at any time become of the most vital importance to India's financial and economic position. I would rather, therefore, look at the spirit than at the letter of the resolution, and come at once to a dispassionate consideration of the great and far-reaching issues which the Hon'ble Member's proposal has raised.

"3. I preface my remarks by saying that the pressure attributable to recent events has made it impossible for me to bring up to date or indeed to verify the figures I shall use, but I am fairly certain that any modifications in regard to them, which might have to be made, would not affect my conclusions.

"4. Also before dealing with the main question, I desire to make our position clear, and to state what our attitude is and indeed must be.

"Although the Government of India are not in a position and do not now desire to declare a policy of their own, they do not think it right to resist a reasonable discussion of the tariff problem in India.

"At the same time, I would say in regard to myself that I should have been very glad not to have had to discuss this subject at all. Since, however, the question has been brought to the forefront, it becomes my duty to the King's Government, and it is also consistent with my own convictions, to place the objections to Protection in the forefront.

"5. In this country we are fortunately not driven to consider this or any other question from the standpoint of party politics. I think this Council, representing public opinion, may fairly claim that it approaches the consideration of all matters affecting India exclusively from the standpoint of what is best for India, and that it is able to do so, not so much because our political structure eliminates the party element, but rather because Indian public men, although they differ so greatly in race, religion and interests, have hitherto shewn themselves desirous of merging their personal opinions and inclinations in a combined and general effort to advance the welfare of their country.

"6. This happy condition of affairs admits of India giving full, temperate and, what I may term, academic, consideration to a subject which is unfortunately so often dealt with elsewhere, in a spirit of acrimonious controversy. The subject is one which in the public interest calls for consideration, not recrimination.

"7. It is my wish, and it is my duty, to disclaim any attempt at anything approaching a pronouncement of policy. In the first place the issue is not in being, and in the second place, any policy which may at some future date commend itself to India, will obviously have to be governed by the policy which obtains in England. In this connection I ask you to consider with me the economic relation of India to the Empire.

Economic relation of India to the Empire.

"8. The striking feature of the present economic relations of India is the predominance of the United Kingdom over any other external country both in

[*Sir Guy Fleetwood Wilson.*] [17TH MARCH, 1913.]

regard to import and export trade. Of the import trade of India the United Kingdom holds 49 out of 72 millions sterling. Of the export trade the United Kingdom holds 32 out of 123 millions. Fully half of the import trade consists of cotton piece goods from Lancashire. In regard to the other half of the import trade, the figures show that, so far, successful competition in India on the part of foreign countries has not been carried far.

"9. Investments in India by external countries show a still greater British preponderance. According to the calculations of Sir George Paish, taking public issues only, the United Kingdom had no less than £365,400,000 invested in India and Ceylon, in 1910. To this must be added the large but undiscoverable figure of British money invested through private channels. No other country has financial interests in India at all comparable with those of the United Kingdom.

"10. Indian native industries cover a wider field than is generally supposed, but relative to the resources and population of India they are small in volume and have not in recent years shown much increase. If we take into account the slow rate at which economic changes take place, the greatness of the interests affected, and the political, financial and constitutional relations between India and the United Kingdom, it is clear that the development of India in the future must be dependent on, and primarily affected by, the policy pursued by the British Empire as a whole and particularly by the United Kingdom.

"11. But changes not dissimilar in character from those which may be observed in other parts of the British Empire have taken place in the last 25 years in the character and direction of Indian trade. Modern methods of production have extended throughout the world; not only Western countries like the United States and Germany, but the Far East and Japan have enormously increased their productive power, and external markets for their goods have become a vital necessity to the stability and progress of their trade. India has been not unaffected by this development. The preponderance of the United Kingdom in India, as in other parts of the Empire, is still great but it is diminishing. In the last 25 years the share of the British Empire in the import trade of India has fallen from 91 to 70½ per cent. while the share of foreign countries, chiefly Germany, Belgium and Austria-Hungary, has increased from 9 to 29½ per cent. Moreover, the United Kingdom has ceased to be the chief external market for Indian products. The United Kingdom proportion has fallen in the same period while the proportion of foreign countries, chiefly Germany and the United States and France, has increased. Time has not admitted of my working out the percentages. Even if allowance is made for the growth of direct trade, by diversion from the United Kingdom to foreign countries in this period, this general statement is still true. On the figures, relating as they do to a considerable period of time, it may be assumed that the competition of foreign and Western countries for the Indian market will increase and that the proportions of trade will, under present conditions, show a steady movement in the direction indicated.

"12. But there is one important factor to be considered in regard to India which is of nothing like the same importance in regard to any other market in the British Empire, and that is the development of Japan. Japan has entered fully into the economic methods of the West. The new Japanese tariff shows all the leading features of that fiscal policy which has been employed with such effect in the development of the trade and resources of Germany and of the United States and other Western countries. But Japan enters this new field of commercial statesmanship under conditions very different from those of the West in regard to her nearness to the Indian market, the quantity and cheapness of the labour she can employ, and the facility with which she can imitate the products which have hitherto found favour in Far Eastern markets and adapt her methods of production to their needs. Competition in the Far East itself for the Indian market is therefore certain to be of a very formidable character, and if China follows Japan in the adoption of Western economic methods, the effect on the balance and adjustment of Indian trade might be incalculably great.

[17TH MARCH, 1913.] [Sir Guy Fleetwood Wilson.]

" 13. So far I have been stating facts which are accessible to any student of contemporary economics and I have refrained from drawing any inferences from them whatsoever. But I have no wish to shut my eyes to the irresistible inference which they arouse in certain minds. The school of thought which regards the days of free trade as numbered would take my facts as clear evidence that the duty of India, as part of the British Empire, is to build up for itself a tariff wall which will check those threatened diversions of our trade. If Germany and the United States, they will say, have already seized, and if Japan and China are going to seize, upon an ever increasing share in our trade, is it not our obvious duty to re-adjust our schedule of import customs in such a manner as will check those tendencies and place our market more freely, instead of less freely, at the disposal of our own Empire? Incidentally, they add, will not arrangements of this nature operate to protect and foster the nascent industries of India?

Protection.

" 14. The Indian Protectionist movement has undoubtedly, to a certain extent, been encouraged by the agitation in favour of Protection which has for some years been carried on—so far without practical success—by a section of the community in the United Kingdom. With that great controversy in its broader aspects it is not my place or my intention to deal. But you will remember that the agitation for Protection is linked with a policy of Imperial Preference; a matter which is of considerable interest to India.

" 15. I have been at some pains to discover the proposals advocated under the term 'Tariff Reform' so far as they concern the trade relations of the Mother Country with India. So far as I have been able to learn, the references to this subject have been as yet too vague and indecisive for much to be deduced from them.

" 16. The 'Speakers' Handbook' of the 'Tariff Reform League' propounds preferential proposals with regard to India in a paragraph (page 185) which, whatever other opinions may be expressed about them, is certainly concise and intelligible. It is as follows:—

'Preference would mean to India that the United Kingdom and the Colonies would give freer entry to Indian tea, coffee, sugar, wheat and all Indian staple products, and it would mean to us that the Indian import duty on a large number of British manufactures would be either abolished or reduced.'

" I make no comment upon it, except to invite attention to the last portion of it, which must be of intense interest to all of us; and especially to those who are imbued with the spirit of Protection for our industries.

" 17. The broad question of whether Protection would work to the general economic advantage of India or not, is deserving of careful consideration, as the issue may at some future time be forced to the forefront.

" 18. One object of tariff Protection is presumably the 'encouragement' of domestic industry, and it is effected by the imposition of customs duties on imported goods for the express purpose of prohibiting, or at any rate restricting, the imports of such goods as are similar to, or may be substituted for, goods manufactured or produced in a given country.

" 19. The means whereby Protection works, and the method in which it is intended to work, is by raising home prices. If you do not raise home prices as a result of restricting foreign competition, you can hardly 'encourage' industry; if you succeed in 'encouraging' industry by a tariff, it can only, I think, be by raising home prices. That is an axiom on which all economists appear to be agreed.

" 20. Now any such artificial increase in home prices which Protection ensures, and by which it operates, may lay a grievous burden on the shoulders of our population. In some countries where Protection has been established the evils of this inevitable result have indeed been mitigated by natural or artificial circumstances unconnected with tariffs. Thus the natural wealth and vast mineral and agricultural productiveness of the United States,

[Sir Guy Fleetwood Wilson.] [17TH MARCH, 1913.]

and the inventiveness and energy of their inhabitants, have enabled them for many years to bear a tariff burden under which other communities must have succumbed. The energy, thrift and enterprise of the population of Germany and the rigid discipline under which they are schooled, have had a somewhat similar result in that country. But even in Germany and America the revolt against Protection has been growing in recent years, and appears to incline towards a movement away from Protection.

"21. I mentioned these instances to show that the introduction of Protection into a country is not universally and necessarily followed by disaster. But the natural and economic conditions which prevail in India are what we have to consider. In other words, what results would Protection produce for her? We have here an enormous population of the very poor; and however limited their physical requirements may be, the cheapness of the things they need is essential to their very existence. Can it be denied that artificially-produced dearness would be injurious to the well-being of a great majority of the people of this country? And if we are told that Protection will increase wages so as to compensate the wage earner for the rise in prices, we must remember that by far the largest proportion of the working Indian population is engaged in agriculture.

"22. Assuming that Protection would lead to a general increase in the wages of our manufacturing industries, what would be the effect on the rest of the population, who are to a large extent merely consumers? Where are the increased wages to come from which are to enable them to face with equanimity any artificial increase in the cost of living?

"23. Agriculture is not in the main so far as I understand the Protectionists arguments, one of the industries which a tariff wall would assist in India; and consequently the rise in wages of the manufacturing classes would not extend *ipso facto* to the rural classes. Very possibly the general operation of economic laws would tend to pull up the remuneration of the latter in time; but especially in a conservative country like India the process would be slow and gradual; and in the interval an immense amount of hardship and suffering might be imposed on the great body of our Indian workers. A time of transition is always painful; and in this case it would also be protracted.

"24. Protection attempts to apply State direction to production. It diverts trade from what may be called its natural channel into an artificial channel. It is often held that if by Protection an old industry is encouraged or a new industry created in a given country, that result is a clear indication of an increase in national wealth. But any such gain may be outweighed by a loss. The industry so artificially created or encouraged has been likened to a pauper. It cannot continue to exist unless it continues to receive dole after dole, and thus it lays a lasting burden on the general consumer, and through him on the economic growth of the State.

"25. Economists have always been inclined to admit, to a limited degree, the efficacy of what is known as the "infant industry" argument, as used by List, Mill and others, and which is adopted in an exaggerated form by some Indian Protectionists. It is based on the theory that if the failure to establish an industry in a given country on a sound basis is due merely to lack of skill, or to some other obstacle which technically might be surmounted if that industry were granted temporary tariff Protection, it might be advisable to grant it Protection. Economists hold that such Protection would indeed inflict a burden on the community by raising the prices of necessaries, but argue that if the industry in question should, after a limited number of years, be sufficiently firmly established to be able to exist without a tariff in the face of foreign competition, the resultant gain might counterbalance or even exceed the initial loss.

"26. Can the advocates of protection in India satisfy the legislature that, under a protective tariff, it will be possible to establish industries in this country which will eventually be able to fulfil the conditions thus laid down as a test of success? Do you believe that, with,—I quote from Mill—'a moderate Protecting duty granted for a certain limited number of years—say,

[17TH MARCH, 1913.] [Sir Guy Fleetwood Wilson.]

ten, or at the very most, twenty, during the latter part of which the duty should be on a gradually diminishing scale, and at the end of which it should expire,' you can build up industries in India? Can you assure those responsible for the Government of India that these industries 'will be able to produce articles as cheap as, or cheaper than, the price at which they can be imported' under a limited Protective system? Unless you are in a position to demonstrate these important points, the case for tariff Protection is on unsound ground.

"27. Foreign competition, unimpeded by Protection, may have acted as a stimulus to industry, necessitating enterprise, inventiveness, economy and efficiency in production to a high degree. It has not had that effect to any appreciable extent in India; but until our endeavours to improve our industrial methods and organisation in general have hopelessly failed, we can hardly call on the State to assist us by protecting our industries at the cost of the enormous number of our very poor consumers.

"28. I have now stated a number of the chief arguments for and against Protection as an abstract theory. I am conscious that I may have stated them with somewhat more insistence on the objections than on the arguments in favour of the theory; but the reason for my doing so is that, if I may say so, the arguments making for Protection are more prominent in the mind of Indian publicists than those which are hostile to it, and, although I am very far from suggesting that this Council approaches the subject with a bias in favour of Protection, I am anxious that they should clearly realize the facts which India would have to face if such a policy were ultimately adopted. On the other hand I have refrained from touching upon some of the most powerful reasons that ought to make a country hesitate before embarking on a Protectionist policy. For example, I have not attempted to allude to the financial aspects of Protection. That branch of the subject would require a very lengthy explanation. It would have to take cognizance of the great alteration which a tariff wall in India would effect in the balance of our trade, in the arrangements that now exist for the payment of our external debt and in the whole of our exchange policy. This aspect of the question is one of extraordinary complexity, as well as of no small speculation; and I need hardly say that it would have to be most exhaustively considered before any steps could be taken towards tariff reform. I have also intentionally avoided any reference to the ethical aspects of Protection as a State policy, because I do not wish to bring to-day's debate on to a plane of controversy. But I would earnestly ask all Hon'ble Members who intend to work at this subject to study, if they have not already done so, the inner history of the influence of Protection upon political morality in the countries where it has been established for any length of time, and to consider with care whether the risks which other countries have experienced would be a fair burden to throw upon the awakening political life of India.

India within the Empire.

"29. I come now to the next natural division of my subject, which arises from the consideration that India is part of the British Empire, and that its interests and its wishes cannot be ignored in any movements which affect the policy of the Empire in relation to international trade. The cardinal feature of this consideration is the fact that India has already a tariff and that its tariff, although the rates have varied considerably from time to time and have in the past been materially higher than they are now, is essentially designed for the purposes of revenue and not with the view to protection.

"30. In these circumstances it is of the utmost consequence that those who are responsible for the economic future of India should consider carefully what position India is to occupy in regard to the British Empire policy. Looking at the facts of the case and the admissions of foreign writers and statesmen, there can be no doubt that the policy of free importation practised by the

[*Sir Guy Fleetwood Wilson.*] [17TH MARCH, 1913.]

United Kingdom in regard to her own home market has been of great advantage to countries like Germany and the United States in carrying out their own economic views, and in building up their own industries. But for the facility which British policy has created for the disposal of their surplus products the high tariff policy they have pursued would not have been attended with the success which they have actually enjoyed. The counterpart or that high tariff policy, pursued in exclusively national interests by foreign countries, has been the exploitation of such markets of the world as have been left open to their efforts.

" 31. In the British Empire, however, the United Kingdom has for many years abandoned the exploitation of Colonial markets in the interests of the Mother Country and has left her self-governing Colonies free to do what her statesmen thought right in the interests of those Colonies with the result that an Empire policy has grown up in the conditions so created different in character and in objects from any policy which the world has ever seen before, which has for its object the strengthening of the Empire as a whole by the development of the economic interests of its several parts, and the linking together of the Mother Country and the constituent States of the Empire by a co-ordination of policy and the intertwining of their economic interests by a system of preferences.

" 32. India, owing to special conditions, has not been brought into the general Imperial trade movement, but in view of the modification of the old ideas in regard to free importation and the economic principles underlying them, and the progress of events throughout the Empire in the last thirty years, it is conceivable that India may in the future be unable to maintain a policy of absolutely free importation under which she must suffer all the incidents of exploitation of her own market. Hence the key of the future policy of India must be found in observing what is the nature of the movement taking place in the rest of the British Empire, and in considering under what conditions India could fall in with any general policy of Empire preference.

" 33. Let us see what the progress of the Imperial movement has been. The Empire consists of self-governing Dominions, Crown Colonies, Dependencies, Protectorates, at every conceivable stage of economic development; but during the last twenty years, irrespective of Governments and party changes in the Mother Country, the measures adopted by, or in the interests of, different parts of the Empire show a steady and continuous movement in the direction of Empire trade consolidation. Canada adopted the policy of preference in 1897, that is, she gave special tariff concessions to the United Kingdom and to the Empire as a whole, and under the successive changes of the tariff, Canada and the rest of the Empire have been drawn together in ever closer relations. Canada was followed by New Zealand in 1903, South Africa in 1906, Australia in 1907. Furthermore a series of inter-Colonial preferential arrangements between Canada, New Zealand, Australia and South Africa have been concluded, and to these has now been added an arrangement between Canada and the West Indies, which in some respects is more remarkable than any which have preceded it. Thus the self-governing portions of the British Empire excepting alone the United Kingdom and Newfoundland have gradually formed a net work of Imperial and inter-Imperial preferential trading arrangements. The British Empire may be said to be regarded as consisting not of an aggregation of separate entities with no mutual relations to each other, but of a family of States animated by a common family purpose. Each State in the first instance organises its tariff and its policy to suit its own financial and economic needs and gives an Imperial sanction to its policy by granting to other parts of the Empire as large a measure of trade advantages over foreign countries as is consistent with its own economic development.

" 34. The preferences in the tariffs of the self-governing Dominions, while differing in detail, have certain general features in common. The tariffs have for their main objects the production of Government revenue, the protection

[17TH MARCH, 1913.] [Sir Guy Fleetwood Wilson.]

of home industries, the development of an export trade, and the encouragement of inter-imperial trade. The tariffs therefore include:—

- (a) Duties imposed for revenue.
- (b) Duties on competitive products.
- (c) Preference secured by (1) Free List for goods produced within the Empire (as in the tariffs of Canada and New Zealand) or the United Kingdom alone (as in the case of Australia) while duties are retained on similar goods from foreign countries; (2) remission of duty in groups (a) and (b).

“These methods operate separately or in combination.

“35. The outstanding feature of these methods is undoubtedly the adoption of an Empire Free List, and in regard to this method the arrangement between Canada and the West Indies makes a new departure of great importance. In the case of certain items now imported from all countries free of duty, duties of not less than a certain fixed amount are to be imposed when the goods enter Canada from foreign countries, while freedom of entry is to be maintained for goods from the British West Indies and the United Kingdom. It is not clear what is the position of other parts of the Empire in respect of these items, but I suppose it may be presumed that Canada preserves full liberty of action in the matter. It has to be remembered that this development of Empire tariffs has proceeded at a period when the United Kingdom has to take no decisive step in the direction of preference. In these circumstances it is impossible to say what final form Empire tariffs will assume, should the United Kingdom at any time fall into line with what appears to approach a general Empire movement.

“36. The United Kingdom, so far as her tariff policy is concerned, at present stands outside the general Empire movement and she is unable, so long as the present policy prevails, to enter into schemes of mutual Empire preference which have been discussed at successive Imperial Conferences, but if the policy of the United Kingdom were at any time to change, it is presumable that under any scheme of preference which has been suggested by reasonable statesmen in England, tariff advantages would be extended to Indian products. Under the scheme which, so far as is ascertainable, has been generally accepted in responsible circles in the Tariff Reform movement it was held I believe, that in a recent year £23,000,000 worth of Indian agricultural produce and manufactures would be directly benefited by tariff preferences in the United Kingdom. I do not advance that as my opinion. I merely allude to the opinion held by those who advocate a new departure.

“37. What we have to consider at this stage is not the details of a possible preferential tariff, but rather whether India could, if called upon to join in a great federation of Imperial preferences, respond to that call without sacrificing the essentially revenue character of its customs schedule. Any such movement would presumably involve, in the first instance at least, a loss of revenue unless we were prepared to raise the general incidence of the tariff from 5 per cent., at which it at present stands, to some higher figure in respect of those articles or countries for which there would be no preferences. That changes of this nature would be difficult, I cannot conceal; that they will be impossible I do not pretend.

“38. It can be urged that if any changes of this character were adopted in the Indian tariff, India would stand to lose by retaliatory measures on the part of foreign countries which now take so large a proportion of Indian produce. To this the advocates of preferential tariffs might possibly reply that throughout the civilized world there is an increasing tendency to regard preferential tariffs within an empire, however widely scattered, as matters of domestic concern; and that these preferences in fact do not now bar Colonies from participation in the advantages of treaties with foreign countries on the ground of discrimination. Furthermore the character of the exports of India to foreign countries would make it difficult for these foreign countries to retaliate unless the whole construction of their tariffs were modified and they

[*Sir Guy Fleetwood Wilson; Sir Gangadhar Chitnavis.*] [17TH MARCH, 1913.]

were prepared to inflict damage on their own industries, for India exports to European Countries and the United States nearly £50 millions worth of merchandise which consists chiefly of raw materials for manufactures, for the most part admitted free of duty, and also of foodstuffs.

Conclusion.

"39. Let me emphatically repeat that I have not in the foregoing remarks attempted to advocate any departure from a free trade policy. To do so would be to travel entirely outside my province.

"All I have attempted to do has been to indicate certain aspects of the case which appear to have some bearing on this all important question.

"40. I am not possessed of the presumption even to hope that the few, and I fear somewhat superficial remarks which I have offered will assist you in crystallizing your views on this subject, but I do hope that they may through you induce a full, temperate and unbiassed consideration by the Indian public, of a question which must in the future vitally affect India and its prosperity.

"41. It is this consideration which I would now invite Hon'ble Members to undertake for themselves after a full study of the many complex questions involved. I am far from complaining of the character of the debate to which we have just listened. It has been characterized by the sobriety and sense of responsibility which invariably marks the deliberations of this Council; but I am sure I shall not be accused of any lack of courtesy if I suggest further consideration of the intricate and delicate issues which I have endeavoured to bring to your attention. These issues need the most careful study; and until they have been thoroughly considered from all points of view, I am of opinion that it would be unwise and premature for the Council to commit itself to the opinion embodied in the present resolution, which I must therefore, in behalf of Government, oppose."

The Hon'ble Sir Gangadhar Chitnavis:—"Sir, I wish in the first place to tender my warmest thanks to the Hon'ble Sir Guy Fleetwood Wilson for his masterly exposition of this most difficult subject—an exposition which is marked both by extreme ability and by the kindly consideration he invariably extends to proposals put forward in this Council, whether they are in accord or are not in accord with the views of Government. Secondly, I should like to repeat my position. I hold that free trade is for an advanced nation alone which has made great progress in manufacturing industry. I look, Sir, to the future, and I say that India's future is a future of protection. I have myself referred to the difficulties of the position in my speech to-day, and Hon'ble Members must have noticed that I have advocated inter-Imperial preference, because it has the merit of being a measure reasonably practical. It would, however, be a mistake to forget that we are not discussing to-day the respective merits of free trade, protection and preference. The whole point, and a point of vital and immediate interest to us, is, money has to be found somehow to recoup the loss of our opium revenue. I am glad to be assured by the Hon'ble Finance Minister that there will be no need for additional taxation; but my point is that, if the necessity arises, the first condition of fresh taxation must be that it should be so arranged as to be least inconvenient to the people. In my view of the case, this condition can be fulfilled by revising our tariff. Taxation in any other form will be burdensome and irritating alike, and will not prove equally productive. Now this overhaul of our tariff can be made on one or the other of the two economic principles—protection and preference. Exporting England does not favour even a moderate scale of Indian import duties imposed for revenue purposes. With this feeling in England, protection for us is out of the question. Leaving that aside, we have the other method of taxation to fall back upon for our needs. That is why I have brought forward the Resolution, and I have every hope that the point raised in it will engage that amount of public attention which its importance, and I might add in the peculiar circumstances of the case, its paramount necessity,

[17TH MARCH, 1913.] [*Sir Gangadhar Chitnavis; the President; Rai Sri Ram Bahadur.*]

demands. I want and seek public criticism. My ambition does not go further. This debate will have done immense public good if, following the sound advice of the Hon'ble Sir Guy Fleetwood Wilson, the people take up the subject in right earnest, and study, discuss and develop the case with that care, zeal and whole-heartedness which its seriousness deserves. This explanation furnishes an answer to the remarks made by some of my friends in Council to-day in disparagement of the Resolution.

"Sir, in view of the Finance Minister's statement, I do not think any useful purpose will be served by pressing the Resolution to a division. I accordingly beg leave to withdraw it."

The President:—The Resolution is by consent withdrawn.

RESOLUTION REGARDING CUSTOMS DUTY ON SUGAR
IMPORTED FROM FOREIGN COUNTRIES.

The Hon'ble Rai Sri Ram Bahadur:—"Mr. President, I rise to move the following Resolution:—

'That this Council recommends to the Governor General in Council that an additional customs duty of 5 per cent. be levied on sugar imported into India from foreign countries.'

"I request the Council to consider this Resolution from two points of view, the one being fiscal and the other economical. Looked from a fiscal point of view, the acceptance of my Resolution will add a sum of about 62 lakhs a year to the revenues of India. In the quinquennium from 1906-07 to 1910-11, the amount of duty collected on foreign sugar was as follows:—

	₹
1906-07	4,382,637
1907-08	4,476,052
1908-09	5,156,546
1909-10	5,677,251
1910-11	6,289,234

"These figures show yearly progressive increase in the amount of duty levied on sugar. In the year 1910-1911 (the latest year for which figures were available) the sum collected at 5 per cent. was ₹6,289,234. By raising the rate of duty from 5 to 10 per cent, on the basis of the figures for 1910-1911, a sum of 62 lakhs will be added on the receipt side. This is not a small amount. The inference that there will be a still higher increase in the amount of duty levied on sugar can easily be made from the rate at which its import has been going up by leaps and bounds during the last decade. This is a consideration which I hope will recommend the Resolution moved by me for the acceptance of this Council."

"But, Sir, there is a more important aspect of the question and of a very far-reaching character which will show to this Council that the Resolution deserves a serious and favourable consideration. It is the injurious effect which the very large import of foreign sugar has produced both on the rural economy and the indigenous sugar industry of the country."

"From time immemorial India has occupied the foremost position in the sugar-producing countries of the world. A very large quantity of sugar used to be manufactured for local consumption, as the majority of the population being vegetarians used that article in their meals. Until 30 or 35 years ago India used to produce sugar in such large quantities that, after supplying the local needs, she used to export the surplus production to foreign countries. But alas! those days are gone and foreign sugar in enormous quantities is now imported into the country."

"In 1910-1911, the quantity of imported sugar was 14,782,039 cwts. Ever since its first introduction into the Indian market the quantity has been

[*Rai Sri Ram Bahadur.*] [17TH MARCH, 1913.]

increasing year by year. The imports during the five years ending with 1911-1912 were—

					cwts.
in 1907-08	...	...	...	...	11,179,766
1908-09	...	...	...	...	12,078,223
1909-10	...	...	...	...	12,609,168
1910-11	...	...	...	...	14,782,039 and
in 1911-12	...	...	...	...	12,241,636

“The progress of sugar production in Java has been quite unique and unparalleled. From the comparatively small quantity of 47,049 tons in 1840 it rose to 1,466,569 tons in 1911. It appears that the area of sugar cultivation in Java is now about three lakhs of acres. The manufacture of white sugar that is cane for Indian markets began a few years ago, and has increased so rapidly that in the year 1911-12 this kind of sugar imported into India reached 10,007,533 cwts. There has been an alarmingly rapid increase in the quantity of refined sugar imported from Java during the quinquennium ending in 1911-12. It has risen from 7,159,098 cwts. in 1907-08 to 10,007,533 cwts in 1911-12. These figures show how enormously far ahead of India Java is in (1) cultivation of sugarcane, and in (2), manufacture of sugar. With only three lakhs of acres under cane Java has swamped the Indian markets. It would take years to get any where near the same standard—assuming the climatic and other conditions to be equal. Java sugar has diminished the import of that article from other parts of the British Empire and other foreign countries also. The table given below will show this decrease:—

	1907-08.	1908-09.	1909-10.	1910-11.	1911-12.
From British Empires . . .	3,207,607	2,054,305	2,020,952	3,538,306	1,977,884
From other Foreign Countries . . .	812,861	1,961,538	854,641	717,152	256,210
From Java	7,159,098	7,159,380	8,833,845	10,531,581	10,007,533

“That the import of foreign sugar in very large quantities has affected the Indian cultivators is evident from the fact that there has been a falling-off in the area under sugarcane cultivation in India. In 1907-08, it was 2,705,645 acres and in 1911-12, 2,331,700 acres—showing a fall of nearly 2½ hundred thousands acres. Circumstances over which they have no control have affected the resources of the Indian cultivators by contracting the area in which commercial crops were grown and thus diminishing their chances of making good profits. The discovery of synthetic indigo has put a stop to the cultivation of indigo. By the arrangements entered into between the British Government and China cultivation of poppy has also diminished and is threatened with almost total extinction in the immediate future. The area under poppy cultivation in India was 474,290 acres in 1907-08; it came to less than three hundred thousands acres in 1911-12, showing a decrease of about two hundred thousands acres in four years. Suggestions have been made in some quarters that cotton—also a commercial crop—should be raised in tracts where indigo and poppy were grown formerly. But these suggestions do not take into consideration the fact that cotton cannot be grown everywhere. In submontane and rice-growing tracts no cotton can be grown, as it requires light rainfall; and tracts in which rainfall is large or excessive are not suitable for its cultivation. The situation as to the growing of commercial crops, in which the Indian cultivators are placed, has come to this:—that indigo is gone, poppy cultivation has diminished and is threatened with almost a total cessation in the immediate future. Cotton cannot be grown except in tracts suitable for its cultivation. Two other valuable crops are left—namely, wheat and sugarcane. Wheat cannot be grown every year in the same field; land gets ‘wheat sick’ unless

[17TH MARCH, 1913.]

[*Rai Sri Ram Bahadur.*]

there be a rotation of two or three years. There remains sugarcane. The enormous increase in the import of foreign sugar has almost annihilated its production by indigenous methods. The old Indian process cannot compete with the scientific process used in foreign countries for manufacturing sugar by means of machinery. I do not think that much useful end will be gained by any revival of the old indigenous methods of manufacturing sugar. The people of the United Provinces are the greatest sufferers by the decline—nay almost extinction—of the old methods of manufacturing refined sugar, on account of the article so produced being more costly than the imported one. The United Provinces occupy the foremost position in growing sugarcane. Out of a total area of 2,331,700 acres under sugarcane cultivation in the whole of India in the year 1911-12, no less than 1,340,637 acres, *i.e.*, more than half were in the United Provinces. The impending danger of a fall in sugar industry of the United Provinces was foreseen nearly 15 years ago by Sir Antony (now Lord) MacDonnell. He expressed his views as follows:—

‘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 300,000 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.’

“Nearly eleven years after, in 1910, Sir John Hewett, our last Lieutenant-Governor, expressed his opinion as follows:—

‘Thirty years ago we had 300,000 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.’

“It is not only in the United Provinces but in other places too that the greater number of the sugar refineries have been closed owing to their inability to compete with foreign countries, specially Java.

“Gur (raw sugar and its various forms) is the principal article which now is produced in the United Provinces from the cane juice. In a good season a glut easily arises. The United Provinces Season and Crop Report for the year 1911-12—referring to Gorakhpur—the most important cane-producing district in the province—says that there was a glut in the market for *gur*, and the consequent great fall in its price and the result was that manufacture of cane was in places abandoned and the cane crop fed to cattle. Such a state of things cannot only fail to diminish to a considerable extent the area of sugar cultivation but also to affect the future extension of such area. The maintenance of the present area and its future extension depend mainly on the establishment of sugar factories which will provide a constant market for the cane.

“The Provincial Agricultural Department are devising means of improvements, but it will take time before those improvements will enable the local sugar manufacturers to be on a level with the foreigners. The cultivator who himself crushes the cane and converts it into *gur* cannot entertain any reasonable hope of profit, unless a ready market for his cane is opened. This can be done only by establishing sugar factories in the cane-growing tracts. The Government is alive to the importance of this question, and is assisting certain factories, and at one of which in Rohilkhand sugar engineers and sugar boilers can be trained. Sugar factories under proper supervision and where manufacture can be carried on according to modern scientific methods are few and far between in this country. It will take a pretty long time before a sufficient

[*Rai Sri Ram Bahadur.*] [17TH MARCH, 1913]

number of such factories will be established. In the meantime, the danger of contraction in the area of cultivation of cane is growing, and the cultivator is a loser in this respect. India being essentially an agricultural country, and two-thirds of its population being agriculturists, a matter which affects any branch of its principal industry, namely, agriculture, does surely require a very special consideration. I have shown that by producing raw sugar alone a cultivator cannot derive any profit from his cane fields. It is the consumption of cane in factories turning out refined sugar that can make cane cultivation profitable to the cultivator. It will take some time before the factories now existing or those which can be established in future will be able to compete with foreign manufactures. A sugar factory was established in Allahabad which proved a failure; another has been started at Piibhit in the Rohilkhand Division, it is not as yet working, I am told, with profit.

"It is therefore the bounden duty of the Government to help the factories by providing experts who can give proper advice for manufacturing sugar. In order to preserve the sugar industry of India and place the local factories in a position to compete with foreign manufacturers, all necessary help should be given.

"Besides other considerations the establishment of such factories will give employment to a class of men who at present find it very difficult to get work for which they have been trained; these are mechanical engineers and chemists who have taken University degrees. The complaint is frequently made that the educated classes do not go into business, but, in the United Provinces, there is very little business to go into. If the sugar industries be brought to a thriving condition as the cotton industry is in Bombay, our educated classes would have the same openings as the corresponding classes have in Bombay.

"Some foreign countries did go so far as to give bounties with the view of introducing and encouraging manufacture of sugar by their people. The result was that after a time the sugar manufacturers of those countries were able not only to compete successfully with India in driving her out of their markets, but to send their article to this country to be sold to the detriment of the indigenous manufacturer.

"It may be said that the proposed enhancement in the rate of customs duty on sugar will be protective and against the policy of free trade which finds favour with the authorities. It would be altogether out of place to discuss the respective merits of protection and free trade in connection with the Resolution moved by me. But, Sir, I urge that the exigencies of the case require exceptional measures to be taken by the Government. That eminent German economist, Frederick List, has said in his work, that where there is a competition between a country backward in industry and countries which are much forward, it is the duty of the State to intervene, and in order to foster such indigenous industries of the country as can be protected and fostered, protection based on judicious principles should be resorted to. Germany, America, Austria, Russia and other Western countries have been resorting to protection, in order to build up their own industries. Japan has been doing the same. England also at one time followed the same principle. In order to foster and encourage her industries, she did not refrain from imposing a duty at the rate cent. per cent. on the goods imported from the East. The prayer is to adopt the same course in order to protect and preserve sugar industry of India, which is threatened with such imminent danger and cannot maintain its position unless efficient and exceptional steps are taken by the Government.

"It may be said that by raising the duty on sugar the Indian consumer would be put to an extra expense, as he will have to pay a higher price for that article. In the first place, I do not admit the correctness of the proposition that the imposition of, or enhancement in, tariff does necessarily raise prices. Experience has shown that such has not been the case in many instances. But, as a matter of fact, the majority of the Indian population, specially the Hindus, would be too glad if they would get indigenous article instead of imported one.

[17TH MARCH, 1913.] [*Rai Sri Ram Bahadur ; Raja Kushalpal Singh.*]

They do not like imported sugar on account of religious scruples. In many places fraud is practised upon the Hindu consumers by the dealers in refined sugar who give a little yellow colouring to Java white sugar to pass it off as indigenous sugar. The dealers thus profit by fraud at the cost of the consumers. Indians are eager to purchase even at a higher price sugar made in their own country. My Resolution does not deal with a subject which is a new one. It was brought to the notice of this Council two years ago by a Resolution moved by my Hon'ble friend Pandit Madan Mohan Malaviya though in a different shape. The Hon'ble Member in charge of the Department of Industry and Commerce was pleased to admit that the rise in the import of foreign sugar was with an 'alarming rapidity.' He was further pleased to say that the 'Government were fully alive to the responsibilities in respect of the sugar industry.' He negatived the amendment, for the appointment of a committee to inquire into the present condition of the industry, moved by the Hon'ble Mr. Gokhale, on the ground that the appointment of such a committee would have tended rather to suspend the activities then going on than to promote the improvement of the industry. Two years have passed since then. During these two years there has been no improvement in the situation, on the contrary, it has grown worse. The import of foreign sugar has been advancing more and more; the danger of agricultural loss has been increasing enormously, and the gravity of the situation has been growing worse and worse. By subjecting foreign sugar to an enhanced customs duty the indigenous manufacturer will gain at least some advantage over his rival foreigner. I, therefore, beg to recommend the Resolution for the acceptance of the Council."

The Hon'ble Raja Kushalpal Singh:—"Mr President, I have great pleasure in seconding the Resolution moved by my friend the Hon'ble Rai Sri Ram Bahadur.

"As pointed out by the Hon'ble mover, the area of arable land devoted to sugarcane cultivation shows a marked tendency towards contraction, while the importation of foreign sugar is going forward by leaps and bounds. It was not so very long since that the people of India had no reason to look abroad for the refined sugar which they consumed,—indeed, after fully supplying their own needs by their home production, they were able to export large consignments of the best sugar to other countries. I am referring, of course, to what India was able to do under the auspices of the East India Company. But since those days, the sugar industry of this country has been steadily and even ruinously giving way before foreign competition stimulated by the principles of free trade. As a consequence, Java sugar has poured into India and captured her markets. During the last quinquennium, the imports of this foreign sugar have risen from 7,159,098 cwt. to 10,007,533 cwt, a truly ominous rate of increase, and the agricultural prospects of our provinces look dismal indeed. To take another line of commercial industry,—the introduction and increasing importation of synthetic indigo has brought about the supersession of the vegetable dye. Again, close on the heels of this loss of indigo cultivation has come the stop put to the growth of the poppy plant which at least served the purpose of an excellent rotation-crop. It was hoped that sugarcane would take the place of the inhibited poppy, and it was not an unreasonable expectation that when Government laid an embargo on the cultivation of one crop, it would, by way of balance, encourage the growth of another crop to take its place. Yet, notwithstanding the extension of canal irrigation, the cultivation of sugarcane has shown no appreciable increase. On the contrary, in some districts, the area under cane has been steadily narrowing down. The discovery, all about, of many old, abandoned *Kolhus* or stone-presses still testifies to the once widely extended cultivation of sugarcane. The enormous extent of the imports of foreign sugar into India is simply killing indigenous industry in respect of this article. Factories, one after another, have been obliged to close up or to contract their operations, and the number of factories that survive keeps annually decreasing. The loss thus accruing to agriculture is becoming very serious, for cane is now in request only for *gur*-making, or

[*Raja Kushalpal Singh; Maharaja Manindra Chandra Nandi.*] [17TH MARCH, 1913.]

to be cut in pieces for chewing. *Gur* does not find much of a sale; indeed, there is already a glut of it in the market.

"The total area under sugarcane in British India, during 1911-12, was 2,331,700 acres, of which the United Provinces account for 1,340,637. The decline in the sugar industry will therefore affect our provinces most disastrously. From the figures given in by the Hon'ble mover, it is clear that Java is far ahead of India, both in (1) the cultivation of cane, (2) the manufacture of sugar. Sugar, which has always been one of the greatest staples of these provinces, cannot but feel a serious set-back from the aggressive competition of the imported article. Mr. Moreland, late Director of Agriculture, showed that superior foreign sugars could be landed in India, at prices giving them an easy advantage over what indigenous products could afford to be sold at. Englishmen are not keen about starting industries in non-industrial countries where all the workmen taken on have to be trained, and where the machinery in use is always liable to break down, or to get out of order somehow.

"The pioneers of new industries must always be prepared to meet some loss at starting. Our provinces reveal a great lack of enterprise. Our sugar industry, if it is to be protected and saved from utter collapse, would seem to call for the adoption of some safeguarding measures by the Government of India. I do not plead for the imposition of any general import duty, nor do I ask for any protective duty to foster a *new* industry. All that I advocate is the protection of a large *existing* industry, which is clearly threatened with extinction by foreign competition.

"The duty levied on tobacco has brought into existence a large number of cigarette manufactories. Similarly, the imposition of an additional customs duty of 5 per cent. on imported sugar would give an enormous impetus to agriculture in the way of a wider cultivation of this valuable crop, and would also stimulate in the way of multiplying the number of sugar factories and refineries. Indian consumers have no liking for foreign sugars, and are at present cheated by adulterations of every kind—Not alone the people of India, but Government also, will be benefited by the enhanced customs duty recommended above. There is no staple of imports that could so well bear an additional duty as sugar, without in any way hampering trade or laying an undue burden on the consumer. An addition of 5 per cent. at current values for sugar would mean raising the price to the ultimate consumer by a trifle over one pie per seer; and this would constitute no real hardship.

"I calculate the quantity of sugar imported into India at about 12,000,000 cwt. Taking an all round figure of ₹10 per cwt. as its value, the proposed increase of duty would bring into the Exchequer an additional 60 lakhs of rupees. With these few words, I beg to recommend the Resolution for acceptance by the Council."

The Hon'ble Maharaja Manindra Chandra Nandi:—

"Sir, I beg to support this Resolution. It is an admitted fact that sugar is being imported into India in increasing quantities every year, and it is also known that in many instances sugar imported from foreign countries is able to undersell indigenous sugar. This is due to what is known as bounty-fed sugar by which the State subsidises the exports of sugar so that even after paying the freight to India, importers of foreign sugar to this country are able to sell sugar at lower prices than the sugar manufactured locally in India. The result is that, while the produce and manufacture of sugar in India itself are diminishing, the imports of sugar are constantly and even alarmingly increasing. This proves that there is no falling-off in the consumption of sugar in India, but indigenous sugar is being driven out of the market in consequence of the competition with imported sugar which is subsidised by the States of the countries whence they are exported. The raising of the customs duty by five per cent. will have the effect of placing indigenous sugar on terms of greater equality than at present with imported

[17TH MARCH, 1913.]

[*Maharaja Manindra Chandra Nandi ; Sir Charles Armstrong ; Rai Sita Nath Roy Bahadur.*]

sugar, and I hope the proposal will receive the assent of the Council. Every State has to encourage and protect its own manufactures, and when an industry, so important as the sugar industry of India, is threatened by an unequal competition with imported sugar artificially cheapened by State subsidies, the Government will be fully justified in raising the duty on this particular article of import."

The Hon'ble Sir Charles Armstrong :—" Sir, the mover of this Resolution has told us that, if an additional duty of 5 per cent is put on sugar, we shall raise, I think he said, 60 lakhs of rupees, and he has further told us that this 60 lakhs of rupees would not in his opinion fall upon the consumer. We have also had from the seconder of the Resolution the remarkable statement 'that the Indian people have no liking for foreign sugar.'

" Well, I beg to differ from the mover of the Resolution as regards the question of the 60 lakhs of rupees. I feel certain that, if we do impose an additional tariff on sugar, practically all of it would be paid by the consumer in this country; and I think the reason why foreign sugar is preferred to Indian sugar is this, because it is altogether a better class. The people of this country, with their increasing wealth, now require a better class of sugar than they had formerly, and this, I think, accounts for the very largely increased imports that are now coming in from Java. The production of sugar in this country is, of course, very large, and I feel certain that, if the people of this country would only produce refined sugar of a class similar to that which comes in from Java and other foreign countries, the people of this country would be exceedingly glad to buy it."

The Hon'ble Rai Sita Nath Roy Bahadur :—" Sir, I rise to support the Resolution which has been so ably moved by my Hon'ble Colleague Rai Bahadur Sri Ram. I do not wish to dilate upon it and inflict a speech upon the Council on the subject. I shall only state a few simple facts. In the present state of the industry in this country, the total extinction of the sugar industry is now a question of a few years only.

"The manufacture of sugar has been an important industry in India for a very long time, specially in the United Provinces and in Bengal. In our part of the country, not only sugarcane but date molasses are also used in the manufacture of sugar. Who in Bengal has not heard of the names of such places as Kotchandpur, Keshabpur, Manickganje, etc., once noted for the manufacture of sugar? The whole demand of Bengal used to be met mainly from these places and partly from Kashi, that is, Benares. Who has not heard the name of the fine sugar which used to come from Benares? But now it is difficult to get a chatak of this commodity in its purest form in the bazaar. Why is this? The reason is that we cannot compete with the foreign imported sugar on account of its cheapness.

"The sugarcane area is being contracted day by day in a marked way, whereas the imported sugar is going up by leaps and bounds. The fact is that, in the preparation and manufacture of imported sugar, latest up-to-date scientific methods are applied, whereas our people still stick to the primitive methods with the result that the Indian sugar cannot compete with its foreign rival. Something ought to be done to protect this industry. It gave employment to lakhs and lakhs of people. They are now entirely thrown out of employment.

"The extinction of this industry is undoubtedly a great calamity. But how can we protect and preserve it? We must have to adopt the latest scientific methods in its preparation and manufacture. Government is also doing something to help us in that way; but that will take some time. Unless in the meantime we take some steps to keep this industry alive, how can we preserve it from total extinction? Herein comes the necessity of this Resolution. We must so raise the import duty that our interests may be adequately safeguarded. But then some people would object to the raising of this duty, because they would say it is protective. It may be so, but there is nothing intrinsically bad and

[*Rai Sita Nath Roy Bahadur; Maharaja Ranajit Sinha; Sir Gangadhar Chitnavis; Mr. M. W. Fenton.*] [17TH MARCH, 1913]

sinister in protection. In the peculiar circumstances of the country, protection has become necessary. Protection *versus* free trade is like the swing of a pendulum, both are necessary. It is only the time and circumstance which determine which of the two is to be adopted. We may take the case of England as an illustration in point. It was at first protectionist, now it is free trader, but already the pendulum has begun to swing on the other side, for there is a considerable body of public opinion which advocates protection. Then another objection may arise that the price of the commodity would be increased, but that would be a very small evil considering the benefit that would otherwise accrue to the country. This temporary inconvenience is for the ultimate good of the country, therefore we should be prepared to put up with it.

“Sir, most of our arts and industries which used before to support millions and millions of our people are already dead and gone, and Government has done little or nothing to keep them alive. Germany and other European countries, and Japan in the East, have been doing all they can either by subsidies or by protective duties to encourage their respective arts and industries, but here we are told that India, being a part of the British Empire which follows the policy of free trade, Government cannot allow protective duties to be imposed, and that the result of such duties would be to raise the price of sugar. But, Sir, sugar unlike salt is not a necessity of life but a luxury, and it is mostly consumed by the higher and middle classes, and as such it cannot press heavily at all on the masses. In my opinion the good would preponderate over the evil, and our people are prepared to, and would cheerfully, pay the increased price.

“With these few words, Sir, I beg to support the Resolution.”

The Hon'ble Maharaja Ranajit Sinha of Nashipur:—

“Sir, I beg to support the Resolution moved by my Hon'ble friend Mr. Sri Ram. My friend, Sir Charles Armstrong, has said that the people would prefer cheaper and at the same time fine sugar; but on behalf of the Hindus, I may at once say that they would prefer indigenous sugar to foreign sugar, and they would not grudge even to pay a higher price for the indigenous sugar because they have religious prejudices against the foreign sugar. Many times the sellers cheat the purchasers in that way, by selling foreign sugar in the name of the indigenous sugar. I think that, if an additional customs duty be imposed, this will raise our revenue and at the same time it will not be oppressive on the people who consume the sugar, especially among the Hindus. With these few words, I support the Resolution.”

The Hon'ble Sir Gangadhar Chitnavis:—“Sir, in view of the facts that Government is alive to the importance of the revival of the indigenous sugar industry and that both Government and the people are making serious efforts all over the country, the Central Provinces included, for the improvement of sugarcane and of the manufacture of cane sugar, a Resolution like this should be accepted. A surtax of 5 per cent. upon imported sugar will have an encouraging effect upon, and will accelerate the recuperative progress of, the domestic industry. The consequential slight addition to the price will, I believe, make the business remunerative, and attract more capital into it. Besides, the wholesome effect of the suggested duty upon the finances of the Government cannot be overrated, in view of the fall, and the inevitable ultimate collapse, of the opium revenue. With these remarks, I beg to support the Resolution.”

The Hon'ble Mr. M. W. Fenton:—“Sir, there are one or two statements in the speech of the Hon'ble the mover of the Resolution which call for comment. A great deal of sugarcane is grown in the Punjab, and, whatever may be the case in the United Provinces, I can say from experience that it is not the case universally that such reduction in the area under sugarcane as has taken place in the Punjab is due entirely to the competition of the imported article. There is one part of the Punjab with which I am acquainted

[17TH MARCH, 1913.]

[Mr. M. W. Fenton.]

which was at one time famous for the production of sugar. I happened, as Deputy Commissioner of the Jullundur district, to be interested in the industry, and I made a special study of the subject there. At one time in that district there were a large number of village refineries, and the local agricultural population grew sugarcane solely for them, handing over the produce of their fields to the refineries which were chiefly in the hands of members of the Khattri and Bunya class. At that time these Khattris had a very firm hold on the agricultural population. They were their creditors and they held mortgages on their fields, and as a consequence of that condition, they required their agricultural clients to sell to them the juice expressed from their cane. But in the course of time we got the Land Alienation Act—one of the most advantageous measures to the agricultural population that was ever passed in the province; and as a consequence of it, and also of the co-operative banks movement, the agriculturists gradually managed to get clear of the domination of the creditor classes and began to refuse to sell their sugar to the refineries. Instead of doing so they converted it all into *gur*, which is everywhere the form in which sugar is used by the agricultural classes. Now it cannot for a moment be said that the production of *gur* is unprofitable but the quantity produced is conditioned by the requirements of the agricultural population. Even in the new colonies of the Punjab when the agriculturists grow sugarcane they grow it with the object of producing *gur*, i.e., unrefined sugar, and not of producing something that can be sold to a refinery. I doubt if there are any refineries in the area of the Chenab colony. It will be seen then that there is not really any competition between the produce of the sugarcane fields and the imported article. *Gur* and refined sugar are two quite distinct and separate commodities.

“Imported refined sugar, as Sir Charles Armstrong has said, is better quality of sugar than what is now produced in the country, and that fact in itself suffices to account for the failure of the latter in the market in competition with foreign sugar. There is another influence which has been responsible for reducing the area under cane. There is the competition of wheat. Wherever wheat can be grown, agriculturists will prefer it to everything else. Its area and its percentage of total cultivation is extending every year. At the time that the cultivation of opium was abolished in the plains of the Punjab, a doubt was felt whether Government would not have to give compensation to those agriculturists who were prohibited from growing that crop; but an inquiry showed that the profits of growing wheat really exceeded those which were obtainable from growing the drug. There are other crops too which compete with sugar. Barley, for instance, is coming into demand on account of the discovery made in England that the Indian barley is especially good for malting purposes. Lastly, among unfavourable factors, there is the great labour involved in the cultivation of sugar; and, as everyone knows, the cost of labour is going up in the Punjab Province by leaps and bounds. Of course there are other ways of encouraging the production of sugar in this country, which no doubt are engaging the attention of the Agricultural Department. In connection with an application for a very large grant of land in one of the new colonies, this question came under the consideration of the Local Government and is still under its consideration.

“Lastly, I would mention that this Resolution, if adopted, will be a very serious blow to the towns-people of the Province. Whether or not it advantages the condition of the agriculturist, it will press very heavily on the towns-people. Already they have to pay in most municipalities an octroi duty of $3\frac{1}{2}$ per cent *ad valorem* in addition to the 5 per cent. duty at the ports—a total of $8\frac{1}{2}$ per cent. This would be raised to $13\frac{1}{2}$ per cent. by the addition now proposed.

“It is not my concern to champion the interests of these towns-people. They have no doubt got a great many representatives in this Council. But I think it is necessary that the Council should understand that the effect of this measure will be rather to penalise the towns' population than to secure anything for the benefit of the agriculturist.”

[*Mr. Madhu Sudan Das.*] [17TH MARCH, 1913.]

The Hon'ble Mr. Madhu Sudan Das:—"Sir, situated as we are, I should not at any time be inclined to move a Resolution of this nature recommending in a definite form a customs duty on a particular article. It gives us all the same on the present occasion when these two Resolutions have been brought forward in the Council an opportunity which I do not like to lose of giving expression to a growing feeling among the educated people here that England is expected to make some sacrifice in the interests of India when there is a sufficient reason for it, when a strong case is made out for a concession in the nature of a departure from her free trade policy. I do not believe that this Resolution will be acceptable to Government, but I still hope that, when the Hon'ble Member replies to this that at some future time, a Resolution like this involving a modification of England's policy will be found acceptable to Government. For after all these matters must be controlled by the Government at home. Some of the speakers who have supported this Resolution have referred to the desire on the part of a certain portion of the population of India to prefer country-made sugar to the sugar imported from Java or other foreign countries. This is not a safe argument to go upon in moving a Government to levy customs duties, for does not that argument imply that just because a certain section of the community wishes it another section should pay the tax. At the same time it is entirely under the control of the section of the community, who do not wish to use foreign sugar, to drop the use of it and confine themselves to the use of sugar of country produce. That is a practical way of carrying out the wishes of the community. At the same time we know that almost all Indian sweetmeats are made of imported sugar. Sugar tastes all the same when it comes into confectionery, and there is nothing to tell us from what part of the country it comes. We should, as I said before, when the proper time comes, make a strong case and put it before the Council. The evidence of the case should show reasonable chances of developing some industries in an organised form in this country, and that the industries when developed would be of such a form and be in such proportions that they would safely compete with the foreign industry in that line; and then we should ask Government whether for the benefit of this infant industry, protection should not be given for a time. Permanent protection I do not believe in. India must be prepared to fight with the world. It is no use saying that we must be under the protection of this rule or that rule for ever. I do not think that of the Hon'ble Members who have spoken in support of this Resolution, any one has given facts to show that even in the near future there is any chance of developing this—sugar manufacture as an indigenous industry in this country. The difficulties are many. We have heard to-day of the poor ryot cultivating his sugarcane. If industries are to be developed in the same line and in the same manner as in foreign countries, they must be organised; a large amount of capital will have to be put in; all that is necessary for the success which the industry has achieved in foreign countries will have to be secured. Now let us take a particular instance—a capitalist lays out his money, he will not have under his control every ryot who grows sugarcane. Unless he has land enough to cultivate sugarcane, he will not be prepared to risk his capital, leaving the ryot to dictate terms to him. As India is situated, we have got ryot's right in land and the ryot can always be in a position, which you may call, of independence to dictate terms to the buyer of the produce of the soil. Therefore I said when I spoke a short time ago that we are not trying to develop indigenous industries. With us it is not a work of evolution, it is a work of revolution.

"Of course in Java the sugar industry was started at a time when land in large areas could be had. Capital flowed in and consequently the industry flourished. Where are those chances now in India? I think it would be very difficult within any prescribed area to purchase 2,000 acres of land in one plot. Then, Sir, sugar is a thing which is, I suppose, used very largely. May I mention to my Hon'ble Colleagues the fact that Java not only sends to this country refined sugar, but a rejected by-product of sugar is also imported into this country in the form of what is called *chilly gur*, and is used for making the *hooka* tobacco. That is an impure form of sugar which is used very

[17TH MARCH, 1913.]

[*Mr. Madhu Sudan Das ; Mr. V. R. Pandit.*]

largely. Now, has anybody been able to undertake to produce that in India ?

“Then I am sorry that I cannot support the Resolution, because when we come to look at the question from the point of view of practical politics, it will do us no good to have protection without knowing for how long that protection is wanted for developing the indigenous industry. Of course if sugar is subjected to a customs duty like the one proposed, we will not have sugar-coated pills from doctors, as they will have to be taxed. Not only that, but some time ago I saw that the Customs Office in England held that some leather imported from Australia was held up (for customs) as being weighted with sugar ; and I read the other day Australia is retaliating by refusing to receive English leather as being weighted with Barium Chloride.

“On these grounds I think, Sir, I cannot support the Resolution.”

The Hon'ble Mr. V. R. Pandit :—“Sir, I had no desire to take part in the discussion of to-day. It was my impression that the subject of the imposition of a higher duty on sugar had been discussed threadbare in this Council, and members were already aware that a proposal to adopt protection, pure and simple, would not be accepted by the Government. Yet it was admittedly the policy of the Government that for the purposes of revenue any customs duty that may be required could be imposed without laying themselves open to the charge that any particular form of protection was being resorted to. Now the Hon'ble mover of this Resolution has simply asked for an additional customs duty of Rs. 5 per cent. to be levied on sugar. The discussion that has proceeded has not kept in view clearly the distinction between protection, pure and simple, and the imposition of a small amount of duty in excess of what is being levied at present. It had been mentioned in the course of the debate that took place on another Resolution this morning, that the necessity for supplementing the present resources of the Government, in view of the total loss of opium revenue, if it has not actually arisen, would be likely to arise very soon, and in view of that necessity, any reasonable proposal to augment that revenue by any particular means should be welcome and prove most helpful to the country and to the Government. The proposal now before us is one which may be described as falling within that category, and considering that great efforts are being made in all the Provinces, at any rate in those Provinces where there is a good prospect of reviving or improving the sugar industry, it ought to receive careful consideration at the hands of the Council. Sir, it has been pointed out times without number that sugarcane cultivation, which at one time was very extensive in several parts of the country, has dwindled of recent years, and now with the progress of irrigation throughout the country there is a prospect of that cultivation increasing and giving a great impetus to the sugar industry, if it could be worked to the benefit of the country. When, therefore, we have the case of an industry which has great potentialities, and when a slight impetus to that industry might give it the advantage which it temporarily desires, and which in the course of a few years' time standing upon its own legs it might easily discard, I think the case is a very strong one and falls within the category of those cases which the Hon'ble the Finance Member referred to this morning as legitimate at any rate from the theoretical, if not also from the practical, point of view.

“Now, the imposition of this tax or this additional customs duty—to put it correctly—would not necessarily mean great hardship to the people who consume sugar. The rise in price which it might entail would be so slight as to make it scarcely perceptible ; and if the indigenous manufacture of sugar is thereby greatly encouraged and improved to such an extent as to bring the prices of indigenous sugar down to the level of prices current at present so far as imported sugar is concerned, then the hardship will certainly be remedied before long. A reference was made during the discussion to the patent fact that there is on the part of certain communities an opposition or a disinclination to the use of sugar imported from other countries in the manufacture whereof they consider that some articles are used which are largely abhorrent to their sentiments. Is it not desirable, if such a feeling does exist, to take advantage

[*Mr. V. R. Pandit; Sri Rama Raya of Panagallu; Mr. R. W. Gillan.*] [17TH MARCH, 1913.]

of the circumstance by every means to encourage the manufacture of indigenous sugar and to give a greater impetus to the sugar industry?

"From all these points of view, it seems to me that the Resolution of the Hon'ble mover deserves the most favourable consideration from Hon'ble Members of the Council. With these remarks I support the Resolution."

The Hon'ble Sri Rama Raya of Panagallu:—"Sir, I rise to support the Resolution moved by my friend the Hon'ble Rai Sri Ram. The Resolution has two objects in view—the recoupment of Indian finance and the protection of the indigenous sugar industry. Either of these objects is good in itself, and I have no doubt the Hon'ble mover has striven to make out a strong case for both. The deficit caused by the loss of opium revenue will have to be somewhat made up. There is the problem before us. The Hon'ble mover offers a solution. He recommends the imposition of an enhanced duty on imported sugar. The solution appears to be reasonable. The proposed enhancement of duty will not be a hardship on any particular class of people, because in India all classes of people use sugar in one way or the other. The burden will be shared by all classes.

"Again from an agricultural standpoint, the Resolution has its own importance.

"Artificial indigo has practically put a stop to the indigo cultivation in India, and engagements with China have discouraged poppy cultivation. Now sugarcane cultivation is being threatened by foreign competition. As I have pressed more than once before this Council, agriculture is the mainstay of India, and millions live by agriculture. If the cultivation of the really paying crops is allowed to be dropped for some reason or other, I fear 'ere long the agriculturists will have to give up their agriculture and be altogether out of employment. It is the duty of Government to take measures to avert this danger. On these considerations I have no doubt that the Resolution will commend itself to the Council."

The Hon'ble Mr. R. W. Gillan:—"Sir, the subject which the Hon'ble mover of this Resolution has brought before the Council is one that must appeal very strongly to everyone who is at all interested in the primary industry of this country—I mean agriculture; and as it happens it is a subject the appeal of which in my case might almost be described as a personal one. Ten or twelve years ago I was Settlement Officer of the district over the river, and every one knows that a Settlement Officer is extremely jealous for the stability of his assessments. Now Meerut in the matter of sugar cultivation is the premier district in the premier Province of India, and I very early learnt the lesson that my assessments might very possibly break down if anything very serious went wrong with sugar.

"The first point then perhaps which I might make, and I am still approaching the subject from a rather personal point of view, is that so far the settlement of the Meerut District has not broken down. Only the other day an old gentleman came to see me from that district, and he took up a good deal of my time in describing how smoothly the assessments were running. It is true that at the same time he mentioned incidentally that he would like to engage my sympathies on behalf of, I think it was a nephew, whose exceptional qualifications for the post of Sub-Registralship had been overlooked by the local authorities, and it is of course possible that his representation of the first object of his discourse was rather coloured by rosy anticipations regarding the second.

"However, we have always our statistics. The Hon'ble mover of the Resolution has drawn a very gloomy picture of the sugar industry, and I think he said that, in the last two years, that is since a Resolution was moved in this Council by the Hon'ble Pandit Madan Mohan Malaviya, things have been going from bad to worse. Well, the Council will have to judge between us; but I propose to attempt to show the exact contrary. I begin again with Meerut. In Meerut, the cane area in 1901-02 was 115,000 acres. The ten years average, up to 1910-11, was 120,000 acres. In the last two years it has

[17TH MARCH, 1913.]

[Mr. R. W. Gillan.]

gone up to 145,000 acres. I think, Sir, we may be quite happy about the Meerut settlement. Taking the United Provinces as a whole, against a ten years' average of 1,200,000 acres in the last two years the acreage has gone up to 1,340,000 and again to 1,424,000. Here again the signs of decay are far from prominent. For India as a whole, we learn from the final memorandum which we have just received, that the cane area in eight provinces in the current year is likely to be 5 per cent. higher than it was last year, 9 per cent. higher than the average of the last five years, while the outturn is estimated to be the highest on record. This has been described as a dying industry, but need we now despair of the life of the patient?

"There is another point of view. In recent years a great deal has been done to improve the sugar industry. Officers have been sent to Java, to Hungary, to Egypt. The introduction of improved varieties of cane has been considered, and a cane-breeding farm has been established in Madras. Great efforts have been made to bring in a system of small scale manufacture which would be suited to the peculiar conditions of Indian agriculture. At the same time assistance has been given to large central factories, and in the United Provinces a sugar expert has been appointed. A gratifying feature of the recent history of the case is to be found in the signs of success that have accompanied these endeavours. I will just mention three points. In the first place, it seems that the cultivator is likely to take to improved varieties of cane. It is reported that there is a selected variety of Mauritius cane which is rapidly growing in favour, and which, in the neighbourhood of Aligarh, seems likely to oust the local varieties. Secondly, while the outturn of sugar under indigenous processes of manufacture is only about 3 per cent. of the cane operated on, the Hadi process gives nearly 6 per cent. I need not dwell on this point. The possibilities in this direction are obviously very great. And lastly, there has been, at any rate in the United Provinces, an increase in the number of large factories. In 1907, there were in that Province, apparently only 2, both of which were European refineries. In 1911, there were 8, three owned by companies with European directors, one by a company with both Indian and European directors, one by a company with only Indian directors, and 3 privately owned, of which 2 belonged to banniyas and one to a Rajput. I have noticed also in a report by Mr. Coventry a reference to a factory—this was, I think, in Bihar—prudently financed and carefully managed which has paid even when sugar was at its lowest price, and this, he says, demonstrates the possibility of making white sugar in India at a profit even when the product is selling at its minimum price. One swallow of course does not make a summer; but that is surely a very significant remark."

"I know there is another side to the shield, the side which members who have spoken on behalf of this Resolution have emphasized, namely, that there has been an enormous increase in our imports of sugar, and that there are very great difficulties to be faced in developing the industry under Indian conditions. But, at the same time, I think we are entitled to ask, in view of the facts I have placed before the Council, whether the condition of the industry is so serious as to require the administration of what I think some people might call the oxygen treatment recommended by the Hon'ble mover."

"Finally, Sir, I should like, in a word, to link on this matter with the general discussion which we have had on the Resolution moved by the Hon'ble Sir Gangadhar Chitnavis. All I have said suggests, I think, that no case has been made out for any special or urgent treatment of the sugar question, and it would be very difficult to adopt this Resolution unless and until we adopted the principle of protection. But does not the recent history of the sugar industry suggest certain doubts about that principle? Does not that history suggest that, if the industry had been protected, the same keenness and energy would not have been shown in improving it? Is it not probable that the industry would have gone very comfortably to sleep with unimproved methods and with high prices at the cost of the general public? And is it not possible that by more direct methods, by the development and improvement of the industry, we may succeed in conserving the interests both of the manufacturer and of the consumer?"

[17TH MARCH, 1913.] [Mr. R. W. Gillan; Rai Sri Ram Bahadur; Division.]

“In dealing with the Resolution I have referred to, the Hon'ble Finance Minister said as follows:—‘Until our endeavours to improve our industrial methods and organization in general have hopelessly failed, we can hardly call on the State to assist us by protecting our industries at the cost of the enormous number of our very poor consumers.’ All that I have said, Sir, leads up exactly to this position, and I am afraid it is not possible for the Government to accept the Resolution.”

The Hon'ble Rai Sri Ram Bahadur:—“I would prefer a division on this Resolution.”

The Council divided and the result was as follows:—

Ayes—10.

The Hon'ble Maharaja Manindra Chandra Nandi; the Hon'ble Raja Kushalpal Singh; the Hon'ble Rai Sri Ram Bahadur; the Hon'ble Nawab Saiyid Muhammad; the Hon'ble Sri Rama Raya of Panagallu; the Hon'ble Maharaja Ranajit Sinha of Nashipur; the Hon'ble Raja Saiyid Abu Jafar; the Hon'ble Rai Sita Nath Roy, Bahadur; the Hon'ble Rao Bahadur V. R. Pandit; the Hon'ble Sir G. M. Chitnavis.

Noes.—44.

The Hon'ble Sir Guy Fleetwood Wilson; the Hon'ble Sir Robert Carlyle; the Hon'ble Sir Harcourt Butler; the Hon'ble Mr. Clark; the Hon'ble Sir Reginald Craddock; the Hon'ble Mr. Hailey; the Hon'ble Sir T. R. Wynne; the Hon'ble Mr. Monteath; the Hon'ble Mr. Saunders; the Hon'ble Sir A. H. McMahon; the Hon'ble Mr. Wheeler; the Hon'ble Mr. Enthoven; the Hon'ble Mr. Sharp; the Hon'ble Mr. Porter; the Hon'ble Sir E. D. Maclagan; the Hon'ble Mr. Gillan; the Hon'ble Major-General Birdwood; the Hon'ble Mr. Michael; the Hon'ble Surgeon-General Sir C. P. Lukis; the Hon'ble Mr. Gordon; the Hon'ble Mr. Maxwell; the Hon'ble Major Robertson; the Hon'ble Mr. Kenrick; the Hon'ble Mr. Kesteven; the Hon'ble Mr. Kinney; the Hon'ble Sir W. H. Vincent; the Hon'ble Mr. Carr; the Hon'ble Mir Asad Ali Khan; the Hon'ble Sir O. Armstrong; the Hon'ble Sir Ibrahim Rahimtoola; the Hon'ble Mr. Macpherson; the Hon'ble Mr. Maude; the Hon'ble Mr. Madhu Sudan Das; the Hon'ble Mr. Qumrul Huda; the Hon'ble Mr. Arthur; the Hon'ble Major Brooke Blakeway; the Hon'ble Malik Umar Hayat Khan; the Hon'ble Raja Jai Chand; the Hon'ble Sardar Daljit Singh; the Hon'ble Mr. Fenton; the Hon'ble Mr. Walker; the Hon'ble Mr. Arbuthnott; the Hon'ble Mr. Eales; the Hon'ble Maung Myé.

So the Resolution was rejected.

The Council adjourned to Tuesday, the 18th March, 1913.

W. H. VINCENT,

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

DELHI,

The 22nd March, 1913. }