



**Report of the Committee appointed by the Legislative Assembly to examine and report on the working of the scheme of mutual preferences between India and the United Kingdom arising from the Ottawa Trade Agreement.**

X:5311,20K3.N3  
X:5311.20K3.N341  
G4  
064999

SIMLA  
VERNMENT OF INDIA PRESS  
1984

**Report of the Committee appointed by the Legislative Assembly to examine and report on the working of the scheme of mutual preferences between India and the United Kingdom arising from the Ottawa Trade Agreement.**

We, the undersigned members of the Committee appointed by the Legislative Assembly to examine and report on the working of the scheme of mutual preferences between India and the United Kingdom arising from the Ottawa Trade Agreement, have made a careful study of the statistical and other material placed at our disposal and the conclusions at which we have arrived will be found hereafter. The evidence before us has consisted for the most part of a departmental report prepared by the Director General of Commercial Intelligence and Statistics but this has been supplemented in the course of our enquiry by certain further statements supplied at our request which will be found attached to this report in the form of appendices. We take this opportunity of expressing our opinion that though we do not necessarily subscribe to all the deductions or conclusions contained therein, Dr. Meek's report constitutes a very fair and impartial review of trade conditions since the initiation of the preferential scheme.

2. We would at this stage draw attention to the difficulties attendant on the formulation of any precise estimate of the effect of the preferences on the trade of India. Even at the end of the period under review, that is to say, in March 1934, the preferential scheme had been in operation for fifteen months only, and, in our opinion, so short a period cannot permit of the full development and operation of the effects of a system of tariff preferences. At the best of times, moreover, there are in operation general economic forces and tendencies which may disguise or exaggerate the effects of any particular factor such as a preferential tariff rate and when it is remembered that the period with which we are dealing is one in which the economic and financial necessities of so many countries of the world have tended to restrict the normal flow of trade it will be realised that such conclusions as may be drawn from statistical evidence must be regarded as approximations only.

3. In the course of our discussions it was suggested that it would be of assistance if, in addition to the detailed information contained in the departmental report, figures could be supplied which would show in broad outline distinguishing between preferential and non-preferential items the course of Indian trade in the past few years. A statement was accordingly compiled which will be found in Appendix I, where also, for convenience sake, has been reproduced the table on page 116 of the departmental report showing the course of Indo-British trade in the past five years. These tables give a general conspectus of India's foreign trade and form a background against which may be viewed the more detailed phenomena which we were called upon to examine.

4. Our task fell into five divisions :—

- (a) The examination of the effect on exports of the preferences granted to India under the Trade Agreement.

- (b) Conversely, the examination of the effect of imports of the preferences granted by India.
- (c) The examination of the effect of the preferences granted by India on the prices of commodities enjoying preference.
- (d) The examination of the effect of preferences granted by India on her customs revenue.
- (e) The examination of the effect of the preferences granted by India on industries, if any which had made representations to Government in regard to the effect on them of the import preferences.

In the following paragraphs we shall deal with each of these heads in turn.

5. *Effect of preferences on Exports.*—The effect of the Ottawa preferences on India's exports has been analysed in Chapter I of the Departmental Report and we have examined with some care the statistics relating to each of the preferences scheduled in the Trade Agreement. The following are our general conclusions in each case:—

(a) *Rice.*—There is general agreement among us that the evidence before the Committee justifies the conclusion that the preference to rice has been of value to India, whose position in the United Kingdom market has improved both relatively and absolutely during the period under review. We would invite the attention of Government to the necessity of ensuring that the effectiveness of the preference is not diminished by the invasion of the United Kingdom market by foreign paddy which is subject to a duty of 10% *ad valorem* as compared with a specific duty of one penny per lb. on cleaned rice and we would also ask them to consider whether a preference for rice cannot be secured elsewhere, particularly in Ceylon and Malaya. We are assured that these are matters which are receiving the careful consideration of Government.

6. *Linseed.*—While we were impressed with the very significant increase of exports of Indian linseed to the United Kingdom, we could not fail to note that there had been a similar important increase in the exports to other countries. Nor could we ignore the fact that there had been a short crop in the Argentine in 1932 but nevertheless we consider that the preference has secured to the Indian exporter a very substantial share in the United Kingdom market which had been practically lost to India and to this extent it must be regarded as definitely of benefit.

*Tea.*—We are of opinion that the operation of the international scheme for the control of the marketing of tea has obscured the real value of the preference of 2*d.* per lb. enjoyed by Indian tea in the United Kingdom. The preference has, however, achieved its object and has maintained India's position *vis-a-vis* Ceylon in the United Kingdom market and it will ensure to India a fair share in the most important market in the event of any increase in her export allotment under the restriction scheme. We are, therefore, of opinion that the preference has been of value.

*Tanned Hides.*—It was our view that the preference on tanned hides resulting as it has in a gain, both relative and absolute to India in the United Kingdom market, has been of definite value.

*Tanned Skins.*—We are of opinion that the evidence before us does not warrant the conclusion that the preference has produced an appreciable effect on exports from India.

*Jute Manufactures.*—We consider that any advantage which has accrued from the preference on jute manufactures has been in the nature of insurance against loss of market rather than a positive gain to the Indian manufacturer. The preference is of the more value in that it permits the Indian exporter to compete on equal terms with the British manufacturer.

*Teak.*—We are of opinion that an advantage has accrued from this preference. India has improved her position relatively and absolutely in the United Kingdom market. We notice that the off-take of Indian teak by countries not granting preference has also shown an increase.

*Woollen Carpets.*—We are agreed that India has secured a definite advantage from the preference on woollen carpets.

*Tobacco.*—(a) *Unmanufactured.*—The statistics of exports from India and of imports into the United Kingdom appear to warrant the conclusion that the preference has been of assistance to India. We are impressed with the potential value of this preference in view of the increasing production of cigarette tobacco in India.

(b) *Manufactured.*—We are doubtful whether it can be claimed that the preference on manufactured tobacco has had any definite value for India.

*Castor Seed.*—We are of opinion that this preference has been of value and has enabled India to make a certain amount of headway at the expense of her competitors. The extent of the advance is however not very marked.

*Pig Lead.*—The statistics of exports from India and imports into the United Kingdom in respect of pig lead indicate that an advantage has accrued to India since preference was granted. The preference has been shared, however, with other Empire countries and Australia appears to have benefited to a greater extent than India.

*Castor Oil.*—In the case of castor oil, while it is true that the Indian product has consolidated its position in the United Kingdom market at the expense of foreign oil, countries other than the United Kingdom have also increased their demand for Indian oil. We can not therefore say with any certainty that the preference has benefited the Indian exporter in general.

*Linseed Oil.*—We are of opinion that no advantage has resulted from this preference but we were informed that until such time as India can absorb all available supplies of linseed cake, which is a by-product of the crushing industry of great value for cattle feeding purposes, Indian linseed oil is not likely to be in a position to compete with oil produced in Europe.

*Coconut Oil.*—We are agreed that the preference on coconut oil has been of little direct benefit to India though we realise its value in safeguarding the preferences on more important items such as ground-nut oil, for which coconut oil is a possible substitute.

*Ground-nut Oil.*—In the case of ground-nut oil, we are of opinion that a very definite advantage has resulted from the preference. India's total exports

have increased significantly in the past two years and the United Kingdom market has been almost completely captured.

*Rapeseed and sesamum oils.*—We are of opinion that the preferences in respect of these oils have little value in themselves though here again, as in the case of coconut oil, we recognise their safeguarding value.

*Coffee.*—We are of opinion that though the coffee preference has been of advantage to Empire countries, it has not enabled India to do more than maintain her position in the United Kingdom market. We were informed by certain of our members who are particularly interested in coffee production that the full benefit of the preference will not be available until the Indian producers have taken steps to overcome the disadvantages mentioned in the departmental report and to undertake intensive marketing propaganda in their more important market. We recommend to Government that the possibility of securing an increased preference for Indian coffee should be considered.

*Coir.*—Though the preference on coir has not been effective in maintaining the level of exports of coir yarn to the United Kingdom, we consider that the very marked increase in respect of coir mats and matting is clear evidence of the beneficial effect of the preference.

*Bran and Pollards.*—On the evidence before us it does not appear that the preference on bran and pollards has been of benefit to India.

*Ground-nuts.*—As in the case of pig lead and coffee, we find that though the preference has enabled India to gain some advantage, other Empire countries have gained to a greater extent.

*Sandalwood Oil.*—We are of opinion that the preference has been of definite advantage in that it has secured to India a greater share of the United Kingdom market at a time when exports to foreign countries were decreasing.

*Granite Setts.*—We are agreed that the preference on granite setts has been of advantage to India in so far as it has enabled a new line of trade to start.

*Magnesium Chloride.*—We consider that the evidence so far available does not justify the conclusion that the preference has yet been of benefit to India.

*Cotton Yarn, Cotton Manufactures, Magnesite, Spices and Wheat.*—We are generally agreed that the preferences on these commodities have not so far been of benefit. Some of us are of opinion that the question of securing a more tangible advantage in respect of wheat should be further considered.

*Raw Cotton.*—On the conclusion of the Ottawa Agreement His Majesty's Government took steps to implement their undertakings under that Agreement in respect of raw cotton and were instrumental in arranging the setting up of a Committee to examine the possibilities of the further use of Indian cotton in Lancashire. As a result, when the Lancashire Textile Delegation came to India, the experiments of the Cotton Committee had progressed far enough to make it possible for the Lancashire Delegation to enter into a definite undertaking that Lancashire would use more Indian cotton. We are agreed that, on the whole, Dr. Meek's report contains a fair statement of the advantage which has accrued to India from the undertaking of His Majesty's Government under the Ottawa Agreement.

*Supplementary Agreement in respect of iron and steel.*—We are of opinion that the assured offtake of pig iron to the United Kingdom under the Supplementary Agreement was of value to the Indian pig iron producer and we are equally satisfied that the agreement in respect of sheet bar has been of some advantage.

*Colonial preferences.*—We are of opinion that the preferences granted by the self-governing Colonies have had little effect on Indian trade. We note that Ceylon has not given full effect to the preferences agreed upon at Ottawa and we recommend the immediate consideration of the Report on the condition of the Indian coconut growing industry which has recently been prepared by the Imperial Council of Agricultural Research and the resumption of negotiations with Ceylon with a view to arriving at a definite decision in respect of our trade relations with that Colony.

6. *Effect of preferences on Imports.*—The examination of the effects of the preferences granted by India on imports into India and the estimation of their value is complicated by the fact that while the preferences enjoyed by India are in respect of comparatively few but important items of India's export trade, the preferences enjoyed by the United Kingdom are spread over a very large range of articles each of relatively less importance. We have, however, examined in detail the evidence relating to the preferences which appear to have been of most benefit to the United Kingdom. The commodities in question are Chemicals, Hardware, Scientific Instruments, Wrought Aluminium, Brass and Bronze, Copper, Oils, Provisions, Rubber Manufactures, Stationery, Woollen Manufactures, Toilet Requisites, Cycles and Parts of Cycles, and Motor Cars. It is our opinion that in each case which was the subject of our scrutiny, the preference has to a greater or lesser extent benefited the United Kingdom. We consider that on the whole Dr. Meek's appreciation of the effect of each of these preferences as set out in Chapter II of his report is a fair estimate of their value, and that the preferences, in so far as they have moderated or counteracted the factors making for a decrease in imports into India have been of definite value to the United Kingdom.

7. *Effect of preferences on Prices.*—In Chapter III of the departmental report are to be found the detailed statistics of prices of a very extensive range of commodities in respect of which preference is enjoyed by imports from the United Kingdom. We have made a careful and detailed analysis of these statistics which has shown that while in a few cases prices of both British and non-British imports have risen and, in a somewhat more numerous class, foreign prices have fallen or remained at their normal levels, in the great majority of cases there has been a general fall in prices. We are satisfied that where prices have risen, it has been due to special causes unconnected with the preferences. The details of these price variations are summarised in Appendix II to this report.

We have read with interest the introductory notes to Chapter III and we agree with the opinion therein expressed that in view of the multiplicity of causes and factors operating upon price levels, it is unsafe to draw too definite conclusions as to the effect of the preferences. There has, however, been a general downward tendency in the prices of preferential articles in the period during which the preferences have been in operation, and though we are not prepared

to be dogmatic as to the cause of any particular price movement, we are of opinion that, on balance, the Indian consumer has not been prejudiced by the preferential scheme.

8. *Effect of preferences on Customs Revenue.*—We have considered the note on the effect of preference on customs realisations which has been prepared in the Central Board of Revenue and which is reproduced as Appendix III. It appears that whereas there has been a slight increase in the duty recovered under heads which comprise preferential items only, a fall of five per cent. has occurred under heads which consist partly of preferential and partly of non-preferential items and a much more marked fall of over twenty per cent. has taken place under heads which are entirely non-preferential. On the material before us, therefore, it is clear that the preferences have not adversely affected Indian revenues.

9. *Effect of preferences on Indian Industries.*—We are informed that only one industry, *viz.*, the Aluminium Utensil Manufacturing Industry has represented that it has been adversely affected by the operation of the Ottawa Preferences. The case against the aluminium preferences has been examined in Chapter IV of the departmental report, after a consideration of which we are of opinion that it has not been established that the industry in question has in any way been affected adversely by the Ottawa preferences.

10. In the course of our deliberations it was suggested that as a result of the Ottawa Trade Agreement certain foreign countries had imposed restrictions on imports from India by way of retaliation. We have, therefore, had prepared a list of the restrictions imposed by foreign countries since 1927 which shows also the reasons for the restrictive action (Appendix IV). It appears that in no case was the restrictive action retaliatory in nature or specially directed against India.

11. Our general conclusions which must be regarded as subject to the reservations set out in paragraphs 2 and 7 of this report, may be summarised as follows :—

- (a) The export trade in articles which enjoy preferences on importation into the United Kingdom forms, at the same time, the most important and the most stable part of our total export trade (*vide* tables 1-A and 1-B of Appendix I).
- (b) The United Kingdom has proved a steadier market for both preferential and non-preferential commodities than have foreign countries in general (*vide* tables 1-A and 1-B of Appendix I).
- (c) Since the initiation of the preferential scheme the general downward trend of the United Kingdom's import into India has been checked and shows an increase (*vide* tables II-A and II-B of Appendix I).
- (d) The general tendency of the mutual trade between India and the United Kingdom has been of recent years towards an equality of exchanges which has practically been established in the first year of the preferences (*vide* Statement III of Appendix I).
- (e) The majority of the preferences enjoyed by India in respect of her more important exports have been of definite value to her export trade (*vide* paragraph 5).

- (f) the preferences given by India have similarly been of definite assistance to the United Kingdom and where they have not led to an increased trade, they have at least tended to counteract factors operating in the opposite direction (*vide* paragraph 6).
- (g) the mutual preferences between India and the non-self-governing Colonies have had little effect on trade exchanges (*vide* paragraph 5).
- (h) the preferences given by India have not adversely affected the Indian consumer or the Indian revenues (*vide* paragraphs 7 and 8).
- (i) The import preferences have not proved detrimental to any Indian industry.
- (j) On the whole the Trade Agreement has been for the mutual benefit of the contracting parties.

12. Finally we would express our appreciation of the readiness of all the Departments concerned to supply any information for which we asked.

JOSEPH BHOORE.

LAL CHAND.

F. NOYCE.

\* BHAI PARMANAND.

\*F. X. DESOUZA.

H. P. MODY.

RAMESHWAR PD. BAGLA.

\* F. E. JAMES.

H. A. HAROON.

† B. SITARAMA RAJU.

SIMLA :

*Dated the 24th August, 1934.*

---

\* Subject to the Supplementary Note.

† Subject to the Minute of Dissent.



## APPENDIX I.

*I.—A. Exports of Articles enjoying preference in the United Kingdom.*

(In lakhs of Rupees.)

	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.
To United Kingdom .. ..	46,70	47,40	40,36	32,97*	29,73*	36,16*
To Other countries .. ..	155,22	145,65	105,32	79,08*	64,87*	62,65*
To All countries .. ..	201,92	193,05	145,68	112,05*	94,60*	99,01*

\*Exports of coir manufactures, spices, castor seed and groundnuts from the Indian States enjoying preferences have been taken into account so far as statistics are available.

*I.—B. Exports of articles not enjoying preference in the United Kingdom.*

(In lakhs of rupees.)

	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.
To United Kingdom .. ..	22,34	19,16	11,41	9,99	7,44	11,07
To Other countries .. ..	105,87	98,60	63,40	35,51	31,37	37,45
To All countries .. ..	128,21	117,76	74,81	45,50	38,81	48,52
GRAND TOTAL .. ..	330,13	310,81	220,49	157,55†	133,41†	147,53†

†Vide footnote \*above.

*II.—A. Imports of articles on which India allows preference to the United Kingdom.*

(In lakhs of rupees.)

	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.
From United Kingdom .. ..	20,56	20,04	14,66	12,30	12,69	14,30
From Other countries .. ..	30,29	30,54	23,68	17,59	19,28	16,73
From all countries .. ..	50,85	50,58	38,34	29,89	31,97	31,03

*II.—B. Imports of articles on which no preference is allowed to the United Kingdom.*

(In lakhs of rupees.)

	1928-29	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.
From United Kingdom .. ..	92,69	83,07	46,63	32,52	36,10	33,39
From other countries .. ..	109,77	107,15	79,82	63,96	64,51	51,06
From all countries .. ..	202,46	190,22	126,45	96,48	100,61	84,35
<b>GRAND TOTAL .. ..</b>	<b>253,31</b>	<b>240,80</b>	<b>164,79</b>	<b>126,37</b>	<b>132,58</b>	<b>115,39</b>

**STATEMENT III.**

*Total trade between India and the United Kingdom.*

	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.
Imports into India, from the United Kingdom in lakhs of rupees.	113,24	103,10	61,29	44,61	48,80	47,59
Imports as per cent. of imports from <del>from</del> all Empire countries.	82·9	82·8	80·6	79·1	82·2	82·5
Imports as per cent. of total imports of India.	44·7	42·8	37·2	35·5	36·8	41·2
Imports as per cent. of total exports of the United Kingdom.	11·6	10·7	9·3	8·3	9·3	9·1
Exports from India to United Kingdom in lakhs of rupees.	69,04	66,56	51,77	42,88	36,96	46,58
Exports as per cent. of exports to all Empire countries.	60·0	60·4	60·1	62·9	61·8	66·9
Exports as per cent. of Total Exports of India.	20·9	21·4	23·5	27·5	27·9	31·8
Exports as per cent. of total imports of United Kingdom*.	5·4	5·1	4·9	4·3	4·6	5·5

\*F figures are taken from, or based on, the United Kingdom trade returns and relate to calendar years.

## APPENDIX II.

*Movement of Prices in respect of Commodities liable to preferential duties.*

From the analysis given in Chapter III of the Report on the Ottawa preferences, it would appear that there was a marked decrease in the prices in December 1933 as compared with December 1932 in the case of the following articles :—

1. Cocoa and Chocolate other than confectionery (No. 163).
2. Fish canned (No. 165).
3. Fruits and Vegetables canned and bottled (No. 167).
4. Milk condensed or preserved, etc. (No. 168).
5. Canned and bottled provisions n. o. s. (No. 170).
6. Natural essential oils, viz., citronella, etc. (No. 172).
7. Natural essential oils, all sorts, n. o. s. (No. 173).
8. Oilseeds non-essential, all sorts, n. o. s. (No. 176).
9. Ivory unmanufactured (No. 177).
10. Apparel, etc. (No. 180).
11. Carriages and carts, etc. Bicycles, etc. (No. 182).
12. Cutlery, all sorts (No. 183).
13. Domestic refrigerators.
14. Hardware, etc. (No. 185).
15. Electrical instruments, etc. (No. 186).
16. Cutch and gambier (No. 188).
17. Paints and colours (No. 189).
18. Earthenware china and porcelain (No. 191).
19. Aluminium, circles, sheets, etc. (No. 196-a).
20. Brass, bronze and other alloys (No. 196-b).
21. Copper wrought, etc. (No. 196-c).
22. German silver including nickel silver (No. 196-d).
23. Zinc or spelter (No. 196-f).
24. Paper, etc. (No. 197).
25. Haberdashery and millinery (No. 198).
26. Woollen yarn for weaving and knitting wool (No. 199).
27. Asbestos manufactures (No. 200).
28. Brushes (No. 201).
29. Coir and Coir manufacture (No. 204).
30. Cordage, rope, etc. (No. 205).
31. Cork manufactures (No. 206).
32. Glue (No. 207).
33. Oil cloth and floor cloth (No. 208).
34. Packing—engine and boiler, all sorts (No. 209).
35. Rubber tyres, etc. (No. 210).
36. Toilet requisites (No. 211).
37. Umbrellas, etc. (No. 212).

38. Confectionery (No. 213).
39. Fish salted dry (No. 214).
40. Spirits—Bitter (No. 216-i).
41. Spirits perfumed spirits (No. 216-iii).
42. Unground spices, cardamoms, etc. (No. 217).
43. Mineral oils (No. 222).
44. Boots and shoes of leather (No. 225).
45. Cartridge cases (No. 226).
46. Zinc oxide (No. 228).
47. Motor cars, etc. (No. 229).
48. Motor omnibuses, etc. (No. 230).
49. Electric lighting bulbs (No. 232).
50. Wireless reception instruments (No. 234).
51. Cinematograph films, not exposed (No. 240).
52. Portland cement, other than white Portland cement (No. 241).
53. Smokers' Requisites (No. 243).

In some cases (*e.g.*, serial numbers, 1, 6, 7, 12, 17, 36, 38, 41, 43, 46, 48, 52 and 53 above) the prices of foreign supplies in general were either maintained or recorded a slight increase. In the case of iron or steel articles liable to preferential duties (Nos. 236 and 237) there was generally a decrease in the prices of British materials. On the other hand the prices of

1. Coffee, canned and bottled (No. 164) (except those from the U. S. A.)
2. Essential oils—synthetic (No. 174),
3. Fish oil including whale oil (No. 175),
4. Instruments and appliances other than electrical (No. 187) (except certain classes of British origin),
5. Lead wrought (No. 196-e), and
6. Unground spices, *viz.*, chillies, ginger, mace (No. 218)

showed increases. In the case of the undermentioned articles or groups of articles the variations were not marked enough to indicate an increase or decrease in the general prices of the commodities:—

1. Chemicals, drugs, medicines, all sorts (No. 181).
2. Furniture and cabinetware (No. 192).
3. Skins, tanned or dressed (No. 193).
4. Machinery and component parts thereof (No. 194).
5. Building and Engineering materials (No. 202).
6. Ale and beer (No. 215).
7. Drugs and medicines containing spirit (No. 216-ii).
8. Rum (No. 216-iv).
9. The following vegetable oils, *viz.*, coconut oil, linseed oil, etc. (No. 223).
10. Vegetable non-essential oils, not otherwise specified (No. 224).
11. Firearms (No. 227).

12. Cutlery, plated (No. 231).
13. Musical instruments (No. 233).
14. Woollen carpets, floor rugs, etc. (No. 238).
15. Betelnuts (No. 245).

*Conclusion.*—For all these commodities, for which 855 price quotations have been recorded 501 show decreases ; 190 no change, and 164 increases ; that is,

	Per cent.
Price decreases .. .. .	59
Price increases .. .. .	19
Price constant .. .. .	22

### APPENDIX III.

I have been asked to give an appreciation of the effects of the Ottawa preference on our customs revenue. For this purpose I have examined the figures of collection of import duty under the main tariff headings in the last two complete years 1932-33 and 1933-34. It may be observed that the preceding year 1931-32 is unsuitable for purposes of comparison because there was a general increase in the rates of duty in September 1931. It must also be borne in mind that the Act embodying the results of the Agreement came into effect on the 1st of January 1933. For three months, therefore, of the financial year 1932-33 the Ottawa preferences were in force. We can, therefore, only compare the figures of the year 1933-34, during the whole 12 months of which the preferences were in force, with the figures of the previous year during three months of which the preferences were in force.

2. For the purposes of this comparison I have prepared three tables. Table I gives the figures for tariff headings which were completely covered by the Ottawa Trade Agreement. Table II gives the figures for tariff headings covering articles some of which were affected by the Agreement while others were not. For the year 1933-34 the figures are given in two columns A and B, showing the duty collected on articles so affected and on articles not affected. It is for obvious reasons impossible to make a similar division of the figures for 1932-33. Table III gives the figures for tariff headings entirely unaffected by the Ottawa Trade Agreement.

3. The total revenue from import duties in the year 1933-34 was Rs. 6.26 crores less than the total import revenue of the previous year 1932-33. It will be seen from the tables that the way in which the three groups of tariff headings contributed to produce this result was as follows :—

*Table I.*—Tariff headings entirely affected by the Ottawa Trade Agreement : net gain 5.10 lakhs, or +1½ per cent.

*Table II.*—Tariff headings partially affected : net loss 68.24 lakhs, or —5 per cent.

*Table III.*—Tariff headings entirely unaffected : net loss 563.70 lakhs, or —23 per cent.

4. It will be seen from Table III that the greater part of the loss occurred under the protected heads Sugar, Cotton Piecegoods, and Iron and Steel, which accounted for 4.30 crores of the decrease.

*The 16th August 1934.*

A. RAISMAN.

TABLE I.  
*Tariff Headings entirely affected by the Ottawa Trade Agreement.*  
 (Figures in thousands of rupees.)

Article.	1932-33.	1933-34.	Difference.	
			Minus.	Plus.
Pneumatic Rubber tyres and tubes ..	37,57	32,52	5,05	..
Confectionery .. .. .	7,35	7,33	2	..
Spices .. .. .	18,08	18,00	8	..
Tea .. .. .	11,45	13,36	..	2,09
Tobacco unmanufactured .. ..	99,96	87,66	12,30	..
Lubricating oils .. .. .	11,11	15,41	..	4,30
Motor cars .. .. .	64,66	75,02	..	10,36
Electric Lighting bulbs .. ..	18,06	15,92	2,14	..
Cinematograph films (not exposed) ..	2,72	3,65	..	.93
Smoker's requisites .. .. .	1,14	1,96	..	82
Toys, etc. .. .. .	23,69	25,37	..	1,68
Wireless reception instruments and apparatus .. .. .	2,55	4,09	..	1,54
Metals, Iron and Steel .. .. .	30,74	35,05	..	4,31
Portland Cement .. .. .	11,51	10,17	34	..
Betel Nuts .. .. .	57,54	56,54	1,00	..
	3,98,13	4,02,05	20,93	26,03

*N.B.*—The rate of duty on unmanufactured tobacco had been Rs. 1-14-0 a lb. and was altered owing to the Ottawa Agreement to Rs. 2 standard and Rs. 1-8-0 preference. The amount imported from British Colonies remained negligible. It is improbable that the decrease was due to the slightly increased rate of duty. Former importations were :—

	Lbs.
1929-30 .. .. .	4,551,848
1930-31 .. .. .	1,608,381
1931-32 .. .. .	2,844,919
1932-33 .. .. .	5,115,672
1933-34 .. .. .	4,187,024

**TABLE II.**  
*Tariff Headings partially affected by the Ottawa Trade Agreement.*  
(Figures in thousands of rupees.)

Article.	1932-33.	1933-34.			Difference.	
		A.	B.	Total.	Minus.	Plus.
Ale, beer, porter, etc. ..	35,41	33,04	1,17	34,21	1,20	..
Spirits .. ..	1,72,59	16,34	1,61,64	1,77,98	..	5,39
Boots and shoes ..	27,82	3,24	21,13	24,37	3,45	..
Arms and Ammunition, etc.	4,17	7,35	1	7,36	..	3,19
Other articles at special rates .. ..	6,40	1,45	18,17	19,62	..	13,22
Articles of food and drink	1,12,27	55,73	34,64	90,37	21,90	..
Raw materials .. ..	1,08,17	45,22	55,75	1,00,97	7,20	..
Cutlery and hardware ..	1,41,81	1,32,61	9,30	1,41,91	..	10
Metals other than Iron and Steel .. ..	91,53	67,55	8,00	75,55	15,98	..
Yarn and Textile fabrics ..	1,36,05	50,69	59,39	1,10,08	25,97	..
All other articles at 25% ..	4,39,38	3,03,93	1,31,08	4,35,01	4,37	..
Other articles at 50% ..	77,08	12,32	54,69	67,01	10,07	..
<b>Total ..</b>	<b>13,52,68</b>	<b>7,29,47</b>	<b>5,54,97</b>	<b>12,84,44</b>	<b>90,14</b>	<b>21,90</b>

Net Loss .. 68,24

*Column A.*—This shows the total duty collected in 1933-34, whether at preferential or standard rates, on those portions of the Tariff Heading which are affected by the Ottawa Trade Agreement.

*Column B.*—This shows the total duty collected in 1933-34 on those portions of the Tariff Heading which are entirely unaffected by the Ottawa Trade Agreement.

TABLE III.

*Tariff Headings not affected by the Ottawa Trade Agreement.*

(Figures in thousand of Rupees.)

Article.	1932-33	1933-34.	Difference.	
			<i>Minus.</i>	<i>Plus.</i>
Wheat .. .. .	13,44	3,22	10,22	..
Wines .. .. .	12,92	13,81	..	89
Molasses .. .. .	3,86	2,22	1,64	..
Tobacco manufactured .. .. .	33,80	27,15	6,65	..
Coal, coke and patent fuel .. .. .	32	50	..	18
Tin block .. .. .	7,25	6,15	1,10	..
Kerosene oil .. .. .	1,45,35	1,26,01	19,34	..
Motor spirit .. .. .	29,00	10,20	18,80	..
Other mineral oils (excluding lubricating oils.)	23,20	23,94	..	74
Cotton raw .. .. .	55,91	30,38	25,53	..
Silver .. .. .	7,56	89	6,67	..
Artificial silk yarn and thread .. .. .	17,14	15,70	1,44	..
Cotton yarn and thread .. .. .	54,87	40,17	14,70	..
Silk and artificial silk mixtures .. .. .	47,64	44,78	2,86	..
Vinegar, etc. .. .. .	15	23	..	8
Dyes and colours .. .. .	17,24	28,64	..	11,40
Machinery .. .. .	1,13,33	1,33,30	..	19,97
Railway plant and rolling stock .. .. .	7,12	8,79	..	1,67
Other articles at 10 per cent. .. .. .	73	79	..	6
Miscellaneous at 25 per cent. .. .. .	66,18	64,24	1,94	..
Silk and artificial silk .. .. .	2,55,25	1,96,41	58,84	..
Cinematograph films (exposed) .. .. .	6,76	9,17	..	2,41
Iron and steel protected .. .. .	1,09,75	84,25	25,50	..



TABLE III—*contd.*

Article.	1932-33.	1933-34.	Difference.	
			Minus.	Plus.
*Heavy chemicals protected .. ..	4,48	18	4,30	..
Silver wire and thread .. ..	8,33	5,71	2,62	..
Paper and stationery protected .. ..	21,19	23,60	..	2,41
Sugar .. .. .	6,84,79	4,72,04	2,12,75	..
Cotton peace-goods .. .. .	6,52,64	4,60,85	1,91,79	..
Matches, etc. .. .. .	40	29	11	..
Wood pulp .. .. .	8,80	11,49	..	2,69
	24,08,80	18,45,10	6,06,20	42,50
		Net loss ..		5,63,70

\* Protection removed in 1933-34 except for one item.  
Duty collected in 1933-34 included under miscellaneous.

## APPENDIX IV.

*Restrictive measures that have been applied against imports since 1927.*

Country and nature of restriction.

Reasons for restriction.

1927.

*Greece.*

Tea imported into Greece from April 1927 to be accompanied by a certificate of origin.

In order to remedy evasion of regulations concerning the certifying of the origin of the various qualities of tea imported into Greece.

*Bulgaria.*

Prohibition on the importation of Jute bags marked with a stripe.

As the Jute bags marked with a stripe infringed the trade mark of a firm in Bulgaria.

Prohibition on the importation of animals and animal products in raw state including hides and skins.

Importation of these articles in raw state was prohibited in accordance with the law relating to the Sanitary and Veterinary Service.

M365LAD

Country and nature of restriction.

Reasons for restriction.

## 1927—contd.

*United States of America.*

- Prohibition on the importation of animal casings unless accompanied by an official certificate to the effect that the casings were obtained from healthy animals and were clean and sound. In order to guard against the introduction of contagious diseases.

## 1928.

*Japan.*

- Prohibition on the import of rice into Japan except under licence. The object was the regulation (in an upward direction) of the price of home-grown rice in the interest of the farmers.

## 1929.

*Ceylon.*

- Importation of cattle of any kind for six months from the 1st September 1929 except on licence. Owing to prevalence of rinderpest.

*Germany.*

- Prohibition on the importation of bone-meal, crushed bones and other bone products except under licence. To safeguard against the danger of anthrax.

*Canada.*

- Prohibition on the importation of live-stock feed unless shipments accompanied by an official certificate showing certain particulars. Measure adopted under the Animal Contagious Diseases Act so as to ensure against infection of diseases.

## 1930.

*France.*

- Restriction on the import of certain merchandise from Soviet Union. As a result of this restriction, India had also to furnish Consular Certificates of Origin in respect of certain articles, viz., poultry, cereals, sugar, etc.

*Iraq.*

- Regulations for the import of tea for consumption in Iraq. In the interest of public health, the regulations were prescribed requiring imported tea to be of a specified standard.

## 1931.

*Turkey.*

- Restriction on the importation of henna and other articles imposed under the Turkish Import Restrictions Law, subject to certain quotas. In order to restrict imports into the country, particularly articles of luxury or unnecessary goods.

*Spain.*

- Prohibition on the importation of coir yarn into Spain. In order to safeguard the interests of growers of Esparto grass in Jaen.

Country and nature of restriction,	Reasons for restriction.
<i>1932.</i>	
<i>Germany.</i>	
Restriction on the importation of rice and rice bran into Germany.	In pursuance of the general policy to restrict imports into the country.
<i>Czechoslovakia.</i>	
Imposition of import quotas on various articles including rice.	Do. do.
<i>Japan.</i>	
Increase in the import duty on pig iron from 1.70 Yen to 6 Yen per ton.	To remove the pressure of Indian pig iron and to save the domestic industry from decline.
<i>Roumania.</i>	
Introduction of import quota restrictions.	In order to secure more satisfactory state of affairs regarding payment for imports.
<i>1933.</i>	
<i>Germany.</i>	
Imposition of restrictions on the importation of vegetable oils into Germany in connection with the manufacture of margarine.	In order to help the local manufacturers of margarine.
<i>Poland.</i>	
Restriction on the import of raw jute into Poland and imposition of quota restrictions in regard to apricot and groundnut kernels.	To encourage the use of home grown flax and also the development of that industry in Poland.
<i>Netherlands East Indies.</i>	
Imposition of restriction on the importation of rice.	In order to protect their rice industry.
<i>Persia.</i>	
Prohibition of the importation of cotton yarns below 20 counts and fixation of quotas for the imports of other counts.	Restrictions imposed under the Persian Trade Monopoly Law.
<i>Philippine Islands.</i>	
Prohibition of the use of rice straw and chaff for packing, binding or tying merchandise or personal belongings.	To avoid danger of the accidental introduction of new rice pests and diseases.
<i>Austria.</i>	
Prohibition of the importation of barley, rice bran, rice waste, etc., unless accompanied by a licence.	No specific cause given. Presumably to assist local farmers.
<i>Kwantang.</i>	
Restriction on the importation of live-stock.	For the purpose of preventing infectious diseases.

Country and nature of restriction.	Reasons for restriction.
<b>1934.</b>	
<i>Germany.</i>	
Restriction on the importation of various textile raw materials such as cotton, wool, jute, flax, hemp, and non-precious metals.	} In order to counteract the continued passivity of their trade balance—due to declining exports, and consequent fall in the Reichsbanks foreign exchange holdings.
Prohibition of the imports of coffee, hides and skins, wool, silver, noils, wool waste, artificial wool, yarn of wool and other animal hair.	
Germany has also reduced the percentage of exchange to 10%.	
<i>Holland.</i>	
Restriction on the importation of rice and cattle cakes.	Quotas have been fixed to restrict imports.
<i>Greece.</i>	
Law enacting the prohibition of local manufacture of margarine mixed with linseed oil will affect India's export of latter to Greece.	For the protection of olive oil industry.
<i>Roumania.</i>	
Prohibition of the import of all animals and animal products into Roumania.	To avoid spreading contagious diseases and anthrax.
<i>Italy.</i>	
Restrictions on the import of oleaginous seeds and coffee into Italy.	To adjust trade balance with countries with whom Italy has an unfavourable trade balance.
<i>Indo-China.</i>	
Fixation of quotas for the importation of certain cotton goods.	General restrictions of imports.

#### SUPPLEMENTARY NOTES.

I wish to call particular attention to the danger to the rice imports from India in the United Kingdom, by reason of the increasing imports of foreign paddy. In the monthly sea-borne trade accounts of the United Kingdom, imports of paddy and husked rice are shown together under the heading of "whole rice". The duty on foreign paddy is 10 per cent. *ad volorem*, while the duty on foreign husked rice is 1*d.* per lb., Empire husked rice being admitted free, under the terms of the Ottawa Agreement. Practically the whole of the imports of "whole rice" from India consist of husked rice, and these fell off considerably between 1933 and 1934. On the other hand, imports of foreign whole rice increased. This is to be explained by the increase of imports of paddy from foreign countries, which developed only during 1933. The total imports of foreign paddy from August to December 1933 amounted to 8,000 cwts. They are now estimated at about 55,800 cwts. (or about 27,900 cwts. in terms of whole rice) in the first quarter of 1934. I am given to understand that

orders have been placed for 200,000 cwts. of Spanish paddy for shipment to the United Kingdom during the period July–October 1934. It is clear, therefore, that the benefit of the preference of 1*d.* per lb. on whole rice to India may be neutralised in a short time by this situation. In his Report on the work of the Indian Trade Commissioner during 1933-34, Sir H. A. F. Lindsay writes :—

“The imports of foreign paddy at only 10 per cent. duty constitute a novel feature which will have to be carefully watched if the benefit of the Ottawa preference on whole rice from India and Burmah is not to be jeopardised”. The language of an official report is bound to be cautious, but the plain fact is that this preference is now jeopardised, and I trust that Government will not only “carefully consider the situation” but will take active steps to represent this danger to His Majesty’s Government.

*The 25th August, 1934.*

F. E. JAMES.

While I do not dissent very materially from the conclusions embodied in the Report, I am of opinion that the inquiry as we have made, is premature. It would have been more usefully undertaken after another year’s working of the preferences, as in that case it would have yielded more definite and certain results.

*The 24th August, 1934.*

BHAI PARMA NAND.

I should like to add a note pointing out the reaction of the preferential scheme on the trade in rice, coffee and coconut, the staple products of the Malabar Coast.

Rice has derived a slight advantage from the preference granted in the United Kingdom market, the imports from India having increased from 41,500 tons in 1932-33 to 89,700 tons in 1933-34. But this gain was far outweighed by the loss in the Far Eastern markets where the imports from India fell from 2,164,500 tons in 1931-32 to 1,534,980 tons in 1933-34. The Netherlands East Indies, Federated Malaya and China have raised a tariff wall against Indian rice with a view to becoming self-sufficient and Siam is subsidising the home producers into the bargain.

Meanwhile there is a steady rise of imports into India of bounty fed rice from Siam and Indochina, which rose from 38,389 tons the average of the last quinquennial period to 84,024 tons in 1933-34.

The combined effect of tariffs in the foreign markets and of dumping in the home market added to the general world depression has lowered the price of rice in India below the cost of production. It was Rs. 6/13 per maund in 1930 and Rs. 3/4 per maund in 1934. The position of the rice grower is growing more and more desperate day by day while the Government of India is looking helplessly on.

Turning next to coffee, the preference has been of no benefit to the Indian producer but Kenya has reaped a decided benefit. Our trade in fact has received a setback in the United Kingdom market, our imports having fallen from 50,000 cwt. in 1932 to 45,000 cwt. in 1933. Neither the absence of propaganda in the United Kingdom nor the alleged deterioration of quality can wholly account for this fall. The causes lie deeper and unless they are more carefully

investigated and counteracted, we shall be hopelessly beaten in the competition with Kenya.

But apart from Kenya our most serious rival is coffee from Costa Rica which normally commanding a higher price is in a position to stand price cutting better.

The United Planters' Association of Southern India strongly urge that the preference in our favour should be raised to 2*l.* a pound, otherwise our chances of successfully competing against Costa Rica coffee are remote.

With effect from July 1st our trade in rice and in coffee with Germany has been brought to a standstill except on a barter basis. If Reuter is to be believed, Belgium contemplates similar action with a view to adjust her trade balance disturbed by the recent preference given to steel products from the United Kingdom. I understand the Consul General for Germany has been deputed to Mysore and to Simla to negotiate a basis for mutual exchanges. Will the Government of India seize the occasion and prevent yet another outlet to our trade being closed ?

But the worst blow to the trade of the West Coast has been inflicted by Ceylon. She enjoys a preference of 10 per cent. in her cocoanut and 7½ per cent. on her betelnut. As a result of the former preference, she has flooded the Indian market with Copra, cocoanut products and cocoanut oil, the prices of which have had a catastrophic fall. The cocoanut industry of Malabar is threatened with ruin and the entire countryside is demoralised by the crash in prices of the staple products—rice, coffee, cocoanut, and pepper.

Meanwhile Ceylon refuses to carry out her share of the bargain. She grants no preference to Indian piece-goods, iron and steel manufactures, coriander and coffee and has recently enhanced the duties on ghee, vegetables, eggs and tamarind imported from India.

What prevents the Government of India from denouncing the preference to Ceylon or placing an embargo on the importation of bounty fed rice from Siam ? Is it because the industrialist has obtained such an overwhelming influence on their Councils that the interests of agriculture have to be sacrificed ; or was Lord Curzon a true prophet when he opposed Imperial preference for India on the ground that in negotiations for implementing it, India would not be given fiscal freedom ? Either possibility is fraught with danger to the political and economic future of India.

May I respectfully draw the attention of the Government of India to the manner in which the British Government take action in similar circumstances ?

Recently owing to a slump in the price of beef, the cattle industry in England asked for relief and promptly the Minister of Agriculture introduced the Cattle Industry (Emergency Provisions) Bill imposing a quantitative restriction of imports of foreign meat, levying a duty on foreign imports to provide a fund to compensate the British producer and sanctioning a subsidy to beef producers of £3,000,000 by Exchequer grants from the Consolidated Fund from September 1st, 1934 to 31st March, 1935. This in erstwhile free trade and *laissez faire* England !

If the British Government thinks it necessary to take such prompt and drastic action in favour of her agriculture which after all is her second string, why will not the Government of India strike in favour of agriculture which is her premier industry ?

F. X. DESOUZA.

*Minute of Dissent.*

I am unable to agree with the majority on the conclusions they have arrived at. We are asked to examine the effects of the scheme of preferences under the Ottawa trade agreement in pursuance of the recommendation of the Ottawa Committee of the Assembly (1932). That Committee desired that this examination should be in the light of information furnished by the Government, and, if necessary, with the assistance of the representatives of interests concerned on the effect of the scheme upon the agricultural and other industries and on the export and import trade of India. I propose to do so purely from an economic point of view. As has been observed in the introductory note of the official report, that examination was realised to be not a simple task as it is difficult to isolate the effects of preferences from the effects due to other factors. It is difficult to draw from the statistics furnished to us anything like accurate conclusions for the reasons that the statistical data made available to us are incomplete and in some cases subject to revision. The Indian statistics for the year 1933-34 are as observed in the report to be subject to revision, while the import statistics of the United Kingdom were acknowledged to be defective as those returns include the amount of transit and re-export trade and that complete figures of transit and re-export trade for 1933 of the United Kingdom will only be available at the end of the year. In some cases the Indian statistics as well as the U. K. statistics in the report include also trade from Kathiawar, Travancore and other Indian States. Further, entire figures of our trade with other countries severally for the year 1933-34 which are necessary for our examination are not as yet available. These limitations are noted very frankly by Dr. Meek in his introductory note. I must further note we had no assistance from commercial, agricultural and other industrial interests. Subject to these limitations I propose to offer my remarks on the information available to us.

In examining the work of the scheme we have to take into consideration its cumulative effect in all aspects. We have to examine the entire export trade and the import trade from the following points of view :—

1. Whether our production has increased and our entire trade internal and external in respect of all countries has resulted in expansion.
2. Whether our industries were affected by the preferential tariffs on the imports, and, if so, how and to what extent.
3. Whether the consumers were affected by the duties raised on foreign imports, and, if so, to what extent.
4. Whether the revenues of the Government were affected, and, if so, to what extent.
5. Whether our entire trade with foreign countries was affected and whether trade relations with them suffered.

6. Whether by standing out of this scheme, we would have suffered in our trade, and, if so, to what extent and whether such a loss could be irreparable.

The effect on our business by a wholesale scheme of preferential tariffs and their repercussions should also be taken into consideration, but to assess it it would be impossible unless an enquiry of the nature of a Doomsday survey is taken, which of course is impracticable.

*Indian Production and Expansion of Indian Export Trade.*—Whether the scheme was able to expand our export trade and increase our production is of the utmost importance to us, as the success of the scheme depends on the results obtained in this direction. Sir Arthur Salter, one of the greatest economic authorities in Europe said, “The only true criterion of success, let us remember for Ottawa, is whether or not it results in an increase in the total volume of trade, Imperial, internal and external together, in the total mass of profitable interchanges. To change the direction, without increasing the total of our trade is no success. To increase one section at the expense of greater loss direct or indirect elsewhere would be a failure”. It is not possible for any one to state on the examination of the results achieved during this period of preference, that they were able to stand the test. On the information available to us there has been no increase in our production taken as a whole. On the other hand in some of the commodities where increased production was expected showed even a decline in production, as for instance, linseed, coffee and so forth. There has been no expansion of our total trade directly attributable to preference. Excepting in the case of woollen carpets and rugs where there has been a definite expansion of trade due to preference, there has been no definite case of expansion on any commodity due to preference. There was in a very few cases some improvement in trade noticed, but that improvement was noticed in our exports to foreign countries as well as to countries granting preferences even to a greater extent. Therefore, the improvement cannot be credited to preference, in the same way preference cannot be held responsible for the decline of trade in certain commodities which were expected to expand in countries granting preference while the trade in those commodities showed improvement in countries not granting preference. If we take the United Kingdom market alone into consideration and ignore the condition of our other markets, in some cases improvement in trade is noticed. But we have to take the whole trade into consideration. From Appendix I of the majority report, it will be seen that if values are taken into consideration and if figures of trade from Indian States also are included there has been some expansion both in preferential and non-preferential items in the year 1933-34 to some extent as compared with 1932-33, but the year 1932-33 is partially affected by preference. If we go back to the immediate non-preferential year 1931-32, that year as well as the next year 1932-33 are years of acute depression. If we study the previous years figures we find the values obtained are far below those figures. It may also be noted that there has been in 1933-34 a general trade recovery to some extent. Therefore, it cannot be said that there has been any expansion due to preference. If preference has been of much value to us we would have recovered if not immediately to our former position, at least to the extent other countries like U. K. have been able to recover.



*The effect of the scheme on our industries.*—It is observed in the official report at page 113: "There is not much material available from which to arrive at any conclusion regarding the effects of preference on Indian industries as many of the industries are what may be termed 'small scale' without any organised association of establishments and it has not been possible to obtain much statistical material relating to their progress; the large industries in India are hardly affected by the scheme of preference."

This matter cannot be so summarily dismissed. At the time of giving effect to this Ottawa Scheme we felt the need for complete statistics of industrial production in India. Several industries in this country in some of the commodities which are covered by the scheme of lower preferential tariffs given to U. K. grew up during the last few years partly due to the Swadeshi movement and partly due to the shelter given for their growth under high duties on imports. We had then to depend upon the information furnished to us from non-official sources to some extent and upon the representation received by us from some Indian industries at the time. In the Select Committee to give effect to the Ottawa Scheme and amend the Tariff Act, we impressed upon the Government the urgent necessity to compile the statistics. The argument which Dr. Meek gives about the want of proper organised associations was an old argument which we had even then. We were not satisfied with that and the Government members who were in that Committee agreed to do all the needful and joined with us as signatories in the report where we said as follows:—

"We have felt, throughout our discussions, the need for complete statistics of industrial production, giving detailed information regarding the various indigenous industries which might be affected by the proposals contained in the Bill. Since the rates of duties proposed by the Government were published, a certain number of representations have been received from Indian industries regarding the manner in which they expected the application of those rates to affect their interests, and in a very few cases personal representations have been made to us. In the majority of cases, however, we had no other material to guide us than the information which the Government departments concerned have been able to place before us. That information was necessarily incomplete and we recommend that as far as practicable steps should be taken to collect and compile the statistics to which we have referred."

To this the members including the members of the Government were parties. Yet we are now where we were two years ago. As this report is now published to the country while we have been sitting, it is not possible for us to hear the effect from the Indian industry before we conclude our sittings. Therefore, we are unable to say to what extent Indian industries were adversely affected. The Committee cast upon the Indian industries the onus of establishing adverse effect on them. What opportunity they have given? What enquiry they have made? They refer to the Aluminium Industry's representation. Did the Committee give an opportunity for that industry to meet the Departmental Report before they accepted the official conclusions?

*Whether Our Trade with Foreign Countries was affected and Whether Our Relations With Them Suffered?*—The answer to both these questions is in the affirmative. The advantages which U. K. secured as a result of this scheme

enabled U. K. to displace the trade of foreign countries in our markets to a large extent. If U. K. is given preferential treatment over them and their imports are subject to heavier duties, it is obvious that foreign countries, in particular western nations, do not take the situation philosophically. It has been noticed as a definite policy with all these countries to purchase from only those countries who are purchasing from them. To a certain extent as our exports are mainly raw material, it is not easy to displace them at once, however when and where possible that they have been doing so is evident. Restrictions have been increased against our exports year after year by some of our principal customers. We have a recent instance of Rumania and Germany refusing to allow our skins and hides landed at their ports. It is said that the restrictions imposed on our exports whether it be leather, oil or oil seeds, are due to other causes ; and that they did not specially attribute to Ottawa. We do not expect them to attribute Ottawa as the cause and court U. K.'s animosity openly. It is significant that these causes are newly discovered by them. The Committee's conclusions are not justified by the actual experiences. Reuter's telegram from Brussels on the 25th reporting that industrial circles in Belgium are considering purchasing supplies of raw cotton, oil seeds, rice, jute, zinc, etc., which hitherto purchased from India, from other countries, as a retaliatory measure, is just another instance how our foreign markets for our raw produce is being lost to us as a result of the preferential schemes. Belgium who was purchasing about 45 millions from us and selling only 30 millions worth, giving us a balance of 15 millions in our favour is forced by the policy to turn to other countries for equitable treatment. Belgium is not the only country who felt in this way.

*Whether by standing out of the scheme we would have suffered ?*—This is answered hereafter with reference to those items, the trade in which is considered preference ensured insurance values. But in an examination of the actual results what would have happened if there is no preference, although that to some extent is not directly based on the issue before us but that aspect is not overlooked by us in coming to the conclusions of preferential value on the items examined by us. It may be however observed here that the principal commodities on which the insurance value is taken into consideration are Tea, Coffee, Jute, etc. of which commodities like Jute and Coffee hold very small percentage out of our total trade in U. K. market. In the case of tea, however, which holds a very high percentage in U. K. market the insurance value notwithstanding the restriction scheme being in operation is very much emphasised by the Committee in their majority view. I have elsewhere remarked that racial consideration have been permitted to obscure all other considerations when Ceylon was permitted to receive benefits under this scheme without being obliged to carry out the corresponding obligations on the obvious ground that the British capital and the British race being interested in that trade different considerations prevail. Therefore I wish to note here on the broad question that commodities in the production of which British capital is invested and British racial interests are involved, this question whether by standing out of the scheme the trade would have suffered should be answered in the negative, scheme or no scheme in the light of the example of Ceylon before us at the present moment. With regard to those commodities in which the Indian interests are involved by standing out of the scheme they would certainly lose

ground in those commodities where other Empire countries compete, all other things being equal. There are few commodities which satisfy both these considerations. Reference to individual items will be made where necessary, hereafter. But India's principal agricultural produce finds market mainly in countries outside U. K. Therefore loss of U. K. market cannot be said irreparable.

*Whether consumers in India were affected by the tariff changes in the imports?*—It was expected that prices of the goods of countries not given preference would be brought to the level of the price of goods imported from the United Kingdom which is given the lower preferential rate. In giving effect to the Ottawa Scheme of preferences, we generally increased the duty on foreign goods by five per cent. and lowered the duty on British goods to five per cent. to secure a margin of 10 per cent. in very many cases. If all prices were brought to the level of the British goods and if British goods are sold at prices expected to be sold as a result of the lower rate, lowering the duty would be a benefit to the consumer. An examination of the import statistics show that in some cases prices on British and non-British goods have risen, that in some cases goods sold by non-preferred countries are sold cheaper while in some the British goods are sold cheaper, and in some other cases British prices remained unchanged, while foreign goods have risen in price, while in some cases there was a fall in prices of British and non-British goods. Further, the exchange, the reactions on the prices of non-preferential goods due to the foreign countries putting up the prices to compensate them the loss on preferential goods and several other factors have to be taken into consideration. To assess the burden of relief on the consumers, we have to isolate the effect of preference from the effect due to other causes. We are unable to do so. I am unable to agree with the majority on their assumption that the consumer was not adversely affected on the balance. A minute examination of each commodity price and reasonable elimination of other factors would alone enable us to come to anything like approximate valuation. The Committee within the short time at their disposal is unable to go into so detailed an examination. We have to separate articles of necessity from articles of luxury to judge the effect on the consumer. If the consumer is relieved in some cases and burdened on some other and if the burden on the aggregate he suffered on goods not enjoying preference is not compensated by the relief in the aggregate he secured on preferential articles, there the consumer is certainly penalised on the whole. Further, as has already been remarked it is difficult to isolate the effect of preference from the other factor such as exchange and so forth.

*Whether the revenue of the Government of India were affected, and if so to what extent?* It is easy to say that they were affected, but it is difficult to say to what extent. Other causes besides preference have affected the customs revenue. If we were to take the full preferential year 1933-34, the difficulty is with what year it should be compared. It is not possible to compare it with the previous year 1932-33, as a part of it is a preferential period. Therefore comparison in Appendix III in the majority report is unsound. If we were to take the full-non-preferential year 1931-32, the general increase in the rates of duty in September 1931, makes it extremely difficult to isolate the effect of those duties for the purpose of comparison. Therefore, I am unable to assess the extent to which revenues were affected due to preference alone.

## DETAILED EXAMINATION.

In turning to a detailed examination of the results obtained on the trade of some of our exports I cannot overlook the main considerations which weighs very much with those who were enthusiastic in their support of this Ottawa Scheme. The majority of the Assembly Committee (1932) who supported the scheme were influenced by the considerations that the scheme provided immense scope for definite expansion without diversion of our export trade in certain commodities. On these commodities at any rate they were very definite. I propose to examine the results obtained on them in the first instance and see how far those expectations which influenced their decision were realised.

*The exports in oils.*

In paragraph 12 of their report they said, " But in other commodities among which we cite in particular linseed, groundnut oil, linseed oil, castor oil and rapeseed oil, in view of India's capacity for enlarged production and the extent of the market available in the United Kingdom the preference will evidently lead to a definite expansion of the total volume of the Indian trade. In the same paragraph (12) of the Ottawa Committee report (1932) they forecasted the results on the following table :—

*What they expected.*

Commodity.	Total value of trade held by India in United Kingdom <i>plus</i> the potential additional market in that country.	Total value of Indian exports to all countries including United Kingdom.
	(Rs. 000)	(Rs. 000)
Linseed .. .. .	6,58,80	5,72,37
Groundnut oil .. .. .	90,13	4,02
Linseed oil .. .. .	1,31,20	4,34
Castor oil .. .. .	20,67	10,50
Rape oil .. .. .	23,87	5,85
Total ..	9,24,67	5,97,08

*What they actually got.*

Commodity.						Total value of trade in United Kingdom held by India in 1933-34.	Total Indian exports to all countries.
						(Rs. 000)	(Rs. 000)
Linseed	..	..	..	..	..	1,80,69	4,57,51
Groundnut oil	..	..	..	..	..	6,25	9,02
Linseed oil	..	..	..	..	..	0	1,10
Castor oil	..	..	..	..	..	11,17	18,23
Rape oil	..	..	..	..	..	23	3,09
					Total	1,98,34	4,88,95

As I am dealing with oils now I will deal with linseed separately hereafter. If we were to separate the linseed figures from the above table and take the figures for the oils above mentioned, we were expected to secure 265 lakhs on these alone in the United Kingdom market, whereas we actually got only 17 lakhs. There are two other oils which require mention, as the majority in that Committee and the majority in this Committee considered that all these non-essential vegetable oils should be taken in a group. Sesame oil and cocoanut oil will complete groups. With regard to our exports of cocoanut oil, United Kingdom's share which was 18,000 in 1931-32 decreased to 17,000 tons in the preferential period, while in sesame oil United Kingdom did not take any exports from India. The majority while agreeing that no direct benefit accrued on preference in respect of cocoanut oil, linseed oil, rapeseed and sesame oils now persist in believing that the trade with United Kingdom in these oils is likely to be valuable as substitutes. Some improvement has been made in the exports of our castor oil, because there is a greater general demand in the world markets for the Indian castor oil which is also cheaper. Even in this, Indian exports to countries not granting preference have increased much more than those to United Kingdom. The only oil which has shown increased exports to United Kingdom is the groundnut oil. I am informed that United Kingdom trade in oil is not governed by preferences alone. Further the heavy loss on groundnuts is not compensated by this increase. (Tables of figures on oils in Annexure I and groundnut along with other commodities in Annexure 2 are given.)

The other extravagant hope on which the support for the scheme was based is the greater results which were expected on the following commodities. The majority of the Ottawa Committee in paragraph 4 of the report observed

as follows : “ We consider that preferences given on the following commodities are definitely valuable :—

Coffee, coir yarn, coir matting, oil seed cake and meal, spices, teak and other hardwoods, woollen carpets and rugs, tobacco, castor seed, groundnuts and pig lead.

From the figures available it would appear that the ‘ money value ’ of the preferences given in respect of these commodities amounts to £1,781,000 or about Rs. 2,27 lakhs. This figure illustrates the value of the preferences in assisting these commodities to retain their existing market in the face of severe competition from non-Empire countries. The total value of the trade in the same commodities capturable by Empire countries is estimated at £30,562,000 and, assuming that, when other Empire countries compete with India, India’s percentage of the exports from all Empire sources into the United Kingdom remains the same as it is today, the value of the additional market in the United Kingdom which is open to India will amount to £10,106,000 or Rs. 13,47,50,000 ”.

The actual results show that far from ensuring a preferential value of 227 lakhs we have registered a decline of 31 lakhs and far from securing an additional market in United Kingdom worth 13 crores we have lost Rs. 4 crores 42 lakhs in the total trade. The details are given in Annexure 2. The full preferential year 1933-34 is compared with the immediate full non-preferential year 1931-32 ; although 1931-32 is the year of acute depression. If I were to compare with years before depression, the results would be even more disastrous.

I know that when the supporters of the scheme in that special Committee estimated these results they were speculating and it turned out to be a bad speculation at that, but with this difference ; If private individuals speculate recklessly they only suffer the consequences, but if responsible legislators do so, the whole country suffers. I would not have ventured to remind them of all this, had it not been for a similar course they permitted themselves to follow with the experience gained in two years before them.

I am unable to accept their conclusions on the value of preference on some of the export commodities. My opinion on the value of preference is offered with reference to each commodity in the following remarks on them severally.

*Detailed Remarks on Commodities of Indian Export.*

*Linseed.*—The Indian Delegation to Ottawa as well as the majority of the Assembly Committee on the Ottawa Agreement laid considerable importance to the preference on our linseed trade and expected immediate expansion by the stimulus of production owing to the capturable market in U. K. and to the fact that India is the sole supplier within the Empire.

*Indian Production.*

						Acres (000).	Tons (000).
1931-32	..	..	..	..	..	3,309	416
1932-33	..	..	..	..	..	3,299	406
1933-34	..	..	..	..	..	3,257	377

The above figures show that there was no expansion but on the contrary a decline is noticed.

*Indian Exports to all Countries.*

—	Quantity (Tons).			Value (000 Rs.)		
	1931-32.	1932-33.	1933-34.	1931-32.	1932-33.	1933-34.
To U. K. .. ..	14,133	14,270	15,825	1,646	1,654	18,069
Germany .. ..	9,844	9,480	10,316	1,364	1,331	1,335
Netherlands ..	400	200	3,984	45	32	523
Belgium .. ..	760	345	10,204	90	39	1,266.
France.. .. .	44,213	21,611	41,483	5,521	2,501	5,008
Spain .. .. .	3,849	1,650	9,100	533	209	1,053
Italy .. .. .	14,619	10,578	21,690	2,376	1,813	3,125.
Greece .. .. .	3,100	2,983	5,654	342	317	633
Japan .. .. .	6,259	150	1,404	746	17	168
Australia .. .	10,038	9,415	11,958	1,155	1,018	1,360
Other countries ..	13,068	1,511	1,04,825	1,489	175	13,206.

From the above figures it would appear that exports to U. K. in the year 1933-34 have increased very largely and this was largely attributed by our colleagues to the beneficial results of preference, notwithstanding the fact that our chief competitors Argentine and U. S. A. had suffered failure of crops to the extent of  $\frac{1}{3}$  and  $\frac{2}{5}$  respectively in the year 1933. A perusal of our export table would show that not only U. K. but many other countries have purchased in much larger quantities than they even did before ; for instance Netherlands increased from 200 to 3,984, Belgium from 345 to 10,204 and some other countries from 1,511 to 104,825. The figures would negative the contention that the increase in U. K. market in this year is due to preference. It is said in the report that preference helped Indian linseed to oust the Argentine linseed from the U. K. markets. This is not a correct appreciation of the facts. In spite of the failure of her crop to a considerable extent and her reduced acreage, she supplied U. K. nearly as much as India did in that year, 1933.

Therefore I am of opinion that the increase in our exports in 1933-34 can not be attributed to preference as the majority opine. Further, it was admitted that the British oil crushers get a rebate of 15 shillings a ton on linseed oil produced out of Argentine seeds under the customs drawback system. The rebate affects our trade both in the seed and oil. One of the members of the Committee observed that 15 shillings a ton was not much. When it was worked out it came to 5%, that is to say, 50% of the preference is nullified. It is grossly unfair on the part of the UNITED KINGDOM, to say the least about it. No wonder there had been no exports of Indian linseed oil, and had it not been for the failure of the Argentine and U. S. A. crops, the effect would have been marked on the trade of the seed also.

*Rice.*—India proper is a rice importing country, but from the point of view of Burma the export trade is important.

*Production.*—India including Burma has been showing a gradual decline in production.

*Production (in million tons).*

					India proper.	Burma.	Total.
1931-32	..	..	..	..	28.80	4.20	33
1932-33	..	..	..	..	26.18	4.19	31.9
1933-34	..	..	..	..	25.17	5.18	30.35

Preference has not helped production. On the other hand Indian imports have been increasing considerably.

*Effect of Preference.*—With regard to the effect of preference as our own figures for exports are subject to revision on account of the fact that consignments to U. K. include consignments for orders we are invited to the imports figures of the United Kingdom. Of the three years' figures given at page 8 of the Report, the figures for the year 1933 are alone relevant, as the preferential rate was given effect to only from 1933. In this year, although the imports in U. K. have fallen, the imports into the country from India have increased from 527 to 644 thousand cwts. *i.e.*, by about 6 tons. This increase reduced into money is less than 3½ lakhs. U. K. imports from our total exports form a very small and insignificant part, as the total imports into U. K. in the year 1933 are only 32 (000 tons); it is an insignificant percentage in our total exports.

It was observed in the report that the price of Burma rice was lower in 1933 and that would explain to some extent the large imports of Burma rice into the United Kingdom in 1933. While the price factor is in favour of Burma, its quality is against it. But the rice produced in India proper is not of the inferior quality of Burma. As the United Kingdom market has been reducing its purchases from foreign countries and taking more of Indian rice, and in view of some decline of our exports to foreign countries, I should consider that preference is of some value to our exports. But that value cannot be exaggerated in view of U. K.'s limited capacity and the small percentage it forms in our total export trade.

*Tea.*—With regard to this commodity, the Tea Restriction Scheme of 1933 having come into operation the Committee expressed their opinion that the effect of preference has been obscured by this scheme. In the Report it was observed: "The effect of preference, however, has been completely obscured by the Tea Restriction Scheme which came into force in 1933. The object of the preference was clearly to increase or at least maintain the United Kingdom market for Indian tea by making competition from non-Empire producers more difficult." But our colleagues on this Committee could not accept the latter half of the above passage. They were of opinion that if we did not enter into the Ottawa Agreement Ceylon would have enjoyed a preferential market in U. K. to our detriment. I have referred to this and other matters relating to Indo-Ceylon trade relations in greater detail with



reference to the effect of the scheme with Empire countries. But here has the point has been specially raised by the majority, I would like to say that it does not come with much grace now, having regard to the position Ceylon is occupying now with respect to this Ottawa Scheme. Ceylon did not ratify the agreement, but is enjoying preferences as though it did, and refused to respect the obligations although India which ratified this Ottawa Convention, paid the price in full and is, therefore, entitled to better position than Ceylon, is made to suffer evidently because the suffering is confined to Indian interests. The "Statesman" referring to this says: "It (Ceylon) also made nonsense of the argument used in the debates in the Assembly by supporters of the Convention, who had warned India of the importance of signing, and it lent justification to the argument of the opponents of the Convention, that as far as tea and coffee went there was nothing to be gained or lost by signing since Great Britain would stand by the Planting Industry and would give the preferences with or without the Convention". Further, not only British capital and racial interests are involved, but also as the Indian trade occupies a dominant position, how far the British public will penalise themselves to spite their planters is a relevant factor to be taken into consideration in estimating this insurance value.

*Hides, Tanned.*—An examination of Indian export figures for the three years 1931-32 to 1933-34, would show that our percentage share with countries granting preference increased from 97% to 98%, while the percentage share of the countries not granting preference correspondingly decreased. But our total trade in 1932-33 decreased, inspite of the preference. But for a correct appreciation of the position, we are invited to study the figures of U. K. imports at page 48. We find that during the three calendar years 1931, 1932 and 1933, there has been increase in Indian exports and decrease in foreign exports in the U. K. market. As regards these imports into U. K. from foreign countries, we find they were in 1929, 132,000 cwts. and in 1930, 165,000 cwts. As this decline was noticed in foreign imports into U. K. even before preference, it is difficult to maintain that the decline in the years 1932 and 1933 is due to preference. There can be no doubt that preference must have helped to some extent in accelerating the pace of the decline of foreign imports into U. K., but our gains in U. K. market at the expense of the foreign imports must be attributed partly to preference and partly to the cause or causes which contributed to the decline of the foreign imports for some years even before the preferential period.

*Skins tanned.*—The committee were of opinion that preference did not show any appreciable advantage. The examination of foreign imports into U. K. shows that there had been no apparent advantage. Further it is necessary to note in this connection the restrictions placed by foreign countries on our exports after the Ottawa Agreement. Some of foreign customers have put restrictions on our exports of hides and skins. Recently Roumania and Germany have refused to allow our exported articles to be landed in their ports.

*Wool.*—The raw material is India's monopoly. India's export trade lay mostly outside the U. K. market being only 8 per cent. of total Indian exports.

Indian exports to U. K. during the period preference has been in operation, both in quantity and in value, registered considerable decline. From the value

noted in the report, it would appear that our export trade with countries granting preference did not show decline in the same proportion. From the table of U. K. imports of a part of this trade, namely, piece-goods, the imports in 1933 have registered considerable decline.

Our colleagues thought that preference has insurance value and mentioned the advantage the preference secured for our trade by being placed in equality with Dundee manufacturers and the possibility of substitutes replacing our manufactures. This is an old argument which we have met in our minority report. It is not necessary to repeat those arguments again. On the figures before us, it is not possible to claim insurance value. The argument that if there was no preference our exports would have shown a greater decline is a speculation. Even if we are driven to face such a calamity, it is not difficult for us, who are able to find market for over 92 per cent. of our exports in foreign countries, to find market for this insignificant 8 per cent. of our trade. Further, when raw jute is our monopoly, it is not difficult to control the competition in its manufactures. With regard to the question of substitutes, our 92 per cent. trade in foreign countries had been able to withstand substitutes, if any. If very cheap substitutes could be found, then, as we said in the Minority Report, preference will not in any case save our trade. From the figures I consider preference has not shown any effect on our trade in U. K.

*Teak and other Hardwoods* :—

*Hardwoods*.—With regard to hardwoods the Committee had come to the unanimous conclusion that preference had been of no value to us.

*Teak*.—But with regard to teak, there had been difference of opinion, the majority holding that preference had been definitely valuable to us. I did not agree to that on the grounds that in the neutral markets our chief rival Siam scored against us for the loss it sustained in U. K. market, and secondly, as has been observed in the report, “ the percentage share of the countries granting preference, showed decline from 76 per cent. in 1932-33 to 67 per cent. in 1933-34. In other words India's trade with other countries grew in greater proportion than her trade with countries granting preference ; and thirdly, our prices for teak having declined our imports have been stimulated. For these reasons I hold that the effect of preference is not apparent.

*Woollen Carpets and Rugs*.—Preference has been definitely valuable in the cheaper grade of carpets and rugs, and the costly varieties are special luxury articles whose demand is inelastic.

*Tobacco* :—

*Indian production*.—There has been no expansion, on the contrary the figures furnished show some decline in 1932-33. 1933-34 figures are not available.

*Unmanufactured tobacco*.—Our export figures register an increase in our exports to U. K. in 1933-34. But the increase is also registered in the case of our exports to countries not granting preference. The majority of the Committee were of opinion that preference had been definitely valuable. While I agree that preference had been of some assistance in U.K. I wish to lay emphasis on the fact that we have been enjoying preference since 1919 and that it has been noticed that the consumption of pipe tobacco which India exports has been gradually falling off in the United Kingdom. India does not

produce for the purpose of exporting cigarette tobacco, which is wanted more and more in U. K. It is surprising that this Committee should be impressed with the value of preference in view, they say, of the increasing production of cigarette tobacco. This view of the Committee is an improvement on the official report, where at page 67 it was admitted India does not produce much of cigarette tobacco, and whatever is produced is absorbed by local manufacturers. India cannot hope to be able to export cigarette tobacco, as it does not produce a fraction of her own requirements. Even after a substantial increase of preference in 1925, the Imperial Economic Committee observed that even in pipe tobacco India was not a predominant supplier among the Empire countries. Therefore, I agree with Dr. Meek when he said in his report, "Preference on tobacco cannot be expected to enable India to increase her trade in, and as a result, her production of this article to a large extent."

*Manufactured Tobacco.*—Indian exports are cigars mainly.

Our total trade registered a decline in the years 1932-33 and 1933-34. The percentage shares of countries granting preference which was 46 in 1931-32, was only 43 per cent. in 1932-33, and 45 per cent. in 1933-34; while percentage shares of countries not granting preference were 54, 57 and 55 respectively. Therefore, I do not consider preference had any appreciable effect, and wish to lay emphasis on the following passage in the report "Even in the exports of cigars the British market offers little scope for extension of trade. India cannot hope to capture the United Kingdom market from Cuba. Direct competition between these two countries in the British market is limited and the difference in price which would result in any normal measure of preference would not affect the consumption of each of varieties to any considerable extent". An examination of U. K. import table shows that foreign countries are supplying most of U. K.'s requirements, while Empire countries whose share is insignificant even registered decline and did not respond to the increased demand of U. K. in 1933.

*Castor Seed and Ground Nut.*—The Indian export figures from the sea-borne trade show that we have registered a decline under both these commodities. The majority of the Committee allowed themselves to be guided by the official statement before the Committee that the Indian sea-borne figures on these commodities are not to be taken into consideration as they are liable to revision. They state that trade passes sometimes from India through Continental ports to United Kingdom and therefore U. K. figures quoted by them in the report should be taken as reliable. I am unable to accept this contention. Dr. Meek in his introductory note at page 2 of the Report observes as follows: "The import statistics of the United Kingdom at present available are also defective to some extent. The United Kingdom import returns include under 'imports' the amount of transit and re-export trade." Further, at page 2 he observes that this defect of including in U. K. returns, trade destined for other countries exists chiefly in rice and to some extent in *Oil Seeds* in India. On the other hand the Indian exports are credited to the country of final consignment. Therefore, the contention that is just the other way round is the most surprising statement. Reference was made to the note at page 75 and page 71, where Dr. Meek observed that in 1933-34 figures of exports from India to U. K. include "consignment for orders." That may be so. But consignments

from India to foreign countries are not stated to be consignments for orders to U. K.

I am unable, therefore, to agree that we should ignore the sea-borne figures and be guided by the U. K. imports only. I can understand if it is contended that as U. K. figures are for calendar years and Indian figures are for fiscal years, the discrepancy is noticed. As the Indian export figures from sea-borne trade are not given under both these heads, in the report, I wish to note them here.

*Indian Exports.*

*Ground Nut.*—Quantities in thousand tons.

	1931-32.	1932-33.	1933-34.
Total exports from India .. .. .	671	433	546
Exports to U. K. .. .. .	77	31	25
Exports to foreign countries .. .. .	594	402	521

*Castor seeds.*—Quantities in thousand tons.

	1931-32.	1932-33.	1933-34.
Total Indian exports .. .. .	103	85	81
Exports to U. K. .. .. .	23	22	15

Dr. Meek observed at page 71 that Indian exports noted by him includes exports from Kathiawar ports. That is why his totals regarding castor seed are slightly more than the sea-borne figures which are given for British India.

Therefore, on these figures it cannot be said that preference had been able to increase our trade as the majority opine. Even from the point of view of results obtained in U. K. market on the examination of U. K. import figures if we compare non-preferential year 1931 to preferential years 1932 and 1933, their conclusions are not justified.

In the following commodities—(1) Pig lead, (2) Coffee, (3) Coir, (4) Bran, (5) Pillard, (6) Rice meal and dust, (7) Cotton yarn, (8) Cotton manufactures, (9) Spices and (10) Wheat.

While the minority held the view preference has no value on all these items, the majority were of opinion that in respect of Coffee, preference has an insurance

value while on pig lead advantage has accrued, but on coir preference has not been effective. On the other items, 4 to 10, the majority admit that preference has been of no benefit. With regard to pig lead, I am unable to agree with the majority, who did not pay attention to the foot-note at page 79 of the Report where it is admitted that U. K. import figures include transit trade which is considerable in the case of pig lead; and Austria and Empire countries are in better competing strength. Further, India registered a decline in production. We did not agree to the insurance value on coffee because Indian coffee being one of superior quality required for blending purposes, it has an inherent value. The Indian Delegation expected expansion in coffee production, but we regret to note that there has been decline in production both in coffee and pig lead. Our remarks on coffee in the Minority Report in 1932 are justified. I do not agree with the view that want of marketing propaganda is responsible for the poor results.

With regard to these following commodities:—

- (1) Sandal Wood Oil,
- (2) Granite Sets and Kerbs, and
- (3) Magnesite,

which are exported from Indian States, we agreed that a new line of trade is opened for granite sets, etc., and, therefore, preference was valuable. But with regard to Sandal Wood oil there was a difference of opinion. I hold that it is a case of diversion. Regarding Magnesite, I hold the trade is insignificant. On *Magnesium Chloride* no conclusions were possible for want of previous data. The majority agree that the evidence does not justify that preference has yet been of benefit. It is not possible to know on what evidence they believe the preference to be otherwise.

#### UNDER SUPPLEMENTAL AGREEMENTS.

1. *Raw Cotton*: With regard to the undertaking given by His Majesty's Government to make increased use of raw cotton, we find in pursuance of that they set up the Indian Cotton Enquiry Committee to implement that undertaking, but soon after as Mody Lees Pact came into existence, the effect of the previous agreement with which we are concerned, is obscured by this later agreement.

2. *Pig Iron and use of Indian Iron Bars*: The table of Indian exports of pig iron shows that in the years 1931-32, 1932-33, and 1933-34, our exports to U. K. have been 20 per cent, 35 per cent. and 25 per cent. respectively of our total exports, while foreign countries were taking 79 per cent., 63 per cent. and 74 per cent., of which Japan was a chief customer. The Commerce Member's statement on the Steel Bill that we have been losing ground in Japanese market is not borne out by the figures of 1933-34. An examination of the import table of U. K. shows that during the last three years 1931-32, 1932-33 and 1933-34, U. K. market is restricting its imports owing to her own home productions. In 1933, the year of preference, U. K. did not take from foreign countries and took a little less than what she took from us in the previous year. However, it cannot be said preference has no value to us, but it can be said that the value

should not be exaggerated, in view of U. K.'s increased home production and the unlikelihood of our replacing home product in their market. Further, foreign countries are still taking in greater proportion from us.

With regard to the Iron and Steel Agreement regarding galvanised sheets, we wish to emphasise the fact that an important consideration for the Agreement was the use of iron bars. The abandonment of the scheme now under the present Steel Bill, takes away an important consideration, for the previous agreement. The majority are of opinion that the agreement in respect of sheet bar has been of some advantage. The Tariff Board thought otherwise.

*The Effect of the Scheme in respect of Empire Countries.*—The majority of the Committee came at the conclusion that the effect of the Scheme was neither advantageous nor disadvantageous to India regarding Empire countries. I am unable to subscribe myself to such a general conclusion. The most important country in these relations with us under this scheme is Ceylon, and in several commodities India gave preference to Ceylon in return for a similar concession to us in some commodities. India carried its part faithfully and Ceylon refused to carry its part. The Government of India did not repudiate the agreement but allowed Ceylon to enjoy the preferences in our markets. The spokesman of the Government of India in the Committee stated that they were negotiating with Ceylon. It is difficult to understand the propriety of allowing Ceylon to continue to draw the benefits under the Agreement and agree to allow the suspension of benefits we are entitled to receive under the Agreement till such time as the Government of India may come to final conclusions on these alleged negotiations. The most straightforward and honest course ought to be to forthwith put an end to the Agreement and then enter into negotiations if need be. The attitude so far taken by His Majesty's Government and the Government of India with respect to Ceylon is felt to be nothing short of scandal. Even the "Statesman" in its issue of August 16th observed as follows :—

"The trouble began with the Ottawa Agreement and the Home Government appears to have committed the inexcusable folly wavering between sentimental pandering to Ceylon and the application of a heavy jackboot. Ottawa is business first, last and all the time.... It is a scheme for mutual benefits to be adopted voluntarily and carried out with goodwill by the subscribing parties. Now Ceylon, like India, was given to understand that such was the case. Judgment was free, but equally the consequences were plain, since the propositions were serious. On that basis India accepted the bargain which her representatives made for her at Ottawa. Ceylon on the other hand rejected her bargain. A common constituent in both the bargains was tea. Great Britain offered both countries important and valuable preferences over non-Empire teas, of which the most notable are the products of the Dutch Indies and China. One argument used in the Assembly at Delhi was that if the Ottawa concessions were not ratified by India and were ratified, as everyone then expected they would be, by Ceylon, India would lose the preferences and be heavily penalised to Ceylon's great advantage. India accepted and Ceylon refused.

By all the rules of the game Ceylon should have lost the preference. She would not have a word to say. She would have got what she asked for. There could have been no possible grievance. In time Ceylon would probably have learnt by experiences that she had made an economic mistake and that Empire preference is a paying proposition. But instead of behaving as a businessman Sir Phillip Cunliffe-Lister 'played politics' and infantile politics at that. Hoping to carry favour with Ceylon and to get the Island change its mind, he declined to visit it with the consequences of its action. The preferences to Ceylon tea and all the other Ceylon preferences were continued just as the Agreement was signed. This was a definite injustice to India which had signed a convention and entitled to a better position than Ceylon which had refused."

The "Statesman" finally adds: "If he (Sir Phillip Cunliffe-Lister) likes to give away preferences for nothing he will get nothing in exchange. That has been the immemorial experiences of free trade or rather free import Governments in all places whether dealing with foreigners or their kinsmen."

What is the explanation of the Government of India and what are the conclusions of the Committee? Instead of forthwith denouncing like men the attitude taken by Ceylon and debarring her from the advantages given to her under the scheme, they coolly state they are entertaining some fresh proposals from Ceylon. That is to say, that they are considering how far they could accommodate Ceylon in the matter of Ceylon copra at the expense of purely Indian interests, in return for some benefits. We are not told what those benefits are, in the meantime allowing Ceylon to enjoy preferences in the Indian market without paying for it by giving the corresponding preferences. Comment is needless.

*The value of the Scheme to the United Kingdom.*—The Official Report estimates the advantages secured by the United Kingdom is worth now about 5½ crores. But we find the same difficulty to isolate the effects of preference from the effects of the other factors such as exchange, low purchasing power, general trade conditions and the like. The Committee however agreed that the United Kingdom has been found to have profited in a greater or lesser degree in her trade with India at the expense of her rivals, and preferences have been of definite value to the United Kingdom.

I wish to note that in the following commodities of the imports preference has been found to have been definitely valuable to U. K. :—(1) Asbestos manufactures, (2) boots and shoes, (3) brushes, (4) button of metal, (5) chemicals etc., (6) cordage and rope, (7) cork manufactures, (8) cutlery, (9) drugs and medicines, (10) earthenware and porcelain, (11) furniture and cabinet ware, (12) hardware, (13) instruments and apparatus, (14) drugs, etc., containing spirit, (15) machinery and millwork, (16) aluminium wrought, (17) brass bronze and similar alloys, wrought, (18) oils, (19) oil and floor cloth, (20) copper wrought, (21) German silver and nickel, (22) lead wrought, (25) zinc wrought, (26) paints and solutions, (27) packing, (28) rubber manufactures, (29) smokers requisites, (30) toilet requisites, (31) stationery, (32) haberdashery and millinery, (33) toys and requisities for games, etc., (34) cycles, (35) woollen manufactures

In the following the preference showed only some value :—(1) leather, (2) provisions, (3) glue, (4) cartridge cases, (5) carriages and carts.

On motor cars and omnibuses the results are largely affected by exchange values.

No appreciable value due to preference is found in the imports of :—(1) natural essential oils, (2) ale and beer, (3) building materials, and (4) apparel.

In the following imports preference does not appear to have been of any value to U. K. :—(1) fire arms, (2) paper and pasteboard, etc., (3) umbrellas and umbrella fittings.

Taking this whole range of imports on which preferences are given to the United Kingdom and the results obtained in favour of that country practically on the whole range, it cannot be gainsaid substantial benefits were gained by U. K.

#### *Conclusion.*

It is not possible for me, on the results obtained during the last two years, to come to any other conclusion than that the scheme so far as India's interests in general and Indian interests in particular are concerned, has not proved to be a success.

India carried its part of the obligations faithfully. We have been informed as in the case of the British oil crushers getting refunds, the customs-drawback system of U. K. has been nullifying some of the advantages we are entitled to secure under the scheme. The export refund arrangements in U. K. have been admitted by Mr. Elliot before the Tariff Board to have contributed to the difficulties of some of the Indian industries and he undertook on behalf of the British industry not to grant refunds in certain products. Whether that undertaking is being kept now or not we do not know. We have seen how His Majesty's Government have been acting in the case of Ceylon as has already been pointed in this note. After this it is difficult to maintain that the High Contracting party has not overlooked our subordinate position and has been carrying its duties under the scheme as scrupulously as we expect her to carry.

Assuming that the obligations will be carried scrupulously hereafter, it is difficult even then to maintain that the scheme can be worked out to our great advantage. I do not grudge if U. K. is benefited more than we are. But are we benefited? There can be no doubt if we isolate the effect of preferences on our exports in that particular market, although the expectations held regarding some of our principal agricultural products have not been realised, there has been some benefit as on our exports of woollen carpets and rugs. At the time of ratifying the Agreement, Mr. Sadiq Hassan, who is interested in this trade observed that although his own trade would be benefited, he must oppose the agreement on the ground it is not beneficial to the country as a whole. Taking the entire trade into consideration, our apprehensions in the minority report were justified by the results before us. We have neither in-



treased our production nor expanded our trade on preferences, but we have purchased a quarrel with some of our good customers, when we gave preferences to U. K. on every conceivable article of import from a metal button to a Rolls Royce. Even if foreign countries cannot be said to have a reasonable complaint on the preferences we have given to U. K. to which country we are subordinate, yet to the extent to which foreign countries were displaced by U. K. in their imports into this country, to that extent their power to purchase our exports is reduced. Our agriculturists for whose benefits this theme was professed to be valuable are now no better off.

The one argument in favour of continuing the scheme is that it is too early to judge and that as the latest figures are subject to revision, results may be different. I am unable to say how the position can be expected to be different even giving allowance for some revision. U. K. figures include in some cases transit trade and re-export trade, and therefore the position cannot be said to improve in favour of U. K. market. As regards the argument that it is too early to judge, I regret to have a note that I am unable as yet to discover sure and certain tendencies, in the direction of either increased production or expansion of total trade which after all is the most important test for the success of the scheme so far as we are concerned. I am unable to say that the continuance of the scheme is beneficial to us. I realise the consequences that are sure to follow by putting an end to the scheme. We are economically inferior and politically subordinate to the United Kingdom. We are not in a position to assert ourselves like the self-governing parts of the Empire. Our very political future is now being shaped by the British people and their Government. It is not disguised by those who have been advocating the scheme that we cannot afford to incur the displeasure of the British nation now. But in coming to these conclusions I have not permitted myself to be influenced by political considerations. This is a business proposition. The results justified the apprehensions, I along with others held at the time the scheme was approved. Economically we do not stand to gain but on the contrary we stand to lose much in the long run. The majority in this Committee observe in paragraph 11 (a) and (b) the export trade in preferential articles into U. K. forms the most stable part of our total trade and that U. K. market has proved for preferential and non-preferential articles a steadier market than foreign countries. This is an unwarranted conclusion. They refer to Appendix I. A reference to those tables has not helped me to appreciate the argument. If a detailed table of principal agricultural export commodities is pursued, I doubt whether they will persist in their conclusions when further they say U. K. market proved steadier not only for preferential articles but also for non-preferential articles, it speaks well for their Imperial patriotism, but is not a compliment to the preference scheme. Assuming for the purpose of argument U. K. is the only important market for us, increased dependence upon the market of the country to which this country is subordinate and the gradual alienation of the markets of the world which have been good to us, is not conducive to our economic prosperity. I feel I should not be a consenting party to a scheme economically so disastrous to us, whatever be the political consequences. It is more to be killed if need be than commit a suicide

B. SITARAMA RAJU.

## ANNEXURE

*Indian Ex*

Quantities (in thousand of Gallons.)

	Total Quantities.			Exports value.			Exports to United	
							Quantities.	
	1931-32.	1932-33.	1933-34.	1931-32.	1932-33.	1933-34.	1931-32.	1932-33.
Castor oil ..	982	1,125	1,335	15,10	17,35	18,23	685	767
Linseed oil ..	38	44	67	63	71	1,10	..	..
Cocconut oil ..	36	29	32	66	51	43	11	12
Groundnut oil ..	455	917	716	6,72	14,32	9,02	280	664
Rapeseed oil ..	250	226	263	4,31	3,49	3,09	4	34
Seesam oil ..	96	75	104	2,30	1,41	1,87	.04	.02

The figures are

No. 1.

*ports of Oils.*

(Values in thousands of Rs.)

Kingdom.				Exports to countries not granting preference.					
Value.				Quantities.			Value.		
1933-34.	1931-32.	1932-33.	1933-34.	1931-32.	1932-33.	1933-34.	1931-32.	1932-33.	1933-34.
753	10,94	12,17	10,17	297	358	582	4,16	5,18	8,06
..	..	..	..	36	43	65	61	70	1,07
12	18	17	17	25	17	20	48	34	26
507	3,73	1044	6,25	133	200	143	2,11	2,97	1,75
16	12	53	23	201	125	190	3,24	1,90	2,18
·01	..	..	..	95	74	103	2,30	1,41	1,67

taken from the report.

R. S. RAJU.

SERVANTS OF INDIA SOCIETY'S  
BRANCH LIBRARY  
BOMBAY

ANNEXURE  
*Indian*

(Value in lakhs of Ra.)

Commodity.	Indian total Exports:				Exports to
	1931 to 1932. (1)	1932 to 1933 (2)	1933 to 1934 (3)	Difference between (3) and (1) gains or losses.	1931 to 1932 (1)
Coffee .. .. .	94	1,09	1,02	+8	27
Castor seed .. ..	1,49	1,24	99	-50	33
Groundnut .. ..	10,13	7,12	6,63	-3,50	1,14
Teakwood and Hardwoods ..	56	40	61	+5	34
Oil seed cake .. ..	2,00	1,96	1,64	-36	72
Coir Manufactures .. ..	75	60	76	+1	20
Pig Lead .. .. .	1,75	1,47	1,51	-22	1,04
Woollen Carpets and Rugs ..	56	68	72	+16	40
Spices .. .. .	1,05	84	82	-23	7
Tobacco unmanufactured ..	80	73	90	+10	39
Manufactured .. ..	4	3	3	-1	..
	20,05	16,11	15,63	-4,42	4,90

No 2.  
exports.

United Kingdom.			Exports to Foreign Countries.			
1932 to 1933 (2)	1933 to 1934 (3)	Difference between (3) and (1) gains or losses.	1931 to 1933 (1)	1932 to 1933 (2)	1933 to 1934 (3)	Difference between (1) and (3) gains or losses.
33	31	+4	62	71	68	+6
33	18	-15	1,14	89	80	+34
57	30	-84	8,95	6,51	6,32	-2,63
26	39	+5	12	7	12	-1
72	82	+10	1,28	1,24	82	-46
13	23	+3	53	45	53	..
1,17	1,27	+23	63	26	20	-43
44	56	+16	12	14	14	-12
10	7	..	97	74	74	-23
36	46	+7	41	36	42	1
..	..	..	..	1	..	..
4,43	4,59	-31	14,79	11,38	10,77	-4,01

B.S. RAJU.

## MINUTE OF DISSENT.

We regret that we find ourselves unable to agree with the general trend of the report of the majority of our colleagues or to accept their main conclusion.

*Introductory.*—We have been asked to “examine.....the effect which the preferences contained in the Agreement have had on the agricultural and other industries and on the export and import trade of India and to report to the Assembly”. The only material which has been available to us is the Departmental Report supplemented by some more statistics supplied to us at our request and appended to the report of the majority as Appendix I. We did not have the advantage of hearing from any representatives of the “agricultural and other industries” how the system of mutual preferences which have been in operation under the Ottawa Trade Agreement for the fifteen months ending March 1934, has actually affected them. We felt from the very outset that a mere mass of figures in matters of such far reaching economic and commercial importance could but tell an incomplete, and, may be, misleading tale. For instance, the statistics given in the Departmental Report at page 48 show that in 1932, the import of Indian “hides undressed” in the United Kingdom was 203·2 (000 cwts.), while in 1933 it increased to 235·2 (000 cwts.), and that similarly, the import of skins into the United Kingdom shows an increase from 102·1 (000 cwts.) in 1932 to 111·7 (000 cwts.) in 1933. But the following two telegrams received by us would show how this apparent increase in the export of hides and skins to the United Kingdom may not mean the same amount of benefit to the Indian industry or trade.

*Madras Hide Merchants.*

“Madras hides skins industry seriously jeopardised due to German trade restrictions and her shortage to sterling exchange. Huge consignments of Madras tanners lying London sold (unsold?) from months with very poor prospects early sale. German dealers desirous making purchases unable owing various handicaps. Request immediate negotiations for an Indo-German agreement similar to recent Anglo-German agreement absolutely essential. If prompt action not taken this great industry threatened with disastrous consequences. Several tanneries already closing resulting serious labour unemployment. ....Fakruddin Hracha, Nazir Hussain, Hide Merchants.”

*Tanners and Dealers Association—Madras.*

“Tanners and Dealers Association, Madras, emphatically supports any move for Indo-German agreement. Hides skins industry seriously suffering owing to various trade restrictions and exchange difficulties due to which German buyers are unable to operate. Extremely large stocks are held at London without future prospects of early sale. Situation very grave. Immediate steps highly essential to save this premier industry from ruin. Tanneries after tanneries closing resulting labour unemployment.

Secretaries.”

*The stand-point from which the question should be approached.*

We feel, with all respect to the majority of our colleagues that the stand-point from which they have approached the question under consideration, is too narrow and is not likely to help the Assembly in arriving at a proper decision. As we read the report, they have confined their scrutiny to the effect of the Agreement mainly on trade in the commodities covered by the preferences, while we are expected to determine, if possible, its effect on the entire trade of India, as judged from actual results or tendencies. It is obvious that at least in some of the Indian commodities to which the United Kingdom has given preferences, the export to that country would naturally show an increase. In what cases such increase has taken place could easily be seen from the Departmental Report itself, and there would have been hardly any need for a Committee to make a further report, if that was all that was wanted. As we conceive it, our task is neither so limited nor easy. The United Kingdom has always been the best single buyer of our raw products, not out of any Empire sentiment, but because she needs many of such products for her own industries. The United Kingdom, however, cannot be normally expected to absorb more than 20 per cent. of India's exportable commodities (see Appendix I of the Majority Report), and as in the past so in the future we have to depend on non-Empire markets for the great bulk of our exports. It is an indisputable fact that not only is it in the vital interest of India that her export trade with foreign countries must not suffer, but it is also in the interest of United Kingdom that India must have an adequate balance of trade to meet her heavy obligations to Britain.

With reference to imports of United Kingdom's manufactured goods into India, that, so far as economic conditions influence it, depends on whether Britain is able to bring down the prices to the level of the meagre purchasing power of the Indian people. Under the preferences granted to the United Kingdom by India, the United Kingdom is to that extent in a better position to oust other competitors from the Indian market. But if, as has been happening, the purchasing power of the people of India which depends almost entirely on the prices of agricultural products goes on dwindling, the United Kingdom may on the strength of preferences advance her share in some classes of commodities or on the whole, but cannot appreciably increase the volume and value of her exports to India.

*General position as regards exports and imports.*—Now let us look at the general position as regards exports and imports, as we find from the tables given in Appendix I to the Majority Report. The total value of exports in 1933-34 was 147,53 lakhs, an improvement of 14, 12 lakhs upon the figures of 1932-33, but it is still short by 10,02 lakhs of the exports in 1931-32, while in the normal year before the commencement of what is known as the World Economic Depression the value of our export trade was 330,13 lakhs. That is to say, our export is at present only about 45 per cent. of the normal. As far the United Kingdom, our total exports to that country in 1933-34 were 47,23 lakhs, while in the normal year 1928-29 it was 69,04 lakhs. We have undoubtedly improved our position in the United Kingdom marked by about 4 crores as compared with 1931-32. This improvement might perhaps have been partly due to the preferences, but we believe that other factors, such as the general

trade revival and especially the remarkable revival of British Industries and the failure of certain products, such as linseed in some of the competing countries like Argentina and U. S. A., played a far more important part. In spite of the increase in our exports to United Kingdom in 1933-34, her consumption of our products is still short of the normal by about 22 crores. The fall, however, in our exports to countries other than United Kingdom, is the most alarming feature of the situation. From 261,09 lakhs in 1928-29 it has dwindled to 100, 30 lakhs in 1933-34, that is, a decline by more than 60 per cent., and the decline in our exports to foreign countries has been continuous except that in 1933-34 there has been an improvement of nearly 4 crores, as compared to 1932-33. We may here point out that the improvement in our exports to the United Kingdom in 1933-34 as compared to 1932-33, cannot to any appreciable extent be attributed to the preferences, because we find that there has been a greater proportionate increase in export of articles not enjoying preference to the United Kingdom than in the articles enjoying preference, and, further such improvement as it is, is not confined to our export trade with the United Kingdom, but also extends to our trade with foreign countries. One very significant fact that must be noted and stressed here is that our exports of articles enjoying preference in the United Kingdom, to foreign countries, show a continuous decline since 1928-29, and there has been no improvement even in 1933-34. Therefore, in this case the improvement in our exports to U. K. is at least partially a mere diversion. Even if it be granted that the United Kingdom is the most important single market for our exports and steadier than the other markets, as found by the majority, that fact can in no way compensate us for the loss or serious shrinkage of our foreign markets, upon which we have to depend for the bulk of our exports, if the preferences we gave to U. K. have been adversely affecting those markets or are likely to do so.

*India's economic recovery and preferences.*—Two important questions, therefore, which we have to consider are : (1) Whether such improvement in our trade as has occurred in 1933-34, marks a definite tendency towards recovery and whether it can be fairly attributed to the Ottawa Agreement. On these crucial points, the Departmental Report, as we read it, is by no means confident. The Majority Report of this Committee does not say so. We, in any case, have no hesitation in holding that apart from one or two commodities, whatever improvement there has been in India's export, cannot be ascribed to the effects of the Ottawa Trade Agreement.

(2) Whether the preferences which we have given to the United Kingdom will help recovery or adversely affect our export trade with foreign countries : We know that it was under the threat contained in the British Import Duties Act 1932 that mainly influenced the Indian Delegation to Ottawa to accept the proposed agreement. They say, "It was no longer a question of what India stood to gain, but of what she stood to lose," and our colleagues in the Majority Report stress the insurance value of the Ottawa Agreement in the case of several commodities. Surely, it is evident that if United Kingdom could penalise India in case the latter did not concede preferences to her imports as against other countries, it is not very unnatural to assume that those other countries might be discouraged to buy Indian articles, if India discouraged the importation of their goods. This apprehension has been uppermost in the minds of those who were not inclined to regard an agreement like this which



covers much the greater and a very valuable portion of India's trade, with favour. This is not merely a question of retaliation, which, however, must not be ruled out, human nature being as it is, but it is an economic law of international trade that we cannot generally be expected to sell our goods to another country unless we in our turn are prepared to buy that country's products. In the articles on which the United Kingdom has received preferential treatment under the Agreement, she was been able to increase her share in the Indian market from 29 per cent. in 1932-33 to over 45 per cent. in 1933-34, while even in the normal years 1928-29 and 1929-30 before the Agreement her share was only about 24 per cent. At this rate we see little difficulty in the way of United Kingdom acquiring a monopolistic position in this extensive class of goods, thus substantially reducing the margin left for other countries. This is bound to react seriously on India's export markets in foreign countries, and consequently reduce India's chances of having an adequate favourable balance of trade. It will also necessarily stunt the growth of many indigenous industries. Nor should we fail here to take into account the effects of preferences and differential duties in the case of the two important protected industries of India, *viz.*, the Textile and Iron and Steel, as incorporated in the Acts recently passed.

In this connection, we would refer to the telegram from the Dealers in Hides and Skins already cited, and to a telegraphic message of Reuters from Brussels, dated 24th August, which runs to this effect: "Belgian industrial circles are reported to be considering desirability of purchasing supplies of raw cotton, oil seeds, hemp, oil, cakes, jute, rice, zinc, ore, etc., from other countries than India, in view of the fact that the proposed Indian duties on iron and steel products will eliminate Belgian products. According to trade returns of 1931-32, Belgium imported goods from India valued at 44½ million rupees, while she exported to India 30 million rupees worth of goods only."

*Restrictive measures in foreign countries.*—The list of restrictive measures applied by foreign countries against imports since 1927 (Appendix IV to the Majority Report) does not, as observed by our colleagues, show that any foreign country has adopted such measures separately by way of retaliation because of the Ottawa preferences to United Kingdom. Most of these restrictions are apparently based on national economic grounds, but the list of 1933-34 shows that it was in that year that the largest number of countries adopted such a policy. We may specially mention Japan in connection with Indian pig iron; Rumania which has placed quota restrictions apparently on all countries, including of course India; Australia prohibiting altogether the importation of barley, rice, bran, etc., unless accompanied by licence; Germany which has imposed restriction on the importation of various textile materials, such as cotton, wool, jute, hemp, flax and non-precious metals and imports of coffee, hides and skins, silver, nails, wool-waste, artificial wool, yarn of wool and other animal hair, in order to adjust her trade balance due to decline in her exports; Greece prohibiting use of linseed oil in order to protect her oil industry; and Italy restricting imports of oilseeds into Italy, in order to adjust her trade balance against countries with which she has an adverse trade balance; Indo-China imposing general restrictions on imports of cotton goods by fixing quotas. These examples amply bear out our contention that if India is to export her products to foreign countries, she can do so only in exchange for

commodities from those countries. It makes no difference in the result whether the motive actuating the action of foreign countries is retaliation pure and simple, or the adjustment of their trade balance. We strongly recommend to the Government and to the legislature that if we are to retain our foreign markets, the question of trade agreements with countries like Germany, Italy and others should be seriously considered. Only the other day we entered into such an agreement with Japan with respect to cotton and cotton goods. The haphazard system of indefinite preferences such as those contained in the Ottawa Trade Agreement, is not going to help India, on the other hand, we feel convinced, it will, if continued much longer, vitally injure our trade and industries and the country's finances.

*Price-levels of Indian commodities.*—We are much struck by the absence of any mention in the Majority Report of the question of prices of our agricultural product. The position in this respect is indeed very serious. From the Review of Certain Main Items of Foreign Trade during the Calendar Year 1933, we find (see table IV at page 6) that while the index numbers (based on July 1914 as 100) of all commodities mentioned therein (*viz.*, rice, wheat, tea, oil seeds, jute raw, hides, skins, jute manufactures, cotton manufactures, metals, sugar, etc.) was 143 in September 1929, in December 1931 it fell to 98, in December 1932 it fell to 88, in December 1933 it was 89, an increase by 1. The percentage of decline on the basis of September 1929 in December 1933 was 38.

As regards the general price-level, it is observed, "It will be seen from series (meaning table III, page 5) that the decline in the export price-level has been much heavier than that in the import price-level during 1933, as compared with September 1929." From table I at page 2 where comparison is made between the index number of wholesale prices of India, United Kingdom, United States of America, Canada, Australia and Japan, it will be seen that the fall in the case of India since September 1929 has been far greater than in any of the other countries. At page 7, paragraph 13 under the heading "Value of Some Main Crops" the Review States, "The foreign table also brings into relief the generally heavier fall in the prices of agricultural produce than in those of manufactured goods. India being preponderatingly an agricultural country, this greater fall has naturally effected the income of the agricultural population adversely". The extremely low price-level of Indian commodities is as definite a proof as one can desire, of the fact that such an arrangement as the Ottawa Trade Agreement cannot be expected to help India towards national recovery.

India has undoubtedly participated to some extent in the general trade revival. But as we have observed, it cannot be said that the Ottawa Trade Agreement has to any appreciable degree contributed towards it; on the other hand, we believe that her recovery would have been greater and more rapid but for the Agreement's injurious effects on our trade with foreign countries. We are aware that the United Kingdom, the other party to the Agreement, has immensely improved her trade prosperity. A British official wireless, dated 25th August, says that industrial activity in the United Kingdom in the second quarter of this year is 9.7 per cent. greater than in the first quarter of 1934 and 14.1 per cent. in the second quarter of 1933. The general index for

Britain for the last quarter is the highest recorded since the March quarter of 1930. The index for manufacturing industries is 118·4—based on the quarterly average of 1924 equalling 100—the highest since 1927, the previous highest being 117·4 for the December quarter of 1927. The message then goes on to state that all the four groups of British railways were extra busy, and their receipts represented some of the highest recorded since 1930, and that increases were seen in almost every department.

It is not possible for us to say what have been the factors that have enabled Britain to emerge so completely out of the economic depressions. But whatever contribution the Ottawa Trade Agreement with India may have made towards it, that could but account for a small portion of the British trade and economic recovery. We may also mention that the remarkable revival of trade in the United Kingdom was naturally reflected in the last British budget, which showed a realised surplus of 39 million pounds. We do not know yet what the exact financial position of the Government of India is at present, nor what are their estimates of the revenues. But from some of the speeches of the Finance Member in course of the debate on the Iron and Steel Protection Bill, it may well be doubted whether there is going to be any marked improvement in our budgetary position. We, therefore, repeat that it is impossible to hold that the Ottawa Trade Agreement is going to relieve to any extent our present economic and financial situation.

*Imports.*—From the statistics supplied to us, the United Kingdom has undoubtedly improved her position in the Indian market *vis-a-vis* the foreign competitors. That, under the circumstances, was fully expected. We also agree with our colleagues that the prices of the imports have in several cases been reduced and in a very few cases have gone up. To that extent Indian consumers may not have suffered any loss, while the United Kingdom has benefited. But it is as much the concern of the British Government as of the Government of India that India's trade balance should be restored to its former level specially as the exports of gold, which so far enabled that balance to be preserved to some extent, have been diminishing. It will appear from the Review mentioned above (pages 12-13) that while in 1932 the value of gold exported was more than 6 crores a month on the average, in 1933 it was a little more than 4 crores a month, while in November and December of that year it went down to 2,53,23,000 and 2,42,07,000 respectively. Since then the exports of gold have gone on declining further, and last week, we believe, there was no export of gold at all.

*Whether customs revenue affected.*—As regards the effects of the Ottawa preferences on the customs revenue, Appendix III to the Majority Report gives the figures in three separate tables: (1) Tariff headings entirely affected by the Ottawa Agreement, showing net gain of 5,10,000, (2) Tariff headings partially affected, showing net loss of Rs. 68,24,000 and (3) Tariff headings entirely unaffected, showing net loss of 5,63,70,000. The returns given are for 12 months of 1933-34, the comparison being made with 1932-33, during the three months of which year the Ottawa preferences were in force. We asked that the tariff headings under table (2) should show separately those items that are not affected by the Ottawa preferences, but we have not been supplied with such separate figures. However that may be, the loss in customs revenue

in 1933-34 as compared with 1932-33 has been more than 6 crores, out of which the protected heads, sugar, cotton piecegoods and iron and steel account for 4-30 crores. Therefore, the loss under unprotected heads including those affected and not affected by the Agreement is a little less than 2 crores. We should have been able to tell more accurately to what extent the preferences to imports from the United Kingdom had actually affected our revenues, if table (2) had been divided into two parts, as we suggested. The decline in our imports trade is certainly directly connected with the decline in our export trade. Therefore, unless, our exports to foreign countries show considerable improvement, no improvement can be expected in the customs revenue.

*Whether the Agreement has affected Indian Industries.*—As on the previous occasion when the proposed Ottawa Trade Agreement was under consideration so now when we are asked to examine the results of the operation of that Agreement during a period of 15 months, we have not been placed in a position to ascertain the effect of preferences to United Kingdom imports on our own indigenous industries. We are told that the Commerce Department communicated with the Directors of Industries in the provinces, and that the only representation that was received on the subject was from the Aluminium Utensil Manufacturing Industry. It is true that in paragraph 18 of the Majority Report on the proposed Ottawa Pact it was recommended that there should be included in the report a statement of Indian industries, if any, which have made representation to the Government in regard to the effect upon them of the import preferences, and a statement of the action taken by the Government on such representations. It seems that the Commerce Department, and, following their example, the majority of this Committee have, therefore, confined themselves to the effect of the Ottawa Agreement on the only industry which made representation. But it has been overlooked that it was also recommended to the Assembly that this Committee should report what effect the preferences contained in the Agreement had upon the industries generally. This is a matter of such paramount importance that we are surprised that though nearly two years have elapsed since the report of the Ottawa Agreement was submitted to the Assembly, the Government have not been in a position to furnish us with any data or information upon which we could come to a satisfactory conclusion. Evidently, no statistics have yet been prepared of industries other than the few larger concerns, and we see no justification for such neglect. Even if the Commerce Department had insisted upon the Directors of Industries to take proper and adequate steps to ascertain the effects of the preferences on the various industries within their respective jurisdictions and supplied us with their reports, we should have been in a position to come to some conclusion on the subject. We must draw special attention of the Assembly to this matter.

*Ottawa and non-self-governing colonies.*—With regard to British non-self-governing colonies, we are surprised to find that Ceylon has not yet ratified the Agreement, although we give her all the preferences asked for. Here again the Government of India should consider the advisability of entering into a separate agreement with them, not on the basis of the Ottawa Agreement, but on the lines we have suggested elsewhere.

*Examination of some items of export.*—Having dealt with the general aspects of the economic and financial situation as affected by the Agreement,

we now proceed to deal with the more important individual items on the export side, in respect of which we differ from the majority of our colleagues.

*Rice.*—We believe that in the case of rice there is a definite indication of what would be the ultimate result of the Ottawa Scheme, inasmuch as certain foreign countries (like Germany) importing Agricultural produce from India have placed restrictions on the imports of rice from Burma. It may be that in placing restrictions on imports, no country has specifically mentioned the Ottawa Agreement as having influenced such action; but it is well known that the main object of such restrictions is to counteract the “passivity of trade balances of such countries due to declining exports”. And in so far as the operation of the Ottawa Agreement is calculated, if not actually intended by its supporters, to accentuate such passivity, India must be prepared for such restriction being placed upon her export trade with foreign countries.

The preference has not enabled India to make up her losses in the rice markets in non-Empire countries. Besides, Burma rice is inferior to foreign rice and, as admitted in the Departmental report, the Price element (which alone is influenced by the preference) does not wholly determine the choice of the consumer. In the face of these handicaps, we very much doubt how far preference will enable Indian rice to replace foreign rice of better quality. Besides, when Burma become separated from India, the foreign export trade in rice will have no importance for India.

*Linseed.*—We believe that the factors responsible for the increase of Indian linseed imports in U. K. were:—

1. Substantial decrease in the overage and production of linseed both in Argentine and U. S. A. As stated in the Departmental report, “what the position would have been if Argentine had a good crop is difficult to say”, and

2. The parity in favour of Indian linseed, which assisted its exports.

*Tea.*—If an impartial examination of the various important factors affecting this trade were to be made, it would be found that Indian tea has not secured any advantage under the preference, and the plea of the insurance value of the preference is not convincing. It is noteworthy that Ceylon enjoys the same preference though she is not a party to the Ottawa Scheme.

*Tanned Hides and Skins.*—England appears to have an entreport trade in these articles and the preference scheme may encourage this at the cost of direct trade with non-Empire foreign countries.

*Jute.*—We do not agree that the preference permits the Indian exporter to compete “on equal terms” with the British manufacturer. Taking into consideration the fact that India scarcely exports to U. K. 6 to 8 per cent. of her total exports of these articles, the U. K. market is of comparatively little importance to India. It must be remembered that India holds practically a monopoly in the non-Empire foreign countries in respect of jute.

*Tobacco.*—We fail to see the “potential value” of the preference to Indian cigarette tobacco, when we remember that whatever cigarette tobacco India may produce in future will probably be absorbed by the cigarette industry in the country itself.

*Pig Lead.*—There has been an increase in exports to U. K. at the cost of exports to non-Empire countries. This seems to be a case of diversion of

trade. The preference is enjoyed by India along with other dominions and the advantage which India got is very slight, when compared to that secured by Australia which captured all the available margin from non-Empire countries. We may also mention that lead is a product of Burma and not of India proper.

*Cocconut Oil.*—India did not get any foothold against competition from other dominions, while they increased their import into U. K. at the cost of foreign countries.

*Groundnut Oil.*—As noted in the Departmental report, the “parity has generally been greatly in favour of India and hence her increased share of the trade”.

*Coffee.*—We desire to record that the hopes entertained by Government at the time of the Ottawa Agreement did not materialise and that the apprehension expressed by the Minority of the Special Committee of the Assembly that India would not gain anything by the preference and that British African coffee would have a better advantage over Indian produce, has come to be true. It is again a case of India not gaining any advantage as against other dominions. Same is the case with export of groundnuts from India.

*Sandalwood Oil.*—It appears to be a case of diversion of trade, France disappearing from the field of India's consumers.

*Raw Cotton.*—Whatever advantage may accrue to the Indian cotton grower depends on the grace and goodwill of the Lancashire Textile industry. Non-Empire foreign countries might be willing to consume Indian cotton in greater quantities if tariff preferences accorded to Lancashire were offered to them. The Indo-Japanese Trade Agreement confers a more definite advantage on India.

*Conclusions.*—Our general conclusions are as follows :—

1. The preferences given by the United Kingdom to our agricultural products have not to any extent that matters helped India to recover lost ground. On the other hand, the preference given by us to U. K.'s import have adversely affected our foreign markets.

2. The heavy deficiency in our exports, which is the most disquieting feature of the situation, is mainly due to the weakening of our foreign markets, and the small increase in the exports that there has been in 1933-34 as compared with the previous year, is not such as to reassure us that India is on the fair way to economic and financial recovery.

3. Having regard to the economic policies adopted practically by all other countries, trade agreements on the basis of mutual interests seem to be inevitable. We, therefore, recommend to the Government of India that they should take immediate steps to come to definite agreements on the system of quotas with all important countries that deal with us, including the United Kingdom, so that our trade position may be established on a surer basis. The Ottawa Agreement should at least be modified to the extent necessitated by such agreements.

ABDUL RAHIM.  
K. C. NEOGY.

The 30th August, 1934.

M355LAD-450-7-9-34-GIPS